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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

September 7, 2017 - 10:10 a.m.
Concord, New Hampshire

27 SEP '17 AM 8:27

RE: DG 16-852
LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP. d/b/a
LIBERTY UTILITIES, INC.:
Petition for Expansion of Franchise
to the Town of Hanover and City
of Lebanon.

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Commissioner Michael S. Giaimo

Jody Carmody, Clerk

APPEARANCES: Reptg. Liberty Utilities (EnergyNorth
Natural Gas) Corp. d/b/a Liberty
Utilities:
Michael J. Sheehan, Esq.

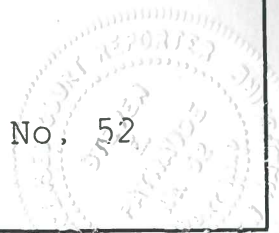
Reptg. the City of Lebanon:
Clifton C. Below, Councilor
David Brooks, Planning Director
Chris Christopoulos, Fire Chief

Reptg. the Town of Hanover:
Julia Griffin, Town Manager

Dr. Jonathan Chaffee, *pro se*

Devin Wilkie, *pro se*

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



**CERTIFIED
ORIGINAL TRANSCRIPT**

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APPEARANCES: (c o n t i n u e d)

Reptg. Residential Ratepayers:
Brian D. Buckley, Esq.
Pradip Chattopadhyay, Asst. Cons. Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Stephen Frink, Asst. Dir./Gas & Water

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P R O C E E D I N G

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2 CHAIRMAN HONIGBERG: All right. Good
3 morning, everyone. We're here in Docket DG
4 16-852, which is a petition by Liberty
5 Utilities (EnergyNorth Natural Gas) for a
6 franchise in Hanover and Lebanon. This is a
7 scheduled hearing on the merits. There is a an
8 agreement that's been filed by the Company, the
9 OCA, and Staff. We have a number of people I
10 can see from the public, a subset of them have
11 signed up to provide public comment.

12 Before we do anything else, let's
13 take appearances from the parties and the
14 intervenors, the people who have been granted
15 official status in this.

16 MR. SHEEHAN: Good morning,
17 Commissioners. And congratulations on your
18 appointment, Commissioner Giaimo. Mike
19 Sheehan, for Liberty Utilities (EnergyNorth
20 Natural Gas).

21 CHAIRMAN HONIGBERG: Off the record.

22 *[Brief off-the-record discussion*
23 *ensued.]*

24 CHAIRMAN HONIGBERG: Intervenors,

1 let's see who's here. Is Town of Hanover here?

2 *[No indication given.]*

3 CHAIRMAN HONIGBERG: City of the
4 Lebanon?

5 MR. BELOW: Yes. Good morning,
6 Commissioners, Mr. Chairman. I'm Councilor
7 Clifton Below, on behalf of the City of
8 Lebanon. And here with me today are our
9 Planning Director, David Brooks, and our Fire
10 Chief and Emergency Management Director, Chris
11 Christopoulos.

12 CHAIRMAN HONIGBERG: And it would be
13 helpful if you would speak into the microphone,
14 too, although I think the people to your right
15 could hear.

16 Is Ms. Arwen here? Oh, there she is.

17 MS. ARWEN: I moved to Vermont. So,
18 I'm not an intervenor any longer.

19 CHAIRMAN HONIGBERG: Okay.

20 MS. ARWEN: I've been off the service
21 list.

22 CHAIRMAN HONIGBERG: Okay.

23 MS. ARWEN: Thank you.

24 CHAIRMAN HONIGBERG: Dr. Chaffee?

1 DR. CHAFFEE: Jonathan Chaffee.

2 CHAIRMAN HONIGBERG: "Chaffee".

3 DR. CHAFFEE: Yes, sir.

4 CHAIRMAN HONIGBERG: And I think you
5 were speaking into the microphone, but it
6 wasn't on.

7 DR. CHAFFEE: Jonathan Chaffee.

8 CHAIRMAN HONIGBERG: Is Samantha
9 White here?

10 *[No indication given.]*

11 CHAIRMAN HONIGBERG: How about Devin
12 Wilkie?

13 MR. WILKIE: Yes. Good morning.
14 Devin Wilkie.

15 CHAIRMAN HONIGBERG: All right. Did
16 I miss anyone who was granted intervenor
17 status? Who are you, ma'am?

18 MS. GRIFFIN: I'm sorry I'm late.
19 Julia Griffin, Town of Hanover.

20 CHAIRMAN HONIGBERG: The Town of
21 Hanover is here.

22 MR. BUCKLEY: Good morning,
23 Commissioners. And congratulations,
24 Commissioner Giaimo. My name is Brian D.

1 Buckley. I'm staff attorney with the Office of
2 the Consumer Advocate. To my left is
3 Dr. Pradip Chattopadhyay, Assistant Consumer
4 Advocate. And we're here representing the
5 interests of residential ratepayers.

6 MR. SPEIDEL: Good morning,
7 Commissioners. I've already sailed on
8 Commissioner Giaimo's maiden voyage already.
9 So, I just want to greet you all.

10 And Alexander Speidel, representing
11 the Staff of the Commission. And I have with
12 me Assistant Director Steve Frink, of the Gas &
13 Water Division.

14 CHAIRMAN HONIGBERG: All right. I
15 think before we hear about -- hear from the
16 parties and their presentation, we have members
17 of the public who wish to speak. It makes
18 sense to me to have the public comment first,
19 so those who want to leave can leave.

20 Do the parties agree? Did that make
21 sense?

22 *[Multiple parties nodding in the*
23 *affirmative.]*

24 CHAIRMAN HONIGBERG: Okay. Thank

1 you. Are there preliminary matters we need to
2 deal with before we get started?

3 Mr. Speidel.

4 MR. SPEIDEL: Yes, Mr. Chairman.

5 Staff would recommend that, with regards to the
6 two motions for confidential treatment that
7 have been filed by the Company regarding the
8 material submitted in this proceeding, that the
9 Commissioners rule on that at a later time by
10 order, and that they await potential objections
11 from the parties and intervenors regarding the
12 second motion that just came in very recently,
13 given the short amount of time that the parties
14 have had to consider the material.

15 And I do note that the Office of the
16 Consumer Advocate filed a contingent objection
17 to the first motion for confidential treatment,
18 and that is worthy of some contribution as
19 well.

20 So, that would be Staff's
21 recommendation with regards to the motions for
22 confidential treatment.

23 CHAIRMAN HONIGBERG: Mr. Speidel, for
24 the benefit of those who are not familiar with

1 the processes here, what do our rules say about
2 how we will deal with confidential information
3 while a motion is pending before it's been
4 ruled on and, frankly, after it's been ruled
5 on?

6 MR. SPEIDEL: Well, it would be
7 treated as if the motion had been granted. So,
8 the material for which confidential treatment
9 has been requested will be maintained
10 confidentially by all the parties and the
11 Commission pending a ruling on the motion. If
12 a motion is adverse, then the material that is
13 released from confidential treatment would be
14 released from treatment.

15 But, generally, the rule is, pending
16 a motion, the material is kept confidentially.

17 CHAIRMAN HONIGBERG: Is it not also
18 the case that, until a party's appeal rights
19 have run, if a motion for confidential
20 treatment is denied in part, that, for as long
21 as the person who sought confidential treatment
22 has rights to appeal, the information is
23 considered and held confidential?

24 MR. SPEIDEL: That is correct.

1 CHAIRMAN HONIGBERG: I have an
2 understanding that some of the intervenors did
3 not sign nondisclosure agreements. Is that
4 correct?

5 (Atty. Speidel nodding in the
6 affirmative).

7 CHAIRMAN HONIGBERG: So, if there is
8 confidential information that's going to be
9 used, all members of the public and those who
10 have not signed nondisclosure agreements are
11 going to be asked to leave. Does everyone
12 understand that?

13 *[Multiple parties nodding in the*
14 *affirmative.]*

15 CHAIRMAN HONIGBERG: Okay. I see
16 nodding heads, that's always encouraging, and I
17 like that. The people haven't started falling
18 asleep yet, so that's not why they're nodding.

19 Is there anything else we need to
20 deal with before we hear from those members of
21 the public who wish to speak?

22 *[No indication given.]*

23 CHAIRMAN HONIGBERG: All righty.
24 Then, we're going to take them in the order in

1 which they signed up. There is a seat we've
2 set up for folks where a microphone is set up,
3 and we're going to ask you to speak into the
4 microphone. If you are reading from something,
5 I'll ask you to leave a copy with the
6 stenographer, the court reporter who is sitting
7 right in front of me. It will help make sure
8 that your remarks are transcribed correctly.
9 Also, if you're going to read, please read
10 slowly enough, so that we can follow you and
11 the court reporter can follow you.

12 I think those are the most important
13 messages I have to deliver. There are eight
14 people who have signed up to speak. We would
15 ask that you not repeat things that others have
16 said. You can feel free to agree with someone
17 who has just spoken. We're not going to put a
18 clock on you, but we would ask that you respect
19 your neighbors and the others who are here who
20 wish to speak and not monopolize time that you
21 don't need.

22 So, with that, I can read two of the
23 first three names. Laura Simon, I'm having
24 trouble with the second name, it might be Sam,

1 and the last name might be Shain. What's the
2 first name?

3 MR. SHAIN: Sam.

4 CHAIRMAN HONIGBERG: It is Sam.

5 Okay. That's the second speaker. And the
6 third speaker is going to be Geoffrey Gardner.

7 So, Ms. Simon, wherever you are, if
8 you could come up to where this microphone is
9 set up, that will be helpful.

10 MS. SIMON: Good morning. And thank
11 you for the opportunity to speak. My name is
12 Laura Simon. I live within a mile or so of the
13 border of Hanover and Lebanon, in Vermont. I
14 have been working on other pipelines in the
15 region, including in Addison County, the
16 Vermont gas pipeline, and the Massachusetts
17 pipeline going through a state park right now.

18 I would like to mention that we've
19 been told by construction companies in those
20 areas, the gas companies, Vermont Gas, how safe
21 gas is. But we have found faults in
22 construction, such as pipelines that were laid
23 shallow.

24 By the way, I didn't know until I

1 arrived that people besides the intervenors
2 would be allowed to speak. And I appreciate
3 that. But this is as best prepared as I could
4 be.

5 CHAIRMAN HONIGBERG: You're doing
6 great so far.

7 MS. SIMON: I'm concerned about this
8 hearing being held here. I'm speaking on
9 behalf of other people who work, and this is an
10 hour away for them and they cannot make it.

11 So, the faults that had been found in
12 the pipeline I was referring to in Addison
13 County included pipelines that were more
14 shallow than in regulations should have been.

15 I appreciate yesterday, when I
16 attended the Lebanon City Council Meeting, that
17 Liberty shared with us how wonderful they are
18 doing energy efficiency. And that's what we
19 need in this country, in this region, and the
20 cities in that area. And we appreciate it very
21 much. That doesn't mean we agree with
22 everything that Liberty is choosing to do right
23 now, and their parent company.

24 I want to share some of what people

1 shared at the meeting last night, folks who
2 cannot be here. Many of the large customers
3 that we hear are discussing this as an option,
4 the pipeline, we know are now having their gas
5 trucked in. And we understand, people are
6 using oil, people are using trucked-in gas.
7 That is part of how we're surviving in our
8 world right now.

9 We don't need a pipeline that brings
10 in gas, if they're already using gas. Part of
11 the concern would be that it would need to rip
12 up the streets and disrupt traffic. And, by
13 putting in the pipeline, that's going to add
14 more trucking happening in an area that is
15 already quite full of traffic.

16 I would like to challenge all the
17 people who work full-time in this field to be
18 updated on the latest research on methane. In
19 the past few years, we have shown that methane
20 causes far more damage in the environment than
21 what we already knew were problems with the
22 other fossil fuels. And this damage leads to
23 climate crisis.

24 And that I think right now is pretty

1 obvious that what we can see what's happening
2 in the climate is we're having an increase in
3 the number of climate disasters and an increase
4 in the intensity.

5 So, I'm here to tell you that it does
6 not even make sense to be discussing this right
7 now, when half of Florida is being evacuated,
8 when people are trying to put their lives back
9 in Houston, and when this region was destroyed
10 by Irene, and not to mention many of the other
11 crises happening all over the world.

12 And I'm sure Liberty sees what
13 they're doing as separate and they see their
14 gas as good. Myself, and I'm sure the speaker
15 two away from me, Geoffrey, can send you
16 research that would be -- we'd be glad to prove
17 the information that this is not safe, this is
18 not what we need in this region at this time.

19 Thank you.

20 CHAIRMAN HONIGBERG: All right. The
21 next speak is Sam Shain, to be followed by
22 Geoffrey Gardner and Joanna Sharf.

23 MR. SHAIN: Hi. I'm Sam Shain. I'm
24 18. And I'm a realist[?] from Kearsarge

1 Regional High School. I am taking a variety of
2 courses, most of them are science courses. And
3 what I know is my generation, and generations
4 to come, are doomed if this pipeline gets
5 built. The greenhouse gas emission from any
6 pipeline any more will put us pass the tipping
7 point. It's a death sentence for us, and in an
8 insult to the community in which it has --
9 which values renewable energy.

10 You need to -- we need to ensure that
11 there is safety for future generations to a
12 world which is livable, not just one that has
13 been screwed over by gas pipelines.

14 So, I think I speak for a lot of
15 young people, please don't frack us over.

16 CHAIRMAN HONIGBERG: Next is Geoffrey
17 Gardner, to be followed Joanna Sharf and Ariel
18 Arwen.

19 MR. GARDNER: My name is Geoffrey
20 Gardner. I live in Bradford, Vermont, in the
21 Upper Valley. And, so, even though I'm not a
22 New Hampshire citizen, I will directly be
23 affected by this pipeline should it go through.

24 I think, with this hearing, as with

1 many other hearings that I've attended in many
2 other places, the issues can be construed very
3 narrowly in terms of familiar things to
4 rate-setting boards. How much will this cost
5 people who are so-called ratepayers? How much
6 will the Company benefit? How will the product
7 be distributed efficiently, or inefficiently?
8 And those are all very narrow questions, and
9 they're legalistic questions.

10 In fact, what I think you have in
11 front of you is a huge moral concern. This is
12 an ethical issue. I think the three of you are
13 aware of what, not only this area of the Upper
14 Valley is facing, but what Vermont and New
15 Hampshire are facing, what the country as a
16 whole is facing, what the world is facing, in
17 terms of climate change and the disaster that
18 it promises to bring to people widely.

19 I think that really is your first
20 concern. Not an irrelevant concern, and it's a
21 broad concern, and I think it overwhelms the
22 legal issues and the economic issues.

23 And I hope you keep that in mind as
24 you deliberate.

1 CHAIRMAN HONIGBERG: Next up is
2 Joanna Sharf, to be followed by Ariel Arwen and
3 Judy --

4 MS. COLLA: Colla.

5 CHAIRMAN HONIGBERG: -- Colla?

6 MS. COLLA: Correct.

7 MS. SHARF: Hello. My name is Joanna
8 Sharf. I live in Cornish, New Hampshire. I
9 work as an electrician. I want to speak today
10 mainly to the issue of whether this application
11 for a franchise is in the public good.

12 I mean, there are a lot of reasons,
13 environmentally and financially, that I don't
14 think this is a wise and viable project. But I
15 don't believe it really will serve the
16 interests of this region.

17 Hanover -- you will probably hear in
18 more detail, and have already heard, that
19 Hanover has adopted a 100 percent renewable
20 energy goal. And I believe you will hear from
21 Lebanon today that their Master Plan is --
22 speaks against the use of natural gas in the
23 region and adopts a very aggressive renewable
24 energy goal.

1 And, also, the town -- my town, and
2 our neighboring town, Plainfield, are actively
3 involved in presenting to our towns for a vote
4 at Town Meeting in March of 2018 similarly to
5 adopt the 100 percent renewable goal by the
6 year 2050. And we feel -- we are very
7 confident that it will pass.

8 In addition, our town and other Upper
9 Valley towns are participating in a Weatherize
10 Program, which will start in January of 2018,
11 which will be getting a lot of households in
12 our area insulated and made very energy
13 efficient, so that the heating needs will
14 reduce. And we have a very ambitious goal,
15 which we -- and this has already been piloted
16 in Vermont, and now it's coming to the New
17 Hampshire side. And we have an ambitious goal
18 of reaching a great number of residents in our
19 towns.

20 Also, a lot of people who live in
21 Plainfield and Cornish work in and own
22 businesses in Lebanon and Hanover. And I,
23 myself, to reach my customers, I drive that 12A
24 corridor every day, right past the Lebanon

1 landfill.

2 And the towns in the area, the
3 residents in the area, have clearly expressed
4 that they are not interested in this pipeline.
5 And instead, are very interested in moving
6 toward renewable sources of energy for heating
7 and other energy needs.

8 And, to determine what is in the
9 public good is to look at what the region is
10 doing and what will benefit the region. And
11 this pipeline is not going to bring what the
12 region wants and what will benefit the region.

13 If we're looking just ten years
14 ahead, things that should be strongly taken
15 into consideration is whether the availability
16 of natural gas will be as abundant as is
17 claimed; whether prices will be as low as they
18 are now. And I am very sure that that is not
19 the case. And facts show that this is not an
20 abundant resource. In fact, it's very limited.

21 And I think that the public good, for
22 this region and elsewhere in our nation, is to
23 look toward renewable sources of energy, and
24 not invest in an infrastructure that will lock

1 us into a resource that is limited and
2 dangerous for our environment.

3 In addition, the agreement that
4 Liberty has reached with the PUC Staff and the
5 OCA, I'm very concerned about whether it will
6 be monitored, what is considered a "50 percent
7 sign-up" of customers. So, I urge you to
8 please not -- not grant this franchise.

9 Thank you very much.

10 CHAIRMAN HONIGBERG: Ariel Arwen, to
11 be followed by Judy Colla and Bart Guetti?

12 MR. GUETTI: Yes. You got it.

13 MS. ARWEN: Thank you for the
14 opportunity to speak. Briefly, what the
15 citizens in Lebanon wish for is that, instead
16 of Liberty Utilities focusing on this project,
17 that it embrace electrification on a broad
18 scale, which would benefit Liberty in its
19 electric business. Therefore, we could move
20 toward renewables, with heat pumps for heating,
21 electric vehicles for transport, and renewable
22 distributed electricity generation.

23 And, from things that I've been
24 reading, it seems to me that the fact that

1 Liberty's parent company, Algonquin Power,
2 which is partnered with Kinder Morgan, who have
3 the aim of exporting natural gas, is playing a
4 role not only with this franchise petition, but
5 all around New Hampshire and the region, as a
6 motivating factor to establish need, which FERC
7 requires in order to approve a pipeline. So, I
8 feel, in a way, that we're pawns in that game.

9 As Laura referred, if companies want
10 natural gas, let them get it trucked. If you
11 put new fossil fuel infrastructure in the
12 ground, who's average depreciation life is
13 about 50 years, it's not moving in the
14 direction that the towns have expressed that
15 they wish to go on many levels.

16 And, as the exports increase, the
17 prices will surely go up. So, for the claims
18 to be put that the price will remain low far
19 into the future seems disingenuous to me.

20 So, I wish that Liberty would see
21 what amazing opportunities there would be, if
22 they would come along with what people want and
23 work on the electric end of things.

24 Thank you very much.

1 CHAIRMAN HONIGBERG: Judy Colla, to
2 be followed by Bart Guetti, I think we decided,
3 and Representative Lee Oxenham.

4 MS. COLLA: Good morning. My name is
5 Judy Colla. And I'm a 30-year resident of
6 Hanover, New Hampshire. I'm Vice Chair of the
7 Sierra Club Upper Valley Group. I was a lead
8 volunteer with the Ready For 100 Campaign. And
9 I am currently a volunteer with a committee
10 in -- with a town committee in Hanover that
11 will be implementing a goal of 100 percent
12 renewable energy by 2050.

13 I am here to basically endorse what
14 Joanna Sharf and Ariel Arwen have just said.
15 Basically, I want to address the issue of
16 public -- the public good.

17 It's my understanding that people
18 have used the argument of "public good" in
19 towns such as Pelham, where the Selectboard has
20 been in support of a gas line, that they have
21 used the support of the Selectboard to endorse
22 their feeling that it was part of the public
23 good. So, I would like you to extend that
24 rationale, and look at the lack of support in

1 the Upper Valley for this gas infrastructure,
2 to help you decide against this franchise.

3 In Hanover, I think you already know
4 that, on May 9th, Hanover voted, more than two
5 times the normal number of people who go to
6 town meeting showed up for a town meeting on
7 May 9th. They overwhelmingly, virtually
8 unanimously, one slight voice was against it,
9 in a voice vote, voted for the Ready For 100
10 Campaign, which was to be 100 percent renewable
11 by 2050. It's very clear that being
12 100 percent renewable by 2050 is completely
13 incompatible, there is no overlap with a gas
14 infrastructure. So, it's very, very clear that
15 the Town of Hanover is opposed to this gas
16 infrastructure.

17 Folks stayed most of the night for
18 Article 25, which was our article. And, after
19 that article, a large number of people left for
20 the last two articles. So, the increase in
21 people there had to do with Article 25.
22 Certainly, it was a big, big contribution to
23 the large crowd.

24 Last night, I attended the Lebanon

1 City Council, and I understand there was much
2 discussion about how this gas infrastructure is
3 not compatible with the town's energy goals.
4 And I think the sense of the room was very much
5 opposed to this gas infrastructure. In fact,
6 the representative from Liberty utilities who
7 was there even mentioned the fact that the
8 sense of the room was not with Liberty
9 Utilities.

10 So, I guess what I want to say that,
11 in terms of the public good, there is virtually
12 no support, other than Liberty Utilities, for
13 this infrastructure in the Upper Valley. We
14 want to go in a different direction. It's time
15 to go in a different direction. And it's
16 really upon all of us to galvanize our
17 political will to be going in a different
18 direction.

19 I would like to reiterate what Ariel
20 Arwen has said. We invite Liberty Utilities to
21 work with us to electrification. This is going
22 to be key to moving towards 100 percent
23 renewable. They're part of Algonquin Power,
24 which prides itself in being involved with

1 renewable energy. And, so, we would like
2 Liberty Utilities to be on the right side of
3 history with us. And we would like to work
4 with Liberty Utilities. And that involves
5 their potential in electrification, and not
6 natural gas.

7 Thank you.

8 CHAIRMAN HONIGBERG: Bart Guetti, to
9 be followed by representative Oxenham.

10 MR. GUETTI: Hi. I'm Bart Guetti.
11 Thank you very much for the chance to speak.
12 And I'm pretty much in agreement with all the
13 comments that people have made so far.

14 As clean-up batter here, I guess the
15 only thing left that I would like to elaborate
16 a little bit on is there was one mention made
17 of the environmental speaker here, what was his
18 name?

19 FROM THE FLOOR: Geoff Gardner.

20 MR. GUETTI: Gardner, Joe *[sic]*
21 Gardner, mentioned that the environmental
22 concerns dwarf the economics. And I think -- I
23 believe, if I heard him correctly. I'd like to
24 speak to the economics. But I think that the

1 competitive advantage that the fossil fuel
2 industry has right now has a lot of tax
3 advantages and so on that could negatively
4 impact emerging start-ups that are trying to
5 get off the ground with green technologies,
6 renewable energy technologies. So, hopefully
7 that gets considered in this agreement.

8 Also, I would like to see that -- I
9 spoke with Mr. Sheehan last night after the
10 meeting, and I understand that the project is
11 going to be implemented in phases. And I would
12 like to -- hopefully, after each phase, a
13 review is conducted, after each phase.

14 So, I just happen to be going through
15 the library yesterday, and this is Al Gore's
16 book "Truth to Power". And, if you flip
17 through it, and it's pretty powerful and
18 effective. And it's conveying the urgency I
19 think that we're facing as a society, and if
20 not a species, in dealing with the warming
21 climate. And I know everybody says "well, this
22 is just one little piece", you know, "this is
23 just one little project". But it's one of many
24 across the planet, and they're starting to add

1 up. And I think we're seeing it like real-time
2 right now, you know, in the past two weeks,
3 unprecedented events, that I think we should
4 take into consideration as we proceed.

5 Thank you.

6 CHAIRMAN HONIGBERG: Representative
7 Oxenham.

8 REP. OXENHAM: Good morning. Thank
9 you for taking my testimony.

10 As a State Representative, I
11 represent part of the Upper Valley:
12 Plainfield, Cornish, Springfield, and Grantham.
13 I live just outside the city limits of Lebanon.
14 Lebanon, culturally and commercially, is the
15 hub of the Upper Valley, and all the
16 surrounding communities are concerned with what
17 goes on inside its environs, and a little bit
18 further down the road, our other neighbor
19 Hanover.

20 As you're probably well aware, the
21 Upper Valley is closely interconnected by its
22 roads, by the air, by the water. Whatever
23 happens in the Connecticut River happens to us
24 downstream, whatever happens in the airshed is

1 breathed by my constituents, my neighbors, and
2 my family.

3 I wish to argue today that the
4 proposed project before you poses an
5 unnecessary and unwarranted threat to the
6 health, safety, and welfare of my constituents
7 and those living throughout the broader area.
8 I will argue that making further investments in
9 expanding fossil fuel infrastructure, such as
10 the project before you today, is the wrong
11 direction for energy policy in New Hampshire.

12 First, as to the risks imposed by
13 siting a natural gas transport, regasification,
14 and storage facility on 12A. The facility is
15 going to directly impact those in the area and
16 those that are proximate to it.

17 We've already heard about the fact
18 that this is located on a heavily trafficked
19 corridor. Those trucks are going to be
20 bringing volatile fuels through under all
21 weather conditions, under all road conditions.
22 And taking this right into the commercial core
23 of the Upper Valley I think is misguided at
24 best.

1 I'd like to skip a little of this,
2 because it's already been addressed. But there
3 are safety issues surrounding the potential for
4 methane leakage throughout the life cycle of
5 natural gas. So, whether it's when they're
6 off-loading from the trucks, whether they're
7 putting it into the storage facility, when
8 they're regasifying, at every single segment
9 there is going to be methane leakage. And
10 methane is 80 times as potent a greenhouse gas
11 as carbon dioxide. And natural gas, of course,
12 is over 90 percent, often 95 to 98 percent,
13 pure methane.

14 We're told it's a clean energy fuel
15 because it combusts cleanly. But, over the
16 life cycle, it is as dirty as coal.

17 As a member of the House Science,
18 Technology and Energy committee, and as an
19 intervenor in other proceedings here before the
20 PUC, I've participated in numerous energy
21 briefings about energy prices --

22 CHAIRMAN HONIGBERG: Slow down just a
23 little.

24 REP. OXENHAM: Okay.

1 CHAIRMAN HONIGBERG: We have a little
2 bit of a conflict between a very long written
3 statement and the need for you to read slowly
4 enough so that the stenographer can keep up
5 with you.

6 REP. OXENHAM: Thank you. I've
7 participated in numerous briefings on energy
8 markets and energy pricing, from PUC Staff,
9 Department of Environmental Services, the
10 utilities, and ISO-New England, among others.
11 One thing that's rarely mentioned is the fact
12 that there is no such thing as a free,
13 competitive market for energy. All too often
14 it's assumed that energy prices are the result
15 of an impersonal interplay of economic forces
16 of supply and demand. But whether our fuels
17 are coming across the ocean from OPEC or
18 they're coming from Pennsylvania's fracking
19 fields, we do not have a competitively
20 determined energy price for any of our fossil
21 fuels. All of these fuels have been heavily
22 subsidized, at public and at ratepayer expense,
23 since the inception of their use at the
24 beginning of the industrial revolution.

1 When you take into account the direct
2 subsidies and the externalities that are
3 imposed on our citizens, effectively, the
4 subsidies provided to fossil fuels dwarf the
5 meager measures that have been provided in
6 recent decades for renewable energy.

7 A 2014 report on U.S. and state
8 subsidies to the fossil fuel industry
9 identified \$21.6 billion in annual spending on
10 subsidies for oil, gas, and coal exploration
11 and production. The returns which Liberty
12 hopes to reap from this proposed storage and
13 pipeline complex are not the result of some
14 free market pricing, it's not because natural
15 gas is somehow cheap momentarily. There's no
16 level playing field here. The price signals
17 are not representative of the costs of the
18 competing sources of fuel. And they cannot be
19 reliably derived -- relied on when you're
20 making your decision.

21 One final point on the cost issue.
22 Liberty's returns on its investment in this
23 project, again, this is not going to be based
24 on the cost of capital or its projected returns

1 on the open markets. The rate of return will
2 be determined by you, the PUC, and the
3 repayment of those monies will be guaranteed by
4 you, the PUC. But the costs are going to be
5 imposed by Liberty on us, the ratepayers. No
6 matter what pollution-free, low cost,
7 environmentally friendly alternative comes up
8 in the next 40 to 60 years of the life span of
9 this project, the costs of this project will
10 continue to be paid by the ratepayers. If they
11 keep it in production, it will be in our bills.
12 If they take it out of production, because it's
13 outmoded or uneconomical, we'll get it as
14 stranded costs.

15 Liberty is not going to go bankrupt.
16 Liberty's shareholders are not going to be on
17 the hook. It will be the ratepayers who will
18 have to pay the costs for decades to come.

19 New Hampshire is already
20 overdependent on natural gas. Eversource's
21 Bill Quinlan came before STE and testified to
22 that fact, saying that we must reduce our
23 dependence on natural gas. Our state is being
24 put at risk of price shocks from disasters,

1 such as what we're seeing in Texas, and from a
2 long and vulnerable supply chain. We are
3 sending our energy dollars out of state. We're
4 increasing our vulnerability to the risks
5 associated with climate change, when we could
6 be keeping those dollars in the state,
7 supporting our economy, building a high-tech,
8 clean energy economy, and reducing our
9 vulnerability to climate change.

10 Just two weeks ago I spoke with the
11 President of the Lebanon Chamber of Commerce,
12 Rob Taylor, and asked him what kind of
13 legislation he'd like to see for the coming
14 year. And he had one proposal. It wasn't
15 about increasing access to fossil fuels. It
16 was about supporting the solar energy -- the
17 solar industry. He asked for action to assist
18 the burgeoning solar industry to provide
19 greater consistency and certainty to local
20 businesses, for measures that can enable these
21 businesses to invest and grow in New Hampshire.
22 He said "This is where we will get young
23 people, this is where we will keep Millennials
24 in the state, by having a thriving, high-tech,

1 clean energy economy."

2 We can build that successful,
3 thriving economy in the Upper Valley and
4 throughout New Hampshire. We can generate
5 high-paying jobs. We can attract and maintain
6 and retain our businesses, keep the Millennial
7 generation, attract new people. New Hampshire
8 is beautiful, and it's healthy, and we want to
9 raise our children and grandchildren here. But
10 we need to take action now. We need to
11 recognize the costs and the threat that climate
12 change poses. We need to recognize that we're
13 at a turning point. We can make choices that
14 matter for lives and for the next century.

15 We need to recognize that we don't
16 need to double down on more outmoded fossil
17 fuel infrastructure. We don't need the
18 greenhouse gas emissions, we don't need the
19 continued air pollution, we don't need the
20 continued health costs.

21 What we need is a change of
22 direction. And we ask that you deny this
23 request for a franchise, and help us to make
24 that change today.

1 Thank you.

2 CHAIRMAN HONIGBERG: All right.
3 Representative Oxenham was the last person I
4 have who had signed up to speak. Are there any
5 other members of the public who are here who
6 wish to saying anything?

7 *[No indication given.]*

8 CHAIRMAN HONIGBERG: All right. I
9 will note that we received a few hundred
10 written comments directly by mail or through
11 our website. I think I recall one in favor.
12 Although, I'm not even sure that I remember
13 one. They may all have been opposed. I'm sure
14 there are many people out there who signed the
15 postcards or who signed off on the postcards
16 that were sent here. There was a range of
17 issues. I think all the issues that the
18 written comments hit were addressed by one or
19 more of the speakers that we just heard from.

20 Is there anything else we need to do
21 before closing the public comment section of
22 this proceeding?

23 *[No indication given.]*

24 CHAIRMAN HONIGBERG: All right. We

1 will close public comment. Thank you all for
2 coming.

3 Mr. Speidel, Mr. Sheehan, Mr.
4 Buckley, how are you going to proceed with
5 presenting the Settlement that you all entered
6 into?

7 MR. SHEEHAN: Commissioners, I have
8 conferred with counsel, and we've agreed to the
9 following:

10 The first is marking of some
11 exhibits. "Exhibit 1" and "2" would be the
12 confidential and redacted versions of our
13 initial filing, which is in the Docketbook as
14 "1". "Exhibit 3" would be Staff's Testimony of
15 Stephen Frink of July 12. And "Exhibit 4"
16 would be the testimony of the OCA witness,
17 Pradip Chattopadhyay.

18 Those are the documents that we ask
19 to be marked "1", "2", "3", and "4".

20 We've also agreed to a panel of three
21 witnesses: Mr. Frink, Dr. Chattopadhyay, and
22 Bill Clark from the Company, to present the
23 Settlement, and open themselves to questions on
24 the Settlement itself.

1 (The documents, as described,
2 were herewith marked as
3 **Exhibit 1** through **Exhibit 4**,
4 respectively, for
5 identification.)

6 CHAIRMAN HONIGBERG: Mr. Sheehan,
7 before you continue, I believe
8 Dr. Chattopadhyay's testimony is a confidential
9 version. Is there a redacted version as well,
10 Mr. Buckley?

11 MR. BUCKLEY: Yes. There is a
12 redacted version.

13 CHAIRMAN HONIGBERG: So, the redacted
14 version is going to need to be marked as well.
15 So, is that going to be "5"?

16 MR. BUCKLEY: Yes, I believe so.

17 (The document, as described, was
18 herewith marked as **Exhibit 5** for
19 identification.)

20 CHAIRMAN HONIGBERG: Okay. I'm
21 sorry, Mr. Sheehan. I didn't mean to interrupt
22 you.

23 MR. SHEEHAN: That's okay. And just
24 to loop back to the confidentiality issue,

1 motion for confidential treatment raised at the
2 outset. It's the Company's position that we
3 filed the motion with the Petition. Aside from
4 the OCA's comment to its position, the
5 Commission allowed other parties ten days to
6 object, no one did. So, it's our position that
7 it's ready to be acted on.

8 CHAIRMAN HONIGBERG: I thought we did
9 get an objection. I think Ms. Arwen, back when
10 she was an intervenor, did object, did she not?

11 MR. SHEEHAN: There was a discussion
12 at the prehearing conference that she wanted
13 to. And, in the transcript, I think it's
14 Page 10, the Commission granted ten days for
15 her and other intervenors to object. And I did
16 not see any objection come in, and that would
17 have been in April.

18 MR. SPEIDEL: Mr. Sheehan, take a
19 look at Tab 13 on the Docketbook. The
20 Arwen/Chaffee filing of 3 April.

21 CHAIRMAN HONIGBERG: It looks like
22 this *[indicating]*.

23 MR. SHEEHAN: Okay. I apologize.
24 And then the request is simply that it's now

1 ripe to rule on that request. And I concur
2 with the discussion you had with Mr. Speidel
3 earlier, that everything is treated as
4 confidential until that ruling.

5 And the motion we filed
6 electronically yesterday, and by paper today,
7 is that required by the rules to address
8 discovery responses. We had a number of
9 confidential recovery responses over recent
10 weeks, and we are required to file a motion
11 prior to hearing, which we've done to preserve
12 our rights concerning these documents.

13 So, we that -- and I see you have a
14 question?

15 CHAIRMAN HONIGBERG: I have the
16 Settlement I'm looking at.

17 MR. SHEEHAN: Oh, I'm sorry.

18 CHAIRMAN HONIGBERG: That's going to
19 need to be "6" then, correct?

20 MR. SHEEHAN: Correct.

21 (The document, as described, was
22 herewith marked as **Exhibit 6** for
23 identification.)

24 CHAIRMAN HONIGBERG: All right.

1 We'll try and keep track of that.

2 Just for planning purposes, I know we
3 have testimony from the two intervenors,
4 Chaffee and the Town of Hanover, correct?
5 Lebanon didn't file testimony, did it,
6 Mr. Below?

7 MR. BELOW: No.

8 CHAIRMAN HONIGBERG: All right. And
9 I assume that those witnesses are going to take
10 the stand after you're done presenting the
11 Settlement. Is that the expectation of
12 everyone?

13 MR. SHEEHAN: I don't know --

14 CHAIRMAN HONIGBERG: It's not really
15 a question for you, Mr. Sheehan. It's more a
16 question for Ms. Griffin and Mr. Below. You'll
17 be ready to go after we're done with the panel,
18 is that right?

19 I see a nodding head from Ms.
20 Griffin. Thank you.

21 Mr. Below?

22 MR. BELOW: Well, the City doesn't
23 have a witness.

24 CHAIRMAN HONIGBERG: I'm sorry.

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 You're right. It's Mr. Chaffee, I'm sorry.

2 MR. BELOW: I have offered as a
3 courtesy to do the direct examination of these
4 two witnesses, so they can get their testimony
5 on the record.

6 CHAIRMAN HONIGBERG: Oh, that will be
7 great. Thank you, Mr. Below. I appreciate
8 that.

9 All right. Then, I guess we're ready
10 for the panel to take its place.

11 (Whereupon **William F. Clark,**
12 **Pradip Chattopadhyay,** and
13 **Stephen P. Frink** were duly sworn
14 by the Court Reporter.)

15 CHAIRMAN HONIGBERG: Mr. Sheehan.

16 MR. SHEEHAN: We've agreed just to
17 introduce each of our respective witnesses, and
18 then I will, with Mr. Clark, go through the
19 Settlement Agreement.

20 **WILLIAM F. CLARK, SWORN**

21 **PRADIP CHATTOPADHYAY, SWORN**

22 **STEPHEN P. FRINK, SWORN**

23 **DIRECT EXAMINATION**

24 BY MR. SHEEHAN

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Q. And, so, first, Mr. Clark, your name and
2 position at the Company please?

3 A. (Clark) William Clark, Director of Business
4 Development for New Hampshire.

5 Q. And did you file testimony in this case?

6 A. (Clark) I did.

7 Q. And that's part of the documents that were
8 marked as "Exhibits 1" and "2"?

9 A. (Clark) That's correct.

10 Q. And are there any changes to your testimony
11 that you would like to bring to the attention
12 of the Commission?

13 A. (Clark) Just one.

14 Q. And that would be?

15 A. (Clark) That would be on Bates Page 019,
16 Line 11. The sentence reads "underground
17 distribution system to commence in late 2017 or
18 early 2018. I would like to change that to
19 read "underground distribution system to
20 commence in 2018 or 2019".

21 Q. And that's just a function of the time that has
22 passed since the December 16 filing?

23 A. (Clark) Correct.

24 Q. Other than that change, any other comment --

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 corrections to your testimony?

2 A. (Clark) No.

3 Q. Were you involved in the conversations that
4 resulted in the Settlement Agreement, --

5 A. (Clark) I was.

6 Q. -- which has been marked as "Exhibit 6"?

7 A. (Clark) Yes.

8 Q. Going back to your testimony, do you adopt your
9 testimony here today as if I asked you all
10 those questions orally and you gave all those
11 answers orally?

12 A. (Clark) I do.

13 MR. SHEEHAN: And we'll come back to
14 the Settlement Agreement itself in a minute,
15 after co-counsel introduce their witnesses.
16 Thank you.

17 CHAIRMAN HONIGBERG: Mr. Buckley.

18 BY MR. BUCKLEY

19 Q. Dr. Chattopadhyay, can you please state your
20 name and occupation for the record?

21 A. (Chattopadhyay) I am Pradip Chattopadhyay. I
22 am the Assistant Consumer Advocate,
23 representing New Hampshire Office of Consumer
24 Advocate.

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Q. And have you testified before the Commission
2 previously?

3 A. (Chattopadhyay) Yes, I have.

4 Q. Did you file written testimony in the instant
5 docket?

6 A. (Chattopadhyay) Yes, I did.

7 Q. And do you recognize that testimony as Exhibit
8 4 and Exhibit 5?

9 A. (Chattopadhyay) I do.

10 Q. Do you have any corrections to make to that
11 testimony?

12 A. (Chattopadhyay) No, I don't.

13 Q. Subsequent to filing that testimony, did you
14 take part in settlement discussions relating to
15 the instant docket?

16 A. (Chattopadhyay) Yes, I did.

17 Q. And did the OCA sign the Settlement Agreement
18 that is before the Commission today?

19 A. (Chattopadhyay) Yes.

20 Q. And do you adopt your testimony as true as
21 stated here today?

22 A. (Chattopadhyay) Yes, I do.

23 MR. BUCKLEY: Thank you,
24 Dr. Chattopadhyay.

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 CHAIRMAN HONIGBERG: Mr. Speidel.

2 MR. SPEIDEL: Thank you, Mr.

3 Chairman.

4 BY MR. SPEIDEL

5 Q. Mr. Frink, could you please state your full
6 name and business title for the record.

7 A. (Frink) Stephen Frink, the Assistant Director
8 of the Gas and Water Division of the Public
9 Utilities Commission.

10 Q. Are you familiar with this document that has
11 been tentatively marked as "Hearing Exhibit 3"?

12 A. (Frink) Yes, I am.

13 Q. That is your testimony of 12 July 2017?

14 A. (Frink) It is.

15 Q. And do adopt this testimony for the purposes of
16 this hearing on the record today?

17 A. (Frink) Yes, I do.

18 Q. Do you have any changes or corrections you
19 would like to make to this testimony?

20 A. (Frink) No, I do not.

21 MR. SPEIDEL: Thank you very much.

22 CHAIRMAN HONIGBERG: Mr. Sheehan.

23 MR. SHEEHAN: Thank you.

24 BY MR. SHEEHAN

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Q. Mr. Clark, turning to the Settlement Agreement,
2 which is Exhibit 6, there is an introductory
3 section, and then the substantive terms of the
4 Settlement go from Pages 2 through 5, and they
5 have lettered paragraphs. Do you see that?

6 A. (Clark) I do.

7 Q. And I would just like you to go one at a time
8 through each of those lettered paragraphs, and
9 I will prod you along the way, and just give a
10 overview explanation of what each section
11 means. The first is titled "Franchise Rights".

12 A. (Clark) The franchise rights, through the
13 Settlement, the Parties agree that Liberty
14 Utilities shall be granted the franchise rights
15 to serve the Town of Hanover and the City of
16 Lebanon.

17 Q. And the last words in that section are "subject
18 to the following conditions"?

19 A. (Clark) "The following conditions".

20 Q. Right. And those begin with Paragraph B,
21 correct?

22 A. (Clark) Correct. That Paragraph B is the
23 "Distribution and Cost of Gas Rates to be
24 Charged to the Customers". So, EnergyNorth

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 will charge distribution rates to Hanover and
2 Lebanon customers consistent with the current
3 EnergyNorth tariff. The customers in Hanover
4 and Lebanon will be under a separate cost of
5 gas, which will include the facility
6 constructed to serve their needs, as well as
7 the commodity purchases to supply their needs.

8 Q. For the Commission's benefit then -- strike
9 that. So, the distribution rates would then be
10 determined going forward along with all the
11 other EnergyNorth customers?

12 A. (Clark) Correct.

13 Q. And we would have a separate cost of gas filing
14 for whatever costs are related to serving just
15 those customers?

16 A. (Clark) Through CNG/LNG RFP process for the
17 commodity, as well as the construction of the
18 fuel storage, vaporization, and decompression
19 facilities.

20 Q. Paragraph C is titled "Customer Commitment".
21 What does that provide for?

22 A. (Clark) That agreement is that Liberty
23 Utilities will not proceed with any phase of
24 construction until they have customer

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 commitments that represent 50 percent of the
2 revenue requirement to serve those customers.

3 Q. And how is that different from the existing
4 EnergyNorth tariff?

5 A. (Clark) So, for the existing EnergyNorth
6 tariff, any large capital investment, which is
7 defined as "over a million dollars", that
8 threshold is 25 percent. So, it's double for
9 this franchise territory.

10 Q. And the rest of Paragraph C describes how those
11 numbers will be calculated, is that correct?

12 A. (Clark) That's correct.

13 Q. Paragraph D is one of two sections titled "Risk
14 Sharing", this is for Phase One, and the
15 Paragraph E is Phase Two. First, describe for
16 us what Phase One is intended to be?

17 A. (Clark) Due to the scalability and the
18 build-out timeline, the facility and
19 distribution systems will be built in phases,
20 with the first phase being anticipated to
21 utilize 100 percent compressed natural gas, or
22 CNG. So, Phase One will be the CNG facility,
23 the land associated with that CNG facility, and
24 all distribution piping that is installed in

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 order to serve firm capacity of 100,000
2 decatherms annually or below.

3 Q. And while we're on definitions, "Phase Two" is
4 defined as what?

5 A. (Clark) Phase Two is construction of the LNG
6 facility. So, as the customer base expands and
7 the annual throughput increases, there are
8 certain Commission guidelines and rules for
9 fuel storage requirement. At some point in
10 time, the most economic way to meet that
11 criteria is through the introduction of LNG
12 storage. That would be a larger capital
13 investment. So, Phase Two would be the
14 construction of the LNG storage facility and
15 vaporization facility.

16 Q. And the paragraphs here, Sections D and E, Risk
17 Sharing, are, am I correct, similar terms, one
18 applies to Phase One and the other applies to
19 Phase Two?

20 A. (Clark) Yes. The risk-sharing mechanisms and
21 criteria are the same for each phase, but they
22 apply to both phases independently.

23 Q. So, why don't you give us an overview of what
24 that risk-sharing mechanism is.

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 A. (Clark) So, the risk sharing is -- I'll read
2 through here. If EnergyNorth files a rate case
3 within five years of the franchise -- or, of
4 the in-service date, I'm sorry, of the
5 in-service date of Phase One, the Company
6 agrees to reduce the revenue requirement by one
7 half the difference of the revenue required
8 versus the actual revenue received through the
9 customer base.

10 Q. And that's, obviously, in the case where the
11 money received from the customers is not enough
12 to pay for whatever phase we're talking about?

13 A. (Clark) Correct. As an example, if the revenue
14 requirement for the facility is \$500,000 a
15 year, and the distribution revenues and
16 associated cost of gas revenues for the
17 facility are \$250,000 a year, the difference
18 being 250, Liberty Utilities would reduce the
19 revenue requirement by half that amount.

20 Q. And that calculation is done over a three-year
21 average, is that correct?

22 A. (Clark) It's a three-year average, correct.

23 Q. And is this kind of language in the existing
24 EnergyNorth tariff for all other projects?

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 A. (Clark) Not for all other projects. It was in
2 the Pelham/Windham Settlement.

3 Q. So, this is a similar mechanism as in the
4 Windham/Pelham?

5 A. (Clark) Very similar, yes. And, then, if there
6 is a second rate case within five years of the
7 in-service date, the reduction to the revenue
8 requirement, if it is negative, will be
9 100 percent.

10 Q. Meaning, the Company would not pass any of
11 those shortfalls, if you will, onto customers?

12 A. (Clark) Correct.

13 Q. Can you tell us what impact this risk sharing
14 provision has on the Company? What is it
15 telling the Company to do, in effect?

16 A. (Clark) To proceed very carefully with
17 construction, you know, to make sure that we
18 have the customer and the market developed,
19 that we are quite certain that it will be a
20 profitable business venture.

21 Q. And, again, that mechanism you just described
22 is the same -- applies the same way as to Phase
23 Two?

24 A. (Clark) Correct.

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Q. And Phase Two is the LNG facility, when that is
2 built?

3 A. (Clark) Exactly. The rationale behind carving
4 out the phases was the uncertainty of time of
5 when that LNG facility would be constructed.
6 So that, if we were to construct a CNG
7 facility, and the clock, so to speak, ran out
8 after five years and an LNG facility was built,
9 this Settlement drafted -- as constituted would
10 require us to have that same risk-sharing
11 mechanism for that part of the facility.

12 MR. SHEEHAN: Those are all the
13 highlights of the Settlement Agreement that we
14 intended to review with Mr. Clark. And I have
15 no further questions. Thank you.

16 CHAIRMAN HONIGBERG: Mr. Buckley, do
17 you have questions for Dr. Chattopadhyay?

18 MR. BUCKLEY: Yes, I do. Thank you.

19 BY MR. BUCKLEY

20 Q. Dr. Chattopadhyay, do you believe the approval
21 of the franchise, given the conditions set out
22 in the Settlement Agreement, would be in the
23 public interest?

24 A. (Chattopadhyay) Yes, I do.

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Q. Can you please elaborate for us?

2 A. (Chattopadhyay) Sure. I want to first start
3 off with what was already discussed. So, I
4 want to make sure that it's understood that the
5 25 percent discussion, that really relates to
6 the direct costs. So, in some ways, the
7 50 percent of the revenue requirement clause
8 that we, actually, the OCA was very interested
9 in keeping that intact, is even more stringent
10 than what was described just a while ago. So,
11 it's about the revenue requirement, it's not
12 the direct cost. And that, essentially, and
13 it's -- this can be just a "rough justice"
14 explanation, because it all depends on the
15 specifics of the project that is -- that the
16 Company goes ahead with.

17 But what this is really about is, as the
18 OCA, we are comfortable with the -- with that
19 cut-off, because that sort of ensures that a
20 big part of the direct costs will have to be
21 recoverable right from the beginning, meaning
22 through the commitments that the Company would
23 actually demonstrate. And, so, that is a big
24 consideration for me.

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 The other that -- the other issue that we
2 again worked on was the risk-sharing issue.
3 And the approach that we took is very similar
4 to Pelham. I think that's a reasonable
5 approach. Yes, it's possible that, you know,
6 one could get even a better sharing approach.
7 But, for me, what matters is, it's a package.
8 I'm looking at the 50 percent issue that I just
9 talked about, as well as the metrics that's
10 there for the risk sharing, being very similar
11 to one that was put in place for Pelham and
12 Windham, sorry, Pelham.

13 And it's actually, in my opinion, very
14 reasonable.

15 Q. And, Dr. Chattopadhyay, I know that some
16 concerns were expressed by one of the public
17 commenters regarding the monitoring and
18 reporting related to the potential project.
19 Can you just give me a sense of what type of
20 monitoring and reporting there would be in this
21 project, as compared to Pelham?

22 A. (Chattopadhyay) First, you know, I'm not
23 providing a legal opinion. But, in terms of
24 what I'm looking for is a clear-cut

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 demonstration that there is -- there's a demand
2 out there that is, in some ways, "blessed",
3 meaning through a contract or something like
4 that. So, that's the kind of commitment that I
5 would be looking for. But this is something we
6 need to actually talk through. And I, in some
7 ways, and I don't remember the commenter who
8 talked about, it's important that we have a
9 review process.

10 Q. Dr. Chattopadhyay, would you agree with me that
11 the annual reporting requirements embodied
12 within the Pelham agreement are also embodied
13 within this Settlement Agreement?

14 A. (Chattopadhyay) Yes. And that would help.

15 MR. BUCKLEY: Thank you.

16 CHAIRMAN HONIGBERG: Mr. Speidel.

17 MR. SPEIDEL: Thank you.

18 BY MR. SPEIDEL

19 Q. Mr. Frink, is it your position that the
20 Commission's approval of the franchise request
21 by the Company, within the framework of the
22 Settlement Agreement, is in the public
23 interest.

24 A. (Frink) Yes, it is my position.

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Q. Would you also agree that the Settlement
2 Agreement generally addresses the concerns that
3 you expressed in Hearing Exhibit 3, your
4 testimony of July the 12th?

5 A. (Frink) Yes, it does.

6 Q. Is there any further elaboration you'd like to
7 make about that?

8 A. (Frink) Again, my testimony questions the
9 business plan that was put forth by the
10 Company. And what nobody wants to see is a
11 facility built that isn't wanted and isn't
12 profitable, that stands for the Company and
13 everybody in this room. But it's understood
14 that the utility really has no chance to gauge
15 the interest until they actually have the
16 franchise. There's nobody or very few people
17 willing to sign up in advance of them receiving
18 the franchise. Once they have the franchise,
19 then they will develop a business plan that
20 will determine what the interest is. They will
21 be able to -- they're going to have to provide
22 cost estimates to potential customers. They're
23 going to have to have a route planned out, the
24 facilities to provide the CNG or LNG. All of

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 that is going to have to be worked out in
2 advance of getting any commitments from
3 customers.

4 So, I understand the Company not wanting
5 to go forward with the process, which is
6 time-consuming and expensive, to develop the
7 business plan and make that kind of investment
8 until they have the franchise.

9 So, if there is an interest, then, by
10 granting the franchise now, the utility can
11 take the necessary steps to determine if there
12 really is enough interest to make this a
13 profitable venture. And, if there is, then to
14 go forward and get the commitments. At which
15 point, they will have demonstrated that there
16 is a need, a desire for this system, and that
17 it will be profitable. And then they can --
18 they will have to file the results with the
19 Commission, which will be subject to the
20 Commission's review. Naturally, when they do
21 an updated discounted cash flow analysis, Staff
22 will be filing a recommendation, I suspect the
23 OCA will, that basically signs off on the
24 analysis.

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 But, at that point, they will have a
2 business plan that has the details, it has
3 customer commitments that demonstrate that,
4 yes, this is a reasonable price, a competitive
5 price, and that there is a desire for this
6 system.

7 So, all this franchise request does under
8 the terms of this Settlement Agreement,
9 basically, allows the Company to pursue this.
10 And whether it actually gets built or not,
11 well, that will be determined by the actual
12 interest in those towns and the willingness for
13 those customers to commit.

14 MR. SPEIDEL: Thank you, Mr. Frink.
15 Staff has no further direct.

16 CHAIRMAN HONIGBERG: All right. We
17 have the four intervenors who are here. My
18 inclination is to have Mr. Below for the Town
19 of Lebanon -- for the City of Lebanon go first.
20 As most of you know, he has some experience
21 down here. It's possible that his questions
22 might cover some of the areas the other
23 intervenors might want to deal with.

24 So, unless one of you has an

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 objection to that, why don't we let Mr. Below
2 go first.

3 MR. BELOW: Okay. Thank you.

4 **CROSS-EXAMINATION**

5 BY MR. BELOW

6 Q. Mr. Frink, I think you were just talking about
7 this. But, in your testimony, on Page 12, you
8 do comment that "Liberty should be required to
9 file an updated business plan and DCF", meaning
10 a Discounted Cash Flow, "analysis demonstrating
11 that it has [obtained the required] customer
12 commitments." Now, the Settlement doesn't
13 actually reference doing that. But you're
14 saying that's understood, that they would,
15 before proceeding, come back to a commission,
16 essentially for an approval of that analysis
17 and that updated business plan, is that
18 correct?

19 A. (Frink) That's correct. When they demonstrate
20 that the Company has 50 percent of the
21 requirement committed, to demonstrate that,
22 they're going to have to do that analysis. So,
23 that analysis takes the discounted cash flow
24 analysis that they have done initially, again,

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 with very speculative numbers, once they have
2 the 50 percent commitment, they will know what
3 that route is, the distribution system is going
4 to look like, what the supply facility, the
5 plant requirements are. It will be much more
6 detailed. They will have 50 percent of the
7 actual revenues from customer commitments. So,
8 they will have done a market analysis for
9 customers along the route, what the potential
10 is for those customers.

11 So, yes. As part of the Settlement, where
12 it says they have to have 50 percent --
13 demonstrate a 50 percent of the present value
14 over a ten-year period of revenue requirement,
15 that is essentially requiring an updated
16 discounted cash flow analysis.

17 CHAIRMAN HONIGBERG: Off the record
18 for just a sec.

19 *[Brief off-the-record discussion*
20 *ensued.]*

21 BY MR. BELOW

22 Q. Mr. Clark, and I guess Mr. Frink as well, that
23 updated cost estimate, so what the estimate
24 that's going to be required, do you expect that

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 would occur before or after the project has
2 been through the local planning review, such as
3 site plan review, which might have conditions
4 on it, and acquiring an excavation permit,
5 which might also have conditions that have cost
6 impacts, would you be doing that projection
7 before or after you receive the local
8 permitting?

9 A. (Clark) It would most likely be before and
10 during. In order to get a detailed cost
11 estimate, we're going to need to know city
12 requirements for restoration of streets,
13 digging permits, and so those would be in the
14 cost estimates.

15 Q. Okay. The reference to a commitment of
16 customers, what form is that commitment
17 expected to take, and would you expect there to
18 be a term for that commitment?

19 A. (Clark) It would be our standard Service Line
20 Agreement form that a new customer would sign.
21 So, the agreement, as written, a customer could
22 cancel the Service Line Agreement up to, I
23 believe, a couple days before the service line
24 would show up to their residence or business.

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Once they receive service, if they do not
2 activate the account within nine months, they
3 need to reimburse the Company for the cost of
4 that service. Once they introduce service, all
5 residential customers could cancel service at
6 any time in the future with four days notice.

7 A. (Frink) I would like to say commitments can
8 also involve a special contract.

9 A. (Clark) True.

10 A. (Frink) So, for very large anchor customers,
11 it's certainly common that they would get
12 special terms, but have a take-or-pay
13 requirement and some kind of financial
14 commitment.

15 So, I think, for the larger customers, it
16 may be much more than just a Service Line
17 Agreement. It would be an actual contract, and
18 quite possibly take-or-pay requirements for a
19 certain period of time, typically, ten years or
20 five years.

21 A. (Clark) And I would concur with Mr. Frink on
22 that. That any one customer that represents a
23 significant portion of that revenue
24 requirement, as good business sense, we would

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 most likely enter into a special contract and
2 bind that customer to a yearly minimum
3 take-or-pay and a certain duration of contract.

4 Q. Okay. Thank you. But, in general, you
5 wouldn't expect that to apply to residential or
6 small business customers?

7 A. (Clark) Absolutely not, no.

8 Q. Okay. On Page 2 of the Settlement, at
9 Footnote -- there's a footnote at the bottom,
10 that refers to the "revenue requirement", what
11 that includes, and then there's a second
12 sentence that says "Direct costs should be
13 understood to include capital investment
14 associated with the project, but to exclude
15 company overhead." I'm a little confused by
16 that reference. Could you clarify that? The
17 term "direct cost" is not used in the footnote,
18 or above. Is that sort of saying that the
19 revenue requirement would not include company
20 overhead?

21 A. (Frink) That's correct. For the direct cost,
22 that would include the cost of the land, that
23 would include the pipes, and the contractor
24 that puts it in will be paid his costs. But

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 the Company's costs, their engineering and
2 their overhead costs for work they do would not
3 be reflected in the investment. The reason
4 being, those costs are going to be recovered
5 from ratepayers whether or not this investment
6 is made.

7 But, obviously, the costs of R.H. White,
8 who generally installs the mains and other
9 contractors, and the actual cost of the
10 equipment that the Company is paying, that is
11 incremental costs, that's going to be reflected
12 as part of the revenue requirement for Lebanon.

13 Q. And would the revenue requirement just pertain
14 to the distribution part of the investment, or
15 would it include the vaporization,
16 decompression part that's included in cost of
17 gas?

18 A. (Frink) The revenue requirement includes --
19 does include -- the cost of gas is going to
20 include the land for the plant site, and the
21 investments on the plant site, the LNG storage
22 and facilities and so forth. That is part of
23 the revenue requirement, but that will be
24 recovered through the cost of gas component for

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Lebanon/Hanover. Whereas, the distribution
2 piece will also be part of the revenue
3 requirement, but that is recovered through the
4 distribution delivery rates or the customer
5 charge.

6 Q. Is it possible that they could have customers
7 signed up that would meet 50 percent of the
8 revenue requirement for the distribution part
9 of the system, but less than 50 percent for the
10 investment and revenue requirement related to
11 the cost of gas? And, if that was the case,
12 would they be allowed to go forward?

13 A. (Frink) No. They would not be able to do that.
14 It's important to understand that, when they go
15 out to acquire customers, those customers are
16 going to be quoted a price, and they're
17 concerned with the total price. So, they will
18 have a delivery rate that is basically their
19 EnergyNorth tariff, as it exists now. And then
20 they will have a cost of gas that will be
21 something very different than what their cost
22 of gas is for the rest of their system. So,
23 they're going to have to be able to cite to
24 those customers "this is what your price will

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 be going forward", and that's all reflected in
2 the revenue requirement. And that's -- until
3 they have those numbers and are very -- are
4 very comfortable with those numbers, if they're
5 going to sign up a large commercial/industrial
6 customer or an institution, that's likely going
7 to require a firm commitment on the price.
8 That's all factored in the revenue requirement.
9 And they won't go forward with it unless that
10 whole 50 percent, which is in both the supply,
11 is in the direct gas costs, and in the delivery
12 rates, has a 50 percent commitment.

13 Q. Okay. That's helpful. There was a reference
14 to an "annual reporting requirement", such as
15 in the Pelham franchise expansion case. Is
16 there a reference to that in the Settlement
17 Agreement or what is the expectation there?

18 A. (Frink) The Settlement doesn't require that,
19 and it's -- but, when they do an updated
20 discounted cash flow analysis, that will be --
21 at that point, that's the report on where
22 things stand at that point in time. When they
23 come in for a rate increase following that,
24 then, as part of this Settlement, they have to

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 do that analysis to demonstrate what the actual
2 earnings have been to date. And, based on the
3 customers they have at that point in time, the
4 investments they have made, they have to update
5 that discounted cash flow analysis. And, at
6 that point, that's really when it becomes
7 relevant, is when they seek recovery of that
8 investment.

9 So, we will get updates when they do rate
10 cases within the first five years, be it one or
11 two rate cases.

12 Q. Okay. Are there any conditions or commitments,
13 if a customer were to take advantage of the gas
14 utility energy efficiency programs to, say,
15 convert a oil boiler to a condensing gas
16 boiler, which, in effect, if it's a new
17 customer, in effect, that sort of subsidy
18 incentive through the energy efficiency program
19 is coming from the current customer base, who
20 have been contributing to the LDAC. Would
21 those customers be obligated to stick with
22 Liberty Utilities for a period of time or would
23 they be free to buy a propane retrofit kit,
24 change out the nozzles, and go back to -- or,

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 go over to propane from natural gas?

2 A. (Clark) Hanover/Lebanon customers would be --
3 all of the energy efficiency CORE programs on
4 the gas side would be available to them. I do
5 not know of any restrictions that, once you
6 partake in an energy efficiency program, that
7 restricts you from converting from natural gas
8 currently. So, again, it would be the four-day
9 rule -- the four-day notice.

10 Q. Okay. So, at least in theory, that could
11 present some risk of sort of
12 cross-subsidization from the other customers,
13 if the cost of gas turned out to be so high
14 that people were able to get a better deal from
15 a local propane supplier. Is that a
16 possibility?

17 A. (Clark) I don't think it's any more of a
18 possibility than currently exists within the
19 EnergyNorth franchise territories. I believe
20 there is also, if people were looking for
21 energy efficiency programs on propane, I think
22 there are some through the electric side that
23 they can partake in. And they may be different
24 values, but there are certain measures that

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 they are currently offering.

2 MR. BELOW: Okay. No further
3 questions. Thank you.

4 CHAIRMAN HONIGBERG: Ms. Griffin, do
5 you have any questions for the panel?

6 MS. GRIFFIN: Just a couple of
7 questions.

8 BY MS. GRIFFIN

9 Q. Mr. Clark, in anticipating a potential
10 construction route for the pipeline, --

11 A. (Clark) Uh-huh.

12 Q. -- when it comes to local permitting versus
13 state permitting in state-owned right-of-way,
14 what's been your experience with the time and
15 cost requirements in two different types of
16 publicly owned right-of-way?

17 A. (Clark) It's been very different through
18 different communities. I'm not the expert on
19 that. It would be more of our Operations crew.
20 Depending on what part of the state you are,
21 and which part of the state highway system DOT
22 you're dealing with, there are different time
23 frames, you know, depending on their projects
24 that are going on when they can review a

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 process.

2 Some larger cities, like Concord and
3 Manchester, it can be time-consuming due to,
4 you know, human resource constraints. Some
5 towns are very quick. So, we would work with
6 that town and schedule appropriately.

7 Q. Uh-huh. With respect to Hanover, given that
8 Hanover, in prefiled testimony, and Dartmouth
9 College has now submitted a letter, and knowing
10 that our school facilities, at least two of the
11 three, are served by biomass, it's a pretty
12 large chunk of the potential natural gas demand
13 that might exist in Hanover. Is there even a
14 viable market in Hanover, without Dartmouth, in
15 particular, as a major customer?

16 A. (Clark) We believe so. And we believe we can
17 get that market. But we also understand that
18 it is a new fuel being introduced to the area.

19 Q. Uh-huh.

20 A. (Clark) There may be certain businesses and
21 residents that do not wish to convert. But,
22 with the terms of the Settlement Agreement, you
23 know, it really kind of binds us to having a
24 certain commitment level. If that commitment

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 level is not reached, then we wouldn't go
2 forward.

3 MS. GRIFFIN: That's all I have.
4 Thank you.

5 CHAIRMAN HONIGBERG: Dr. Chaffee, do
6 you have questions for the panel?

7 DR. CHAFFEE: Yes. Thank you.

8 BY DR. CHAFFEE

9 Q. My question has to do -- the thrust of it has
10 to do with transparency. Mr. Clark, do you
11 anticipate that the Company would seek
12 confidentiality for the financial review that
13 Mr. Frink has laid out?

14 A. (Clark) Yes, I believe all of our financial
15 reviews are public through a rate case, unless
16 we seek confidential treatment for a certain
17 reason. I'm not aware of any other plant
18 additions or large capital projects that we did
19 that on recently in rate cases.

20 Q. So, Mr. Frink, looking at your testimony, it
21 seems that the Public Utilities Commission, and
22 you, in particular, will be reviewing this
23 financial analysis. Will there be
24 opportunities for other parties to this to

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 review that as well?

2 A. (Frink) Oh, absolutely. First, I imagine the
3 OCA will be looking at it very closely. And,
4 whether it's confidential or not, intervenors
5 can sign a confidentiality agreement and review
6 it. And, if it's not confidential, absolutely
7 anybody can look at it.

8 Q. Thank you. And one final question for
9 Dr. Chattopadhyay. The original position of
10 the OCA was that, before a franchise was
11 granted, that Liberty should demonstrate
12 100 percent customer commitment, and that it
13 should bear 100 percent of the risk. Can you
14 speak further to why the OCA finds that
15 50 percent is enough of a threshold?

16 A. (Chattopadhyay) There seems to be confusion
17 about 100 percent of the direct cost, as
18 opposed to the percentage relative to the
19 revenue requirement. Okay? So, I want to
20 clarify that.

21 What I would stress is that, with the
22 50 percent revenue requirement, we are, and
23 this is again a rough calculation, because I
24 was only able to go other the Phase One filing

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 that the Company did. So, it's very roughly
2 speaking, that is very close to or near about
3 100 percent of the direct costs. So, that
4 needs to be stressed.

5 So, I'm not -- I'm not, you know, too far
6 away from where I was.

7 DR. CHAFFEE: Thank you. That's all
8 my questions.

9 CHAIRMAN HONIGBERG: Mr. Wilkie, do
10 you have questions for the panel?

11 MR. WILKIE: No, I do not.

12 CHAIRMAN HONIGBERG: Mr. Below, you
13 want another bite at the apple?

14 MR. BELOW: Yes. I remembered one
15 question I forgot.

16 CHAIRMAN HONIGBERG: Go for it.

17 MR. BELOW: Thank you.

18 BY MR. BELOW

19 Q. I just would like to confirm, I think Liberty
20 Utilities has represented in the past that it
21 would expect to go through all of the local
22 land-use regulatory proceedings, as well as be
23 subject to the City's fire codes and safety
24 regulations. And I'd just like to have that

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 confirmed, if that's the expectation?

2 A. (Clark) That is. I confirm that.

3 MR. BELOW: Thank you.

4 CHAIRMAN HONIGBERG: I think the
5 court reporter is going to need a break in the
6 next few minutes. So, why don't we do that
7 break now, before the Commissioners ask
8 their questions.

9 Off the record, before we walk away.

10 *(Brief off-the-record discussion*
11 *ensued, followed by a recess*
12 *taken at 11:35 a.m., and the*
13 *hearing resumed at 11:52 a.m.)*

14 CHAIRMAN HONIGBERG: Commissioner
15 Bailey.

16 CMSR. BAILEY: Thank you. Good
17 morning.

18 WITNESS CLARK: Good morning.

19 WITNESS FRINK: Good morning.

20 BY CMSR. BAILEY

21 Q. I'd like to start with the public good. We
22 heard one of the public commenters say that we
23 took the Town of Pelham's support for the
24 Pelham project under consideration, when the

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Commission determined that it was in the public
2 good to have -- to grant the franchise in
3 Pelham. So, we should take the Town of Hanover
4 and Lebanon's opposition as an indication that
5 it's not in the public good here.

6 Could each of you maybe address that. And
7 do you have anything to -- any thoughts about
8 that?

9 A. (Clark) Well, I don't really have an idea on
10 how much value the Commission placed on Pelham
11 support. I know Pelham took an independent
12 vote on a couple different matters through the
13 process of working with them, that they felt it
14 was in the public good, and came forward to
15 support us.

16 Q. And it sounds like at least Hanover took a
17 vote, and they voted to go with 100 percent
18 renewables. Do you think that the Commission
19 should consider that?

20 A. (Clark) I think the terms of the Settlement
21 Agreement would allow for individual residents
22 and businesses to make a choice if this is in
23 their best interest. And, if the numbers do
24 not reflect a business case, then we would,

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 obviously, withdraw.

2 Q. Okay. Do you have anything to add, Mr. Frink
3 or Dr. Chattopadhyay?

4 A. (Frink) I do think, ultimately, the public will
5 decide if it's -- what's in their best
6 interest. We've had a lot of speakers today
7 that are on one side. We don't know if there
8 is another side. But, I think, by granting the
9 franchise, and the Company making an offer,
10 then you'll be able to determine it.

11 All we're really doing here is saying
12 "Okay, you can pursue this and see if there is
13 a public interest". And, if there is, then the
14 Company will have the opportunity to go forward
15 with the project. It doesn't necessarily
16 guarantee they will. Even if they get
17 50 percent, they may decide not to, given, you
18 know, there's a sharing provision, if they
19 think they're not going to be able to recover
20 everything and get to the next 50 percent. But
21 at least they will have the opportunity to
22 further explore whether it is in the public
23 interest, whether there is a desire on the part
24 of potential customers to use natural gas, for

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 whatever reason.

2 A. (Chattopadhyay) My thinking is similar to what
3 was mentioned right at the beginning by Mr.
4 Clark. To the extent that the Company is able
5 to get 50 percent real commitments to be able
6 to get the revenue requirement, that is a
7 decent threshold to sort of say that this
8 passes the public interest standard, at least
9 in my opinion. And I'm not a -- I'm not
10 providing a legal opinion. So that there's
11 enough of a demand for the product or the
12 service, that that is what matters to me.

13 As a -- I would also add that, to the
14 extent that a town actually comes out and
15 supports the petition, that would be really
16 helpful. But, I mean, I'm more driven by what
17 the customers end up actually revealing. And,
18 based on the comments that I've looked at, yes,
19 it seems like most of them are opposing it. I
20 saw three individuals actually in favor of the,
21 you know, the Company's position. But these
22 are -- the best way to actually judge that
23 would be to go through the process and see
24 whether there are real commitments or not. So,

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 that's my way of looking at it.

2 Q. Mr. Clark, Liberty has, I believe, some kind of
3 marketing tool, where you can assess areas by
4 how -- by whether the customers have oil or gas
5 with storage, and how old their systems are.

6 Is that right?

7 A. (Clark) ICF International has a database, a
8 SIMS dashboard that we utilize. It's up and
9 running and active. There are still -- it does
10 almost everything you said. It doesn't
11 quantify the age of the existing equipment in
12 the home. It's just not something that's
13 easily deduced through public data, on when
14 somebody converted their home. But we have the
15 size of the house, the square footage of the
16 house, the fuel heating type, the heating
17 system type, that would help us market.

18 Q. And have you analyzed that data in this area,
19 in Hanover and Lebanon?

20 A. (Clark) There is more oil customers than
21 propane customers up there. But it's, subject
22 to check, my last data point was high 50s,
23 close to 60 percent oil, mid 20s propane,
24 around there.

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Q. Okay.

2 A. (Clark) And the rest were electricity/other.

3 There were some that actually are qualified or
4 classified as "utility gas". I don't know what
5 that means up there.

6 Q. Are there some customers that have compressed
7 natural gas and storage on-site?

8 A. (Clark) There are. The utility gas customers,
9 my guess is it's a propane tank farm for a
10 plaza, and they're considering that utility gas
11 supplied by the plaza owner or something like
12 that.

13 There are three large customers currently
14 utilizing natural gas in various forms, two on
15 compressed natural gas, one on liquefied
16 natural gas. They made the choice, you know,
17 either economically, environmentally, or a
18 combination of the two, that that was best for
19 their business. We feel our proposal would
20 bring that choice to smaller commercial
21 customers, residential customers, and mid-size
22 customers through aggregation and scale.

23 Q. Are those three customers that are currently
24 getting natural gas shipped in some way large

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 enough to satisfy your 50 percent requirement,
2 if all three of them committed?

3 A. (Clark) Depending on when they committed, who
4 was first. The reason is, there are different
5 distances. So, there are different costs
6 associated with running the gas main to them.
7 But, most likely, yes.

8 The closest one to our facility would be
9 able to satisfy Phase One, though, to answer
10 more specifically.

11 Q. Okay. And how much will the cost of the
12 fueling facility and the land, in Phase One,
13 add to the price of the cost of gas per therm?

14 A. (Clark) It depends on which phase you're
15 talking about, because there are two distinct
16 parcels. And, for the CNG phase, we would only
17 be placing one of the parcels into the rate
18 base, because the other wouldn't be used and
19 useful until LNG.

20 Q. Okay.

21 A. (Clark) The analysis that we've done, on a
22 five-year average, after both facilities are
23 developed, would be between 9 and 12 cents per
24 therm.

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Q. Okay. So, if you add 9 to 12 cents per therm
2 to your cost of gas, --

3 A. (Clark) Uh-huh.

4 Q. -- and you're competing against the cost of
5 oil, --

6 A. (Clark) Uh-huh.

7 Q. -- in a lot of cases, do you --

8 A. (Clark) So, we've done that analysis. And,
9 under current average pricing and average usage
10 metrics, and when I say "average pricing", that
11 was off the NH OEP website for August, that it
12 was \$2.13 a gallon. At our projected pricing,
13 a customer switching from oil would save
14 anywhere from 5 to 7 percent annually.

15 Q. Is that just on fuel?

16 A. (Clark) That's all-in. That's total bill at
17 the end of the year. That includes meter
18 charges, distribution charges, fuel charges.

19 Q. Cost to convert their in-home equipment?

20 A. (Clark) No, it does not include cost to
21 convert. That's strictly fuel for fuel. So,
22 the cost to convert would be a sunk cost. The
23 6 percent savings would take X amount of years
24 to recover that cost to convert.

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Q. Okay.

2 A. (Clark) The cost savings associated with
3 propane were much more substantial. They were
4 in the mid 40s to low 50s, and a much less cost
5 of conversion, as most of that equipment can be
6 field-converted.

7 Q. Have your projections for the cost of gas
8 changed since your original testimony? Did you
9 use more recent cost of gas future projections
10 than you did when you filed your original
11 testimony when you made that analysis?

12 A. (Clark) We did. We had some indicative pricing
13 when we made our original filing. And then we
14 updated our data with an RFP that we sent out
15 for the Keene conversion, which actually had
16 bidders reply. We had 11 respondents, and were
17 asked to go through different usages. And, as
18 part of that RFP, we put parameters in there
19 that, you know, what is the price at X amount
20 per day of delivery, you know, annual
21 throughput? And we had stages in there. So,
22 we had a much better idea of, as we scale up
23 the Hanover/Lebanon or Keene Division, what the
24 cost of the commodity delivered to those points

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 would be.

2 Q. I'd like to look at Attachment A. Are these
3 actual numbers? In other words, the --

4 A. (Clark) That Appendix A for the Settlement?

5 Q. Yes. Oh, sorry. Appendix A for the
6 Settlement, which is Exhibit 6. Sorry. So,
7 the "Revenue Requirement" column, for instance,
8 in Year 1, for Phase One, it says the revenue
9 requirement is "\$692,516". Is that based on
10 what you actually believe the project is going
11 to cost to build, you know, the direct cost?

12 A. (Clark) They're not actual, but they're not off
13 the wall. They are indicative of what we
14 think. That it could be plus or minus
15 20 percent. It's not very --

16 Q. Okay. And what about the revenue requirement?
17 What kind of assumptions did you make to get
18 that revenue requirement? Sorry, the revenue?
19 Not the revenue requirement, the revenue?

20 Did you assume X amount of residential
21 customers and X amount of commercial customers?
22 Did you assume that that one commercial
23 customer would provide all the revenue that you
24 needed for the first year?

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 A. (Clark) So, that was a mix. That was, in Phase
2 One, it was predominantly only commercial
3 customers on there. So, there really wasn't a
4 residential component to the Phase One. So, it
5 was one large anchor customer and a certain
6 percentage of commercial customers.

7 Q. And did you assume the one large commercial
8 customer would be on a special contract?

9 A. (Clark) We did assume a special contract. The
10 special contract assumption was that it was
11 paying the appropriate rate that they would
12 have been on without a special contract, but
13 just at a annual take-or-pay minimum and a
14 stay-on period.

15 Q. Okay.

16 A. (Clark) So, the GPM numbers would be the same.
17 That was the assumption.

18 *[Court reporter interruption.]*

19 **BY THE WITNESS:**

20 A. (Clark) I'm sorry, the revenue numbers.

21 BY CMSR. BAILEY

22 Q. And, Dr. Chattopadhyay and Mr. Frink, did you
23 have an opportunity to review that analysis?

24 A. (Chattopadhyay) As far as the Appendix A is

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 concerned, I just -- I wanted to basically
2 understand how they will be calculating the
3 numbers. So, I didn't go into the details.

4 I, in my testimony, I spent quite a bit of
5 time on the Phase One as they had proposed in
6 their initial filing. And that itself has been
7 a moving target, now that they're talking about
8 just the CNG phase. That is not what the
9 Company had started off with. So, my analysis
10 was on the Phase One that they had proposed,
11 which included very similar to what he just
12 described, but there was also residential, and
13 there was customers in that. But it's just a
14 modeling.

15 Q. Okay. So, do we know what the revenue
16 requirement would be for Phase One? I mean, is
17 that able to be calculated now? Or would that
18 be -- in order to make your showing that you
19 have the 50 percent, you have to start with a
20 number of what it's going to cost. So, can you
21 do that today?

22 A. (Clark) We have done it internally. We have,
23 you know, based on existing pricing from our
24 contractors, existing restoration fees that we

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 think may be similar from existing towns. As
2 part of Mr. Frink's testimony, we would be
3 updating those numbers to reflect a more
4 appropriate revenue requirement, once we have
5 engineer drawings, working with the City or the
6 Town of restoration requirements, RFP'ing a
7 contract of X miles of infrastructure to be put
8 in. Those numbers would then be upgraded --
9 updated, compared to what we have under
10 contract. And that is what we would be
11 comparing before going forward.

12 Q. And there's no dispute that you have to get
13 either the Commission's approval or the Staff's
14 agreement before going forward that you have
15 achieved the 50 percent threshold?

16 A. (Clark) Correct. That's our assumption. That
17 we will be sharing the data and how we came up
18 with the data.

19 Q. Do you have to get our approval before you
20 proceed, under the terms of the Settlement?

21 A. (Frink) If I could interrupt? Before they
22 provide service in Lebanon and Hanover, they're
23 going to have to get a cost of gas rate. So,
24 the land cost and the cost of the CNG

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 facilities will have to be approved. And those
2 costs will be audited and reviewed by Staff,
3 and you'll rule on that for a cost of gas rate.

4 When they -- going back to this
5 illustration, that was very -- again, it's very
6 speculative. They don't have a map as to what
7 roads it's going down. They don't have the
8 capacity that they're going to need. Again,
9 it's based on their -- on estimates that are --
10 until they actually get out there and actually
11 sign up some customers, know where the route
12 should go. I didn't -- this is an
13 illustration. I really didn't pay much
14 attention to it. I looked very hard at their
15 discounted cash flow analysis and their
16 business plan. And, again, I found that to be
17 deficient. But, until they do their marketing
18 and do their actual planning, these aren't very
19 good.

20 But, again, when they come in to
21 demonstrate 50 percent, Staff will be reviewing
22 those numbers. Staff will be basically signing
23 off. If we don't believe these numbers are
24 accurate, then you'll get a recommendation from

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 us, probably either way, saying "We've looked
2 at these numbers. The assumptions, the
3 commitments, they're all -- they all tie out
4 and we're comfortable with this."

5 So, whether, at that point, I suppose the
6 Company could go forward, if the Staff said
7 "this isn't valid", but then they would be at
8 risk of not being able to recover those costs.
9 Staff, at that point, would likely argue that,
10 when they came in seeking recovery, that it
11 would be an imprudent investment.

12 Q. But they would dig up the streets and add the
13 gas facility?

14 A. (Frink) That would be their choice, after they
15 file this demonstration that they have achieved
16 a 50 percent commitment. And, if Staff and the
17 OCA file something saying "we don't agree with
18 this, this analysis", then, if they want to go
19 forward with it, I imagine, under the terms of
20 the Settlement Agreement, they could. Or, I
21 don't know if you want to put a condition on
22 that -- you can approve the Settlement as is or
23 you can put a condition on it saying you want
24 that decision.

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 But, under the terms of the Settlement,
2 they do not need your approval to go forward
3 with the construction, if they demonstrate that
4 they have a commitment that exceeds -- equals
5 or exceeds 50 percent of the revenue
6 requirement.

7 Q. So, that was another question that I had. If
8 they demonstrate that they have at least 50
9 percent of the revenue requirement, and you
10 disagree with that, and they go forward, then,
11 if they overinvest and don't -- can't meet the
12 revenue requirement from the revenue from the
13 customers that they actually get, then they
14 don't recover that investment?

15 A. (Frink) Well, that would be your decision
16 ultimately.

17 Q. Well, I want to understand how you expect that
18 it's going to work from the Settlement
19 Agreement. I mean, I thought from the prior
20 testimony that they had -- that "demonstrate"
21 meant they had to prove that their assumptions
22 were reasonable. I mean, you can't prove it
23 until after the fact. But that they would have
24 to really provide a showing that somebody would

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 say "yes, we believe these numbers are
2 reasonable", --

3 A. (Frink) Right.

4 Q. -- in order for them to put a shovel in the
5 ground. And you're telling me that's not the
6 case?

7 A. (Frink) No. I'm saying, Staff is going to
8 review these numbers. They are going to have
9 to demonstrate it. They're going to
10 have actual costs. They're going to know what
11 the permitting fees are. They're going to know
12 what the route is. They're going to know much
13 the plant site is. They're going to have
14 commitments from CNG providers. All that will
15 go into the updated DCF analysis. That will
16 not be speculative. That will be -- those
17 should be hard numbers.

18 Q. Uh-huh.

19 A. (Frink) There should be very little estimates
20 in that, other than the future revenues. So, I
21 think -- I expect there won't be an issue with
22 that. If they put forward an updated DCF that
23 doesn't have hard numbers, then we are going to
24 raise that issue and say "we don't think they

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 have demonstrated that they have a 50 percent
2 commitment."

3 Q. And, Mr. Clark, do you think, if we, the
4 Commission, got a memo from Staff that said
5 that they don't think that you demonstrated the
6 commitment, would you be allowed to put a
7 shovel in the ground and start the project?

8 A. (Clark) My opinion is that we would not be
9 given the authority internally to start that
10 project, no.

11 Q. All right.

12 A. (Clark) I mean, to kind of elaborate on that a
13 little bit. We're not a very risk-taking
14 company when it comes to this. So, this isn't,
15 you know, as soon as we think we hit
16 50.1 percent, that the shovels are going in the
17 ground. There's going to be more determination
18 than just the 50 percent. It's how the
19 50 percent was achieved, what it looks like,
20 how long did it take to get it. What are the
21 odds of getting the remaining commitments to
22 make the DCF positive, not just 50 percent?
23 Those are all factors that will influence our
24 decision to go forward, not just the 50 percent

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 number.

2 Q. Okay. And, so, what happens if you demonstrate
3 it, you build it, and the customers who you
4 thought were going to sign on don't sign on,
5 then you lose half the revenue requirement, the
6 difference between the revenue requirement and
7 the revenue that you projected. But the other
8 half is fully recovered in your overall Liberty
9 revenue requirement?

10 So, on your example, permanent rates take
11 effect Year -- take effect Year 2, and you're
12 in a rate case, and your revenue -- the
13 difference between what you predicted and the
14 actual revenue that you achieved is \$332,913.
15 So, your revenue requirement is reduced from
16 679,171 by \$166,456?

17 A. (Clark) Correct.

18 Q. Okay. But you get to recover the other
19 \$166,456 even if you don't have enough
20 customers, new customers, to produce that?

21 A. (Clark) That's correct.

22 Q. So, there is some risk to other customers in
23 the Company, if your predictions are way off?

24 A. (Clark) Correct. If they're way off, that

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 would be, if it was distribution main, it would
2 be in the general rate case affected by our
3 90,000 customers. If it was a shortfall, I
4 believe, on the plant, it's collected through
5 the cost of gas, and it would only be customers
6 in Hanover and Lebanon responsible for that
7 shortfall.

8 Q. And, so, their 9 to 12 cent difference would be
9 much higher?

10 A. (Clark) It could be, yes.

11 Q. Okay. Which could prompt them to go somewhere
12 else?

13 A. (Clark) Yes. Exactly. And, as I stated, it's
14 not just the number, it's how we came about
15 getting those commitments and what that looks
16 like. If there is a -- you know, if 50 percent
17 represented one anchor customer that was not
18 willing to sign a long-term commitment and
19 could walk at any point in time, personally, I
20 would not consider that as a 50 percent
21 commitment level.

22 Q. Okay. I read in somebody's testimony, and I
23 can't think of it, I can't remember offhand
24 who's it was, that the Safety Division would

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 have oversight, complete regulatory oversight
2 over this plant. Was it yours, Mr. Clark?

3 A. (Clark) I don't think -- it may have been Rich
4 MacDonald's, but that is our understanding.

5 Q. Okay. All right. And, so, I just want to
6 confirm that this installation and operation
7 would be subject to our Safety Division's
8 oversight?

9 A. (Clark) Correct. And we're currently working
10 with the Safety Division on the Keene
11 conversion, and that's been our understanding
12 over the last few months that all the
13 facilities will be under the Safety Division's
14 purview.

15 Q. Okay. Somebody said in the direct that "the
16 Pelham reporting requirements were embodied in
17 this agreement." Who was that? Not you?

18 A. (Clark) Not me?

19 Q. Was it you, Mr. Frink?

20 A. (Frink) Well, I don't remember saying that.
21 But the reporting requirements are not the same
22 as Pelham. Pelham has to file a annual report
23 after the first year of service for -- till it
24 hits breakeven or a minimum of either three or

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 five years. We don't have that requirement
2 here.

3 Q. And why do you not have that requirement here,
4 Mr. Clark?

5 A. (Clark) It wasn't brought up.

6 A. (Frink) Again, in the Pelham/Windham had a
7 lower commitment level, and I forget exactly
8 what it was. It wasn't 50 percent.

9 A. (Clark) It was 25.

10 A. (Frink) So, because of the higher commitment, I
11 personally didn't feel the need to see an
12 annual report. One of the reasons we wanted --
13 and, actually, I don't think that requirement
14 is true for Windham, I think it's for Pelham.
15 Another reason we wanted it for Pelham is that
16 they're on MEP rates. And we wanted to see how
17 that program is operating and how efficient
18 that's been. So, --

19 CHAIRMAN HONIGBERG: And "MEP" stands
20 for?

21 WITNESS FRINK: "Managed Expansion
22 Program".

23 **CONTINUED BY THE WITNESS:**

24 A. (Frink) So, that's a new program, and it hasn't

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 been proposed for any areas in Lebanon/Hanover,
2 but it is in effect for Pelham. So, that was
3 part of the thinking in requiring filings
4 annually for some period of time.

5 BY CMSR. BAILEY

6 Q. I thought I read that the MEP Program would
7 apply?

8 A. (Clark) It could -- excuse me -- it could
9 apply. MEP rates are an opportunity. So, it
10 would eliminate a CIAC for a main extension,
11 that customer base could elect to pay MEP
12 rates, rather than constructions in aid of
13 construction. So, it's part of our general
14 tariff rates. It would be offered at any one
15 of our towns.

16 Q. Okay. Would you have any objection to filing
17 some annual status reports?

18 A. (Clark) No.

19 Q. I guess my final question, and I'd like to hear
20 from Dr. Pattochat -- Chattopadhyay, I'm sorry,
21 and actually Mr. Frink and Mr. Clark as well,
22 do you think that it would be in the public
23 good to allow Liberty to build these
24 facilities, if it were only going to serve one

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 or two customers?

2 A. (Chattopadhyay) I'm going to try and take a
3 crack at it. The way the language is in the
4 Settlement draft -- or, the Settlement, you
5 know, Agreement, I guess, when -- can that be a
6 possibility? Yes. You could have an
7 investment that is good enough for just one
8 customer that satisfies the 50 percent revenue
9 requirement. So, as far as the Settlement
10 Agreement is concerned, I think that's -- we
11 haven't said that that is not possible.

12 I'm just trying to respond to your
13 question as I think about it. That would be
14 not a very smart thing to do, just going for a
15 franchise based on just one customer, though,
16 in my opinion.

17 A. (Frink) If they -- if Liberty were just to pick
18 up Clean Energy, which uses -- I'm sorry,
19 Kleen, the laundry service, which has LNG, and
20 were to pick up Dartmouth Hospital, which uses
21 CNG, there would be reasons why Kleen and the
22 hospital would do that. It would, obviously,
23 be in their best interest to switch to utility
24 service from their CNG and LNG providers. So,

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 that, obviously, would be in their best
2 interests.

3 And, to the extent that it's in -- they're
4 part of the community and it's part of their
5 best interest, I assume it would also provide
6 some benefit to the community as well. Maybe
7 they don't want those -- trucks would come out
8 of that neighborhood and go to this site, maybe
9 there's a benefit to that. I can't really
10 judge without knowing the specifics. But it
11 could be that providing one or two large
12 customers from this site is actually a public
13 benefit. I wouldn't know until I saw the --
14 what the plans were and how it impacted the
15 public.

16 A. (Clark) Interesting question. It's not our
17 business model to serve just one or two
18 customers. The market seems to be taking care
19 of serving the needs of very large customers.
20 There could be synergies that result in a
21 public good benefit by aggregating those to a
22 utility system. Traffic control,
23 stabilization, more regulation for pricing, an
24 added layer of oversight from the Safety

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Division, energy efficiency programs, the
2 ability to connect adjacent property owners or
3 businesses.

4 But, as an individual stand-alone,
5 probably not our best business model.

6 CMSR. BAILEY: Okay. Thank you.

7 CHAIRMAN HONIGBERG: Commissioner
8 Giaimo.

9 CMSR. GIAIMO: Thank you.

10 BY CMSR. GIAIMO

11 Q. So, Mr. Clark, picking up on the business model
12 that you talked about. Can you talk a little
13 bit about what your business model looks like
14 that you plan on? What we might see with
15 respect to -- or, what the area might see with
16 respect to marketing for Phase One and Phase
17 Two?

18 A. (Clark) So, Phase One marketing would consist
19 of the area closest to our facility site.
20 That's mostly commercial, until you cross 89,
21 and then get up into a residential area. So,
22 those would be -- we would consider Phase One,
23 and not Phase Two, as defined in the Settlement
24 Agreement, but the next build-out on there.

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 So, the marketing would consist of direct
2 mailers and open houses, vendor trade shows,
3 you know, where we could put on a presentation
4 to actually present, once we're granted
5 franchise rights, actually present a offer to
6 customers, Service Line Agreements, benefits of
7 natural gas, efficiency programs, engage
8 customers' interest that way.

9 We have a sales team of about 11 currently
10 in New Hampshire, between gas and electricity,
11 that would be working up in the area, and the
12 Marketing group as well.

13 Q. So, is it safe to say that the vast majority of
14 the effort would be put, at least in the early
15 stages, on commercial/industrial and large
16 users closest to you?

17 A. (Clark) It would be. And it would probably be
18 the first year or two of the build.

19 Q. Okay. Is there an inherent disconnect with
20 respect to marketing to residential customers?
21 And just so that, and maybe we can talk this
22 through, it sounded like you said earlier that
23 there's far more oil in the Upper Valley than
24 propane?

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 A. (Clark) Correct. But similar to what we
2 experience in our existing territories, so
3 nothing --

4 Q. Okay.

5 A. (Clark) -- that we're not used to.

6 Q. But the conversion cost for oil, maybe you can
7 talk a little bit about the conversion cost for
8 oil versus propane, and if that is a hinderance
9 to you marketing towards residential?

10 A. (Clark) You know, it can have an effect. I
11 mean, it can have an effect. However, we've
12 been in a period of low oil pricing for two to
13 three years now, and we've had two or three
14 years of our best growth numbers within our
15 territories for conversions. What we find is,
16 obviously, new construction is fairly easy,
17 because it's a sunk cost anyways. Propane is
18 very fast on the saturation rate uptick because
19 of the conversion cost being so low.

20 So, really, the customer base that is
21 influenced is oil customers that have equipment
22 that's less than five to seven, ten years old.
23 So, once that becomes a sunk cost item, where
24 it's, you know, 15, 18 years old, and they're

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 looking to replace and upgrade, if gas is
2 available in the street, predominantly the
3 choice is to go gas at that point, because the
4 conversion costs are very similar.

5 Q. Thank you. I guess the last thing, there was
6 some confusion, and I think Commissioner Bailey
7 got to this, but I just want to reaffirm. What
8 I think we heard was that, with respect to -- I
9 believe it was Joanna Sharf's comments, with
10 respect to reporting, it sounds like there was
11 a question of whether or not this would
12 resemble Pelham or whether or not it would
13 resemble Windham, or -- maybe what I think I
14 heard the Company represent was that they would
15 be willing to do yearly reporting?

16 A. (Clark) We would. Similar to Pelham, we would
17 provide Staff with the annual reports.

18 CMSR. GIAIMO: Thanks.

19 CHAIRMAN HONIGBERG: Almost all of my
20 questions have been asked.

21 BY CHAIRMAN HONIGBERG

22 Q. Mr. Frink, with respect to the 50 percent
23 numbers in the Agreement, I think what I heard
24 you say a moment ago was that there would be a

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 filing that Staff would review and make a
2 recommendation on. Did I hear that right?

3 A. (Frink) Under the Settlement, the Company is
4 going to have to file a updated discounted cash
5 flow analysis that demonstrates the 50 percent.
6 And, at that point, Staff would file a
7 recommendation.

8 Q. Okay. Can you describe for us, and in large
9 measure for the members of the public, what a
10 recommendation like that consists of? What do
11 you do and how do you review it? What is your
12 recommendation then look like? What form does
13 it take?

14 A. (Frink) Well, first off, we look at what the
15 costs were. So, again, at that point, we have
16 a very good grasp as to what investment is
17 being made. That's one of the reasons that we
18 actually have two phases to it, because the
19 initial investment is relatively small,
20 especially as it pertains to the land. So, we
21 look at all those costs. We may even have the
22 auditors audit those costs, those investments.
23 We'd look at the O&M costs that are associated
24 with it, the depreciation, everything that goes

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 into a typical rate base item and revenue
2 requirement would be looked at.

3 And, then, we look at the commitments.
4 Hopefully, there would be a special contract,
5 that would be with a take-or-pay and a minimum,
6 you have to be on the system for X number of
7 years. We'd look at the margins associated
8 with that, those revenues. For instance, if
9 it's a special contract, it is something less
10 than the margins that they get on a tariffed
11 rate, then that would have to be taken into
12 consideration, that would have less of an
13 impact on meeting the revenue requirement
14 commitment.

15 So, all that will be looked at. Staff
16 will file a recommendation, with a background
17 as to what was submitted, what we did, what our
18 findings were, and the recommendation.

19 Q. And that's a written recommendation?

20 A. (Frink) It would be a written recommendation.

21 Q. And it would go into the docket, and it's
22 essentially a public document, right?

23 A. (Frink) Yes, it would be filed in this docket.

24 Q. You made a reference to "auditors" or "the

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 numbers would be audited". Who would do that
2 audit?

3 A. (Frink) The Commission Audit Staff. In rate
4 cases and for the cost of gas, for many items
5 that impact rates, they will do a -- the
6 Commission Audit Staff will do a full audit of
7 the expenses and revenues.

8 Q. You've made -- there's been a lot of reference
9 about "reducing the revenue requirement". Can
10 you give a plain English explanation for folks
11 what that means? What does it mean when the
12 Company "reduces its revenue requirement"?

13 A. (Frink) Okay. So, basically, the Company puts
14 in its plants, and it's going to cost a million
15 dollars for the land and \$2 million for the
16 plant, and another \$2 million for the
17 distribution system. So, you have a \$5 million
18 investment. You are allowed the opportunity to
19 recover a fair and reasonable return. Whatever
20 that is, for the sake of argument, we'll say
21 10 percent for this example, which is actually
22 kind of high, but, anyway, they get a return on
23 that \$5 million. That investment also has a
24 average service life. So, if it's a

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 distribution main, it could be 100 years, it
2 could be 50 years. So, you'd say, okay, that
3 \$5 million, on average, the average life for
4 all these assets we'll say is 50 years, so now
5 you have that expense that will be reflected in
6 there. You also have property taxes. You will
7 calculate the property taxes associated with
8 that. So, then, there's the operation and
9 maintenance of that, of those pipes and that
10 system that needs to be looked at and reviewed.

11 That's all part of the revenue
12 requirement. That's what the Company needs to
13 recover. They recover their expenses to
14 provide the service. They recover their
15 investment through the depreciated plant, and
16 they get a return on that investment. So,
17 that's what the revenue requirement is. And
18 that is what the target is.

19 Like I say, when they actually come in to
20 prove the 50 percent, they will have a very
21 good idea of where that route's going to go,
22 the size of the mains, the permitting costs,
23 the engineering, what the contractor who puts
24 in the pipes will actually be charging them.

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[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 All that will be known at that point in time or
2 very well known, and that will determine the
3 revenue requirement.

4 Q. And, so, then, the risk sharing that if, over
5 time, they're not getting -- receiving the
6 revenue that they expected, reducing the
7 revenue requirement has what effect on the
8 Company?

9 A. (Frink) Okay. So, we gave an example of they
10 don't earn -- well, first off, talking about a
11 discounted cash flow analysis, go back to that.
12 Typically, in a large expansion, you're looking
13 for a ten-year payback. Historically, the
14 Commission has approved projects with a
15 ten-year payback. That doesn't mean the
16 Company actually earns a positive return in
17 year one, because typically they don't. What
18 it means is, over the course of ten years, the
19 net present value will exceed zero. Meaning
20 that, okay, we expect to grow the system
21 throughout the years, the big investment is up
22 front on the capital costs. But, as that
23 starts to depreciate, and as we add more
24 customers, we'll make more money in year ten,

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 obviously, than in year one.

2 So, that's -- this risk sharing simply
3 says, okay, we know you're not going to make as
4 much in year one as you are in years two,
5 three, four, five. So, we're looking out over,
6 when you come in for a rate, the next three
7 years, this is what, based on the revenues that
8 you're getting from the customers you actually
9 signed up and what your actual costs were, now
10 that you've got rates, this is what, you know,
11 we expect you will, on average, get over the
12 next three years. So, that's what this
13 exercise is all about.

14 I would also like to point out that this
15 risk sharing does not offer a direct reward to
16 the Company, in that, in the example Mr. Clark
17 used, we expected 500,000, we got 250. Well,
18 expecting 500,000, maybe they make 750,000, or
19 a million dollars. In that case, the Company
20 doesn't get to keep half of that. That all
21 goes back to ratepayers. So, it's not a
22 unilateral "the Company wins", it protects
23 customers/ratepayers. The Company does
24 benefit, obviously, if it's more profitable

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 than not, and they earn on that more than they
2 would otherwise.

3 Q. But, when they reduce their revenue
4 requirement, the Company makes less money,
5 bottom line?

6 A. (Frink) Absolutely.

7 Q. I think this was discussed maybe at the
8 prehearing conference, but is this project --
9 this project is small enough, if it were fully
10 built out, it would be below the Site
11 Evaluation Committee threshold, correct?

12 A. (Clark) Correct.

13 CHAIRMAN HONIGBERG: And I think
14 those were all my questions.

15 Mr. Sheehan, Mr. Speidel, Mr.
16 Buckley, do you have any further questions,
17 redirect for your witnesses?

18 MR. SHEEHAN: I just want to make one
19 clarification point, if I could.

20 **REDIRECT EXAMINATION**

21 BY MR. SHEEHAN

22 Q. Mr. Clark, when you were reviewing the
23 illustration with Commissioner Bailey and the
24 numbers on there, is it correct that those are

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 not actual projections of what we think things
2 will cost, it's simply an illustration of what
3 would happen if we were under or over?

4 A. (Clark) That's correct.

5 Q. Okay. So, these numbers themselves, as I think
6 Mr. Frink or Dr. Chattopadhyay said, are just
7 to see how the calculation works?

8 A. (Clark) It was to review the mechanism.

9 MR. SHEEHAN: Okay. That's all I
10 had.

11 CMSR. GIAIMO: I have a question on
12 that.

13 BY CMSR. GIAIMO

14 Q. That I thought I heard you say they're
15 relatively indicative?

16 A. (Clark) As part of our DCF analysis, those
17 numbers were pulled off of a spreadsheet, but
18 they are not exactly up-to-date.

19 CHAIRMAN HONIGBERG: Mr. Buckley, do
20 you have any further questions for the panel?

21 MR. BUCKLEY: Just two quick
22 clarifying questions for Dr. Chattopadhyay.

23 BY MR. BUCKLEY

24 Q. Dr. Chattopadhyay, in a question to you on

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 direct, I referenced the Settlement Agreement
2 and used the phrase "annual reporting
3 requirements", when perhaps at the time a more
4 appropriate phrasing, as suggested by
5 Commissioner Bailey and Councilor Below's
6 questions, and then actually Commissioner
7 Giaimo's questions, would have referred to the
8 "DCF analysis requirements". In this context,
9 would you agree with Mr. Frink's response to
10 Councilor Below's question on that topic?

11 A. (Chattopadhyay) Yes. I do.

12 Q. And, in light of Mr. Clark's response to
13 Commissioner Bailey's question, about whether
14 the Company would object to reporting
15 requirements, would you agree that nothing in
16 this Agreement precludes such a requirement?

17 A. (Chattopadhyay) I do.

18 Q. But that it's not currently included within the
19 Agreement?

20 A. (Chattopadhyay) Correct.

21 Q. All right. And one more question. Does
22 anything under the Settlement Agreement
23 preclude a normal prudence review of any
24 investments made under the potential

[WITNESS PANEL: Clark|Chattopadhyay|Frink]

1 Hanover/Lebanon franchise?

2 A. (Chattopadhyay) No. They are still subjected
3 to a prudency review.

4 MR. BUCKLEY: That's it.

5 WITNESS CHATTOPADHYAY: Sorry.

6 MR. BUCKLEY: Thank you,

7 Mr. Chattopadhyay.

8 WITNESS CHATTOPADHYAY: Yes.

9 CHAIRMAN HONIGBERG: Mr. Speidel?

10 MR. SPEIDEL: No questions. Thank
11 you.

12 CHAIRMAN HONIGBERG: All right. I
13 think then we're done with this panel. Let's
14 go off the record for a second.

15 *[Brief off-the-record discussion*
16 *ensued.]*

17 CHAIRMAN HONIGBERG: I think Ms.
18 Griffin we decided would go next.

19 (Whereupon **Julia Griffin** was
20 duly sworn by the Court
21 Reporter.)

22 CHAIRMAN HONIGBERG: Mr. Below.

23 MR. BELOW: Thank you.

24 BY MR. BELOW

[WITNESS: Griffin]

1 Q. Ms. Griffin, could you please state your name,
2 address, and occupation for the record.

3 A. Julia Griffin, 41 South Main Street, Hanover,
4 New Hampshire, Town Manager for the Town of
5 Hanover.

6 Q. And did you file prefiled testimony in this
7 docket?

8 A. I did.

9 Q. And do you have any corrections to that
10 testimony?

11 A. No, I do not.

12 Q. If you were asked the same questions today,
13 would you have the same responses?

14 A. Yes.

15 MR. BELOW: And could we have that
16 marked as an exhibit or --

17 CHAIRMAN HONIGBERG: It's going to be
18 "7", right? It's going to be "Exhibit 7".

19 MR. BELOW: Okay.

20 (The document, as described, was
21 herewith marked as **Exhibit 7** for
22 identification.)

23 BY MR. BELOW

24 Q. And I have a document here, I think you have a

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[WITNESS: Griffin]

1 copy of it, and Mr. Brooks is going to help
2 hand those out. Could you identify what this
3 document is?

4 A. This is a letter dated July 11th, addressed to
5 Debra Howland, Executive Director of the PUC,
6 signed by Richard G. Mills, who is Executive
7 Vice President of Dartmouth College. And it
8 relates to their natural gas inclinations.

9 MR. BELOW: Could we have that marked
10 as an exhibit?

11 MR. SPEIDEL: There is a couple of
12 unusual features about this letter. It has a
13 date of July the 11th. But the first time it
14 came across the desk of at least Staff was this
15 week, in September. It came in as a public
16 comment in September.

17 CHAIRMAN HONIGBERG: In July, you
18 mean, or in September?

19 MR. SPEIDEL: In September.

20 CHAIRMAN HONIGBERG: Yes. I know it
21 came -- we saw it this week for the first time.

22 MR. SPEIDEL: Right. And it has the
23 date "July the 11th", and it allegedly is being
24 addressed to Director Howland. So, there's

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[WITNESS: Griffin]

1 something --

2 CHAIRMAN HONIGBERG: Well, wait a
3 minute. Let's not -- the date may be
4 irrelevant.

5 MR. SPEIDEL: Well, I'm just curious
6 about the timing of the preparation of the
7 document.

8 CHAIRMAN HONIGBERG: Well, maybe
9 Mr. Below will ask some questions and allow
10 Ms. Griffin to clarify what's going on with
11 this exhibit. It is being marked as "Exhibit
12 8".

13 (The document, as described, was
14 herewith marked as **Exhibit 8** for
15 identification.)

16 MR. BELOW: Okay. Thank you.

17 BY MR. BELOW

18 Q. Could you read the last two sentences of the
19 first paragraph of the letter.

20 CHAIRMAN HONIGBERG: Is it really
21 necessary that she read the letter into the
22 record?

23 MR. BELOW: Okay.

24 CHAIRMAN HONIGBERG: It's an exhibit.

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[WITNESS: Griffin]

1 Let's find out about the providence of this
2 letter, okay.

3 MR. BELOW: Okay.

4 BY MR. BELOW

5 Q. Ms. Griffin, could you explain the origin of
6 this letter and what you see the significance
7 of it as?

8 A. Hanover and Dartmouth are working closely
9 together on a number of energy efficiency
10 projects. Dartmouth has been working closely
11 with Hanover on replacing its steam heating
12 facility, which runs on Number 6 fuel, with a
13 biomass hot water heating facility for the
14 entire campus. And, because of that
15 commitment, on Dartmouth's part, and the Board
16 of Trustees' vote to fund that work, and
17 because of the report generated by faculty and
18 staff and trustees that was released on Earth
19 Day this year, April, the College has taken an
20 official position and wanted to communicate
21 that, that they have no interest in procuring
22 natural gas through a pipeline project for
23 purposes of serving the campus facilities.

24 CHAIRMAN HONIGBERG: Okay. That's

[WITNESS: Griffin]

1 great. I mean, we've got a witness, not from
2 the College, testifying about something the
3 College has done.

4 Do you know when this letter was
5 signed?

6 WITNESS GRIFFIN: I don't know when
7 this letter was signed, nor can I confirm the
8 date it was written. This was prepared by
9 Ellen Arnold, who is general counsel for
10 Dartmouth College, and signed by Richard Mills
11 at some point between July 11th and when the
12 letter was submitted.

13 CHAIRMAN HONIGBERG: Okay. Mr. Below
14 do you have any other questions about this?

15 BY MR. BELOW

16 Q. Only that, in your testimony, you reference the
17 fact that both the Town of Hanover itself, and
18 to the best of your knowledge Dartmouth
19 College, has no interest in purchasing natural
20 gas --

21 A. Correct.

22 Q. -- from Liberty Utilities or otherwise, and
23 this simply confirms that --

24 A. Correct.

[WITNESS: Griffin]

1 Q. -- assertion in your testimony?

2 A. Correct.

3 MR. BELOW: Thank you. That's all.

4 CHAIRMAN HONIGBERG: Okay. Who has
5 questions for Ms. Griffin? Dr. Chaffee, do you
6 have questions?

7 DR. CHAFFEE: No.

8 CHAIRMAN HONIGBERG: Mr. Wilkie?

9 MR. WILKIE: No.

10 CHAIRMAN HONIGBERG: Mr. Buckley?

11 MR. BUCKLEY: No.

12 CHAIRMAN HONIGBERG: Mr. Speidel?

13 MR. SPEIDEL: No.

14 CHAIRMAN HONIGBERG: Mr. Sheehan?

15 MR. SHEEHAN: No thank you.

16 CHAIRMAN HONIGBERG: Commissioner

17 Bailey.

18 CMSR. BAILEY: Good afternoon.

19 WITNESS GRIFFIN: Good afternoon.

20 BY CMSR. BAILEY

21 Q. Have you worked with Dartmouth-Hitchcock
22 Medical Center in the same capacity that you
23 have worked with the College?

24 A. No. I have met with Tom Goins, who heads up

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[WITNESS: Griffin]

1 their facilities and infrastructure for the
2 Medical Center. And I did ask him about their
3 potential interest in connecting with a natural
4 gas pipeline. The only information Mr. Goins
5 could share with me is that they have had no
6 conversations with Liberty to date about
7 connecting to a natural gas pipeline. They
8 just renewed a three-year contract, I think
9 earlier this spring, with their CNG supplier,
10 because they do now rely on CNG to heat the
11 Medical Center campus.

12 And that that was all he could tell me at
13 that point, in terms of a commitment or lack of
14 commitment to purchasing natural gas through
15 the pipeline project.

16 Q. Okay. With respect to -- it's Hanover that
17 voted to go 100 percent renewable by 2050,
18 correct?

19 A. Correct.

20 Q. Is that just an indication of the majority of
21 people who voted that that's a goal or is there
22 any way to legally enforce that?

23 A. So, that's a goal. That's not an ordinance.

24 That's not a local regulation. That is a goal

[WITNESS: Griffin]

1 that the community has set for itself as part
2 of the Ready For 100 movement that's happening
3 across the country.

4 CMSR. BAILEY: Okay. Thank you.

5 WITNESS GRIFFIN: Uh-huh.

6 CHAIRMAN HONIGBERG: Commissioner
7 Giaimo, do you have any questions?

8 CMSR. GIAIMO: No.

9 CHAIRMAN HONIGBERG: I have no
10 questions, Ms. Griffin. Thank you.

11 WITNESS GRIFFIN: Uh-huh.

12 CHAIRMAN HONIGBERG: Mr. Below, I
13 assume there's no redirect?

14 MR. BELOW: Correct.

15 CHAIRMAN HONIGBERG: All right,
16 Dr. Chaffee, why don't you trade places with
17 Ms. Griffin.

18 (Whereupon **Jonathan Chaffee** was
19 duly sworn by the Court
20 Reporter.)

21 CHAIRMAN HONIGBERG: Mr. Below.

22 MR. BELOW: Thank you.

23 **JONATHAN CHAFFEE, SWORN**

24 **DIRECT EXAMINATION**

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[WITNESS: Chaffee]

1 BY MR. BELOW

2 Q. Dr. Chaffee, could you state your name,
3 occupation, and address.

4 A. Jonathan Chaffee, 21 Highland Avenue, West
5 Lebanon, New Hampshire. I'm retired.

6 Q. And you've provided prefiled testimony in this
7 proceeding?

8 A. I did.

9 Q. And do you have any corrections to that
10 testimony?

11 A. I do not.

12 Q. And, if you were asked the same questions
13 today, would you have the same responses?

14 A. No. The proposed Settlement really changes the
15 conditions to which my prefiled testimony was
16 directed. And I'd ask permission to summarize
17 aspects of my prefiled testimony that speak to
18 the proposed Settlement.

19 CHAIRMAN HONIGBERG: Well, let's
20 understand that, in order for what's going to
21 be marked as "Exhibit 9" to get properly in the
22 record, I think what we're going to need to
23 have you do is adopt it as your testimony as it
24 pertains to the Petition as it was filed. And,

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[WITNESS: Chaffee]

1 then, if you want, you're under oath, then you
2 can summarize how the Settlement changes your
3 view or doesn't change your view or modifies
4 your view, or whatever.

5 WITNESS CHAFFEE: Thank you.

6 CHAIRMAN HONIGBERG: So, as it
7 pertains to the original Petition, if you were
8 asked the same questions that are in your
9 prefiled testimony, would you be giving the
10 same answers?

11 WITNESS CHAFFEE: Yes.

12 CHAIRMAN HONIGBERG: Mr. Below.

13 WITNESS CHAFFEE: Thank you.

14 MR. BELOW: Yes.

15 BY MR. BELOW

16 Q. And, so, you adopt that prefiled testimony as
17 true and correct testimony?

18 A. Yes.

19 MR. BELOW: And could that be marked
20 as an exhibit?

21 CHAIRMAN HONIGBERG: Yes. That's
22 going to be "Exhibit 9".

23 (The document, as described, was
24 herewith marked as **Exhibit 9** for

[WITNESS: Chaffee]

1 identification.)

2 MR. BELOW: Okay.

3 BY MR. BELOW

4 Q. And, with the filing of the Settlement, have
5 things changes about your conclusions in that
6 testimony?

7 A. Yes. I would add some comments about the
8 proposed Settlement that are -- some of them
9 are illustrated in my prefiled testimony.

10 Q. And would you share those with the Commission
11 now.

12 A. Specifically, I'd say that that investment is
13 risky because Liberty knows or should know now
14 that three of its positive marketing assertions
15 about natural gas are actually -- will actually
16 be marketing negatives.

17 MR. BELOW: I think there's another
18 document that we'd like to have marked as --
19 or, Dr. Chaffee would like to have marked as an
20 exhibit.

21 BY MR. BELOW

22 Q. Could you go ahead and --

23 MR. BELOW: Or would the Chairman
24 like to wait until this is distributed?

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[WITNESS: Chaffee]

1 CHAIRMAN HONIGBERG: Without knowing
2 what the question is, I don't know.

3 MR. BELOW: Well, let's get it
4 distributed.

5 *[Mr. Brooks distributing*
6 *documents.]*

7 BY MR. BELOW

8 Q. And could you say what this document is, and
9 then I'll ask for it to be marked as an
10 exhibit?

11 A. Before I go into the pricing future, can I say
12 something about the cost calculator for the
13 advantage of natural gas over oil, to which
14 Commissioner Bailey made some reference
15 earlier. I spent a good deal of time in my
16 prefiled testimony illustrating, with Liberty's
17 own cost calculator, that the advantage of
18 natural gas over oil is very slim, as Mr. Clark
19 confirmed, of 5 to 7 percent. But that
20 advantage is only comes -- only refers to
21 customers who use large amounts of oil or
22 natural gas. A very efficient home would
23 already be better served by remaining with oil.
24 And, as Commissioner Bailey noted, the very

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[WITNESS: Chaffee]

1 slim advantage of natural gas over oil is
2 overwhelmed by the cost of having to invest in
3 new equipment. And, for very efficient homes,
4 it would be much more cost-effective to invest
5 in heat pumps, very energy-efficient electric
6 heat pumps. The cost of which is about equal
7 to the cost of investing in natural gas
8 equipment. And then the operating costs would
9 be far lower than either oil or natural gas.

10 MR. BELOW: So, this document that
11 says "Why Natural Gas Products?", could that be
12 marked as an exhibit?

13 CHAIRMAN HONIGBERG: It's from the
14 application, is it not? Isn't it? Yes. It's
15 Bates Page 035 of the Company's original
16 application.

17 WITNESS CHAFFEE: It's illustrative
18 of -- I'm illustrating --

19 CHAIRMAN HONIGBERG: I'm having a
20 conversation with Mr. Below right now. It's
21 fine, if you want to have it marked. But just
22 note that it is Page 035, Bates Page 035 from
23 the original Petition in this docket.

24 And, so, I'm going to be kind of

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[WITNESS: Chaffee]

1 interested in how your next question is going
2 to draw an answer that shouldn't have been
3 included in his prefiled testimony. So, let's
4 see where this goes.

5 MR. BELOW: Well, just to be clear,
6 I'm doing this as a courtesy to Dr. Chaffee.
7 He's not my -- the City's witness.

8 CHAIRMAN HONIGBERG: Understood.

9 MR. BELOW: But, given that, I'm
10 trying to help facilitate what he would like to
11 get into the record today.

12 BY MR. BELOW

13 Q. So, recognizing that this is actually an
14 excerpt from something that's already marked as
15 an exhibit, maybe you can just go ahead and
16 refer to it and explain what the significance
17 of this is from your point of view.

18 A. Well, this is an assertion that's being
19 provided to customers that natural gas prices
20 are going to stay low. And I'd like to -- I'd
21 like to look at the next exhibit.

22 MR. BELOW: Okay. And this is the
23 next document that I think Dr. Chaffee would
24 like to have marked as an exhibit is a response

[WITNESS: Chaffee]

1 to a data request to the OCA from Mr. Clark.
2 It's marked as "Request Number OCA 1-44".

3 CHAIRMAN HONIGBERG: All right. Just
4 for ease of reference then, we'll mark the
5 previous one as "10", that's Bates Page 035
6 from the original Petition, and this next
7 document we'll mark as "11".

8 (The documents, as described,
9 were herewith marked as
10 **Exhibit 10** and **Exhibit 11**,
11 respectively, for
12 identification.)

13 **BY THE WITNESS:**

14 A. So, in this document, the OCA asks what would
15 happen if the cost of gas rises? And the reply
16 is circled on the bottom of this, that "Based
17 on current and forecasted market conditions
18 with respect to natural gas," --

19 *[Court reporter interruption.]*

20 WITNESS CHAFFEE: Sorry.

21 **CONTINUED BY THE WITNESS:**

22 A. -- "the Company does not foresee any
23 circumstances where CNG and LNG commodity
24 prices rise by 50 percent over the next five

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[WITNESS: Chaffee]

1 years. Should that unlikely event occur, the
2 Company expects that it will be more difficult
3 to attract new customers."

4 Could we see the next exhibit?

5 MR. BELOW: Oh. Okay. So, there's
6 another document that Mr. Brooks is
7 distributing, that is indicated as "OCA 2-10",
8 a data request response from Mr. Clark. And
9 could that be marked as an exhibit?

10 CHAIRMAN HONIGBERG: How many more
11 are there? Would it be more efficient to get
12 them all up here?

13 MR. BELOW: Probably, yes. I think
14 there's a total of about ten.

15 CHAIRMAN HONIGBERG: I think that's a
16 given. Let's go off the record for a moment.

17 (Brief off-the-record discussion
18 ensued.)

19 *[Mr. Brooks distributing*
20 *documents.]*

21 MR. BELOW: I believe the Commission
22 has the full set now, and all the other parties
23 have the next two items. So, maybe we could
24 proceed while Mr. Brooks distributes the

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[WITNESS: Chaffee]

1 subsequent items beyond the next two to the
2 other parties.

3 CHAIRMAN HONIGBERG: All right. I'm
4 looking at OCA -- the response to OCA 2-10, and
5 I think that's being marked as "Exhibit 12".

6 (The document, as described, was
7 herewith marked as **Exhibit 12**
8 for identification.)

9 MR. BELOW: Okay. Thank you.

10 BY MR. BELOW

11 Q. Dr. Chaffee, would you explain what you think
12 the significance of this document is.

13 A. Well, it's, again, the Company's admission
14 that, if LNG and CNG prices go up as much as
15 50 percent, there would be problems attracting
16 new customers. But the Company does not
17 anticipate such major commodity price increases
18 as being realistic. Thus, the Company
19 determined that such a scenario is not relevant
20 to the Petition.

21 Q. And does the Exhibit 10 relate to why, your
22 view on that position?

23 A. Yes. Yes. That's the Company's assertion that
24 prices are going to stay low. And that's an

[WITNESS: Chaffee]

1 example of material that would be given to
2 customers asserting that the price stays low.

3 Q. Okay.

4 A. However, in response to, I guess it would be
5 the Exhibit 13 --

6 Q. Well, hold on a second, Dr. Chaffee.

7 A. Yes.

8 Q. So, the next document you'd like to reference
9 is Arwen/Chaffee Data Request Response 1-13,
10 correct?

11 A. Yes.

12 CHAIRMAN HONIGBERG: And that's going
13 to be "Exhibit 13".

14 (The document, as described, was
15 herewith marked as **Exhibit 13**
16 for identification.)

17 MR. BELOW: Okay.

18 BY MR. BELOW

19 Q. Go ahead, Dr. Chaffee. Explain the
20 significance of that.

21 A. The Company's response to the question about
22 "How do you know that prices are going to stay
23 low?", was "Please see Page 55 of report from
24 the US Energy Information Association in

[WITNESS: Chaffee]

1 Attachment Arwen/Chaffee 1-13.1."

2 Q. And that's the next document you would like to
3 have marked as an exhibit, which is actually
4 "Page 28 of 64" of your attachments to your
5 testimony, is that correct?

6 A. No. This is Page 28 of 64 of the Attachment
7 Arwen/Chaffee data -- data response. But I
8 also included this in my prefiled testimony.

9 CHAIRMAN HONIGBERG: So, this page
10 will be "14".

11 (The document, as described, was
12 herewith marked as **Exhibit 14**
13 for identification.)

14 MR. BELOW: Okay.

15 BY MR. BELOW

16 Q. So, this is marked as "Exhibit 14". And what
17 do you want to explain about that?

18 A. Well, the graph on the left that's circled is
19 the EIA's projection for natural gas costs.
20 But the first thing I'd like to refer to, the
21 title of this page, in blue, near the top, the
22 title of the page is "Natural gas prices are
23 projected to increase". This is the reference
24 for how natural gas prices are going to stay

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[WITNESS: Chaffee]

1 the same into the future.

2 There are three scenarios in the graph on
3 the left that is circled. The reference
4 scenario, the center, rise has been between the
5 high rise in the green scenario and the low
6 rise in the red scenario. The middle blue
7 line, reference case, is the EIA's most likely
8 case. And below this, in the explanation, it
9 says "In the reference case, the natural gas
10 spot prices at the U.S. benchmark Henry Hub in
11 Louisiana rise because of increased drilling
12 levels, production expansion into less prolific
13 and more expensive-to-produce areas, and demand
14 from both petrochemical and liquefied natural
15 gas export facilities."

16 Q. And, so, what is it that you feel is misleading
17 about the utility's marketing assertions?

18 A. Well, prices rise rather markedly in the
19 reference scenario. In the -- in the less
20 likely case, that oil and gas resource and
21 technology investment is very successful,
22 prices rise only a little. And prices rise,
23 they more than double in the low oil and gas
24 resource and technology scenario.

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[WITNESS: Chaffee]

1 Q. And what about residents and businesses that
2 currently use propane? Isn't there a larger
3 price advantage of natural gas over propane?

4 A. Well, there may be an advantage now. Although,
5 we don't -- we don't actually know what the
6 cost of gas increment that will be charged to
7 customers will be. And, in the projections,
8 Liberty is using a residential cost of propane,
9 which is much, much higher than commercial
10 customers will actually pay. They may pay as
11 little as half what a residential customer
12 would pay. So, we don't actually know what the
13 increment cost advantage of natural gas
14 delivered by the pipeline would be to
15 customers.

16 But Liberty has said that, if there were a
17 50 percent rise in the cost of gas, they would
18 have a difficulty -- a difficulty attracting
19 customers. And these documents, to which
20 Liberty specifically referred in defense of
21 that, say that there is most likely a 70 to
22 76 percent increase in the cost of gas, most
23 likely case. Only in the very least likely
24 case is there an increase that's less than 50

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[WITNESS: Chaffee]

1 percent.

2 MR. BELOW: And, so, you're speaking
3 about the magnitude of predictive price
4 increases. I think there's a -- the next
5 document that you would like to introduce as an
6 exhibit is marked -- or, is titled "AEO2017
7 Total Energy Real Prices Gas Price at Henry
8 Hub".

9 And could that be marked as an
10 exhibit?

11 CHAIRMAN HONIGBERG: That will be
12 "15".

13 (The document, as described, was
14 herewith marked as **Exhibit 15**
15 for identification.)

16 BY MR. BELOW

17 Q. And what does that table show?

18 A. That's a table which presents the numerical
19 price increases that are shown in the graph
20 form. And, in the very most favorable
21 scenario, prices increase by 30 to 35 percent.
22 In the reference scenario, the most likely
23 scenario, they increase 70 to 76 percent. And,
24 in the case that the industry runs into many

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[WITNESS: Chaffee]

1 problems and production gets much tighter, the
2 gas prices would be projected to double.

3 So, I have tracked one of the actual gas
4 prices that have occurred in the intervening
5 years since this projection was made. And
6 that's a column in kind of to the right, where
7 it shows "actual pricing". And the price for
8 natural gas in 2016, as reported by the EIA,
9 tracks right between the most likely reference
10 case and the higher cost case, as the first
11 seven months of 1970 -- 2017 track also between
12 those two. So, it looks like natural gas is
13 inclining toward a price increase which is in
14 between 70 percent and 100 percent, and is way
15 more than 50 percent.

16 Q. And just to be clear, the sort of column marked
17 "actual pricing", with two numbers, is
18 something you've added to the document? That's
19 not from the --

20 A. Yes. The reference for the document is
21 provided below. But my column of "actual
22 pricing" is added.

23 Q. Okay. Thank you. Is there other evidence,
24 outside of this EIA prediction, which leads you

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[WITNESS: Chaffee]

1 to conclude that gas prices are likely to rise?

2 A. Yes. I include in my prefiled testimony a
3 couple of papers. One was published in *Nature*,
4 another in the *Geology Journal*. And they
5 corroborate the reservations in the EIA
6 reference case that careful analysis of
7 activity in the fracking plays shows that the
8 best wells have already been drilled. New
9 wells squeezed into limited geography will be
10 less productive and more expensive. These
11 people suggest that rosy predictions by
12 industry groups of unlimited production
13 potential may be intended to support rapid
14 investment in natural gas export facilities,
15 leading to anticipated industry profits. Most
16 importantly, they reinforce the obvious
17 conclusion that competition from natural gas
18 exports will drive up domestic prices.

19 Q. And what effect do you predict the 50 percent
20 or more price increase in the next few years
21 would have on Liberty's marketing plan?

22 A. I cannot predict that quantitatively and
23 Liberty refused to model this. Let me -- let
24 me be careful in how I say this: It would be

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1 in the interest of the industry to mislead
2 customers, and investors for that matter, about
3 the likelihood of price increases. Once
4 customers commit to natural gas use, their
5 usage makes money for the industry, producers
6 and distributors, but the industry bears no
7 liability for cost increases. These are passed
8 directly to the customer. Should price
9 increases occur soon enough to deter future
10 customer commitment, Liberty's investment bet
11 will be partly hedged from risk by the proposed
12 Settlement, which will make ratepayers
13 co-betters by passing part of the repayment on
14 to them. This, to me, is a structural conflict
15 with the concept of "in the public interest".

16 Q. And you've said that the delivered cost of
17 natural gas at current prices is not always
18 better than oil, and that worry about cost
19 increases could deter propane users from
20 switching. But are there not environmental
21 reasons which would lead customers to switch to
22 natural gas?

23 A. Liberty relies in its business plan, and has
24 said today a number of times, that there are

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[WITNESS: Chaffee]

1 environmental advantages to using natural gas.

2 Q. And I think you have another document that you
3 would like to have marked as an exhibit,
4 although it actually appears to be Page 43 of
5 188 of Liberty's appendix to their testimony,
6 is that correct?

7 A. It's an example of a representation to
8 customers that natural gas is environmentally
9 friendly.

10 CHAIRMAN HONIGBERG: And we'll mark
11 that as "Exhibit 16".

12 (The document, as described, was
13 herewith marked as Exhibit 16
14 for identification.)

15 MR. BELOW: Okay. Thank you, Mr.
16 Chairman.

17 CHAIRMAN HONIGBERG: And just to be
18 sure, we're talking about this document
19 *[indicating]*, right?

20 WITNESS CHAFFEE: Yes.

21 CHAIRMAN HONIGBERG: Okay.

22 MR. BELOW: And I think the next
23 document you'd like to provide as an exhibit is
24 entitled "A bridge to nowhere: methane

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[WITNESS: Chaffee]

1 emissions and the greenhouse gas footprint of
2 natural gas."

3 Could that be marked as an exhibit?

4 CHAIRMAN HONIGBERG: That will be
5 "17".

6 (The document, as described, was
7 herewith marked as **Exhibit 17**
8 for identification.)

9 MR. BELOW: Okay. Thank you.

10 BY MR. BELOW

11 Q. And what's your point with this exhibit,
12 Dr. Chaffee?

13 A. It's a graphic representation of the
14 contributions that fugitive methane makes to
15 the total environmental impact of different
16 fossil fuels. You can see the yellow bars
17 represent the carbon dioxide that is emitted by
18 burning those different fossil fuels. And that
19 does support the fact that natural gas, when
20 burned, emits less greenhouse gas than do --
21 compared to other fossil fuels that might be
22 used for heating.

23 But the red bars add onto that the direct
24 contribution of escaping methane that escapes

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[WITNESS: Chaffee]

1 directly in the atmosphere during production
2 and compression and transportation of the
3 natural gas. And those show -- or, when those
4 are added, natural gas is the worst of fossil
5 fuels that could be used for domestic and
6 commercial heating.

7 And the little uncertainty bars at the top
8 of those red lines show the variation in
9 estimates of how much natural gas has escaped.

10 Q. And the source of that document is provided at
11 the bottom of the page, is that correct?

12 A. Yes.

13 MR. BELOW: Okay. And the next item
14 you would like to have marked as an exhibit is
15 Page 48 of 78 from the attachments to
16 Mr. Clark's testimony.

17 Could that be marked?

18 CHAIRMAN HONIGBERG: That will be
19 "18".

20 (The document, as described, was
21 herewith marked as **Exhibit 18**
22 for identification.)

23 BY MR. BELOW

24 Q. And what's your comment or point on this

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1 exhibit?

2 A. Well, this page and the next page are examples
3 of Liberty knowing that the communities of
4 Hanover and Lebanon are highly environmentally
5 conscious. That, to quote, "However, they also
6 have a keen understanding of the role energy
7 plays in the environment and will fully
8 understand the benefits of natural gas when
9 compared with current alternative fuel choices
10 in heating their homes and powering their
11 businesses."

12 MR. BELOW: And the next document
13 you'd like to have marked as an exhibit is
14 Page 76 of 78 from that same document.

15 Could that be marked as --

16 CHAIRMAN HONIGBERG: That will be
17 "19".

18 (The document, as described, was
19 herewith marked as **Exhibit 19**
20 for identification.)

21 MR. BELOW: Okay.

22 **BY THE WITNESS:**

23 A. And I quote, "Both communities have strong
24 environmental convictions that the Company

[WITNESS: Chaffee]

1 believes will make natural gas an attractive
2 alternative to competing fuels currently
3 available in the region."

4 But the chart is illustrative of a sea
5 change that's occurred in the last few years in
6 our understanding of the environmental impact
7 of natural gas. Once, maybe five years ago, it
8 was widely believed to be a responsible fossil
9 fuel that could be a bridge fuel reducing the
10 need to immediately reduce the use of fossil
11 fuels. But it's now widely understood that
12 natural gas is the most environmentally
13 damaging of fossil fuels.

14 I quote a statement by the author of the
15 paper that showed that yellow and green graph:
16 "Using these new, best available data and a
17 20-year time period for comparing the warming
18 potential of methane to carbon dioxide, the
19 conclusion stands that both shale gas and
20 conventional natural gas have a larger
21 greenhouse gas footprint than do coal or oil,
22 for any possible use of natural gas and
23 particularly for the primary uses of
24 residential and commercial heating."

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[WITNESS: Chaffee]

1 The reason for this is that -- the reason
2 for this discrepancy is that methane unburned
3 in the atmosphere has a global warming
4 potential that's 86 times the global warming
5 potential of carbon dioxide.

6 The same author in *Energy and Emission*
7 *Control Technologies*, and I quote, says
8 "Methane emissions severely undercut the idea
9 that shale gas can serve as a bridge fuel over
10 the coming decades, and we should reduce our
11 dependence on natural gas as quickly as
12 possible."

13 CHAIRMAN HONIGBERG: Slow down. Slow
14 down.

15 **CONTINUED BY THE WITNESS:**

16 A. "One of the most cost-effective ways to do so
17 is to replace in-building use of natural gas
18 for domestic space and hot water heating with
19 high-efficiency heat pumps. Even if the
20 electricity that drives these heat pumps comes
21 from coal, the greenhouse gas emissions are far
22 less than from the direct use of natural gas."

23 MR. BELOW: The next item that we'd
24 like to have marked as an exhibit is a document

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[WITNESS: Chaffee]

1 that says "Energy". It's a multi-page
2 document, a thick one. It's in your hand,
3 right there.

4 BY MR. BELOW

5 Q. Well, first, Dr. Chaffee, let's just identify
6 this. Do you recognize this document?

7 A. I do.

8 Q. And what is it?

9 A. It's the Energy chapter of the Master Plan for
10 the City of Lebanon.

11 Q. Okay.

12 A. And I'm going to read the whole thing.

13 MR. BELOW: No.

14 *[Laughter.]*

15 MR. BELOW: No. Don't perjure
16 yourself here. Could that be marked as an
17 exhibit?

18 CHAIRMAN HONIGBERG: That will be
19 "Exhibit 20".

20 (The document, as described, was
21 herewith marked as **Exhibit 20**
22 for identification.)

23 MR. BELOW: Thank you, Mr. Chairman.

24 BY MR. BELOW

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[WITNESS: Chaffee]

1 Q. There's just like three sentences I would like
2 you to perhaps read from this. On the first
3 page, right under "Vision & Purpose", what's
4 the first sentence there?

5 A. "The long term vision for Lebanon's energy
6 future is to increase energy savings for
7 residents, businesses, and municipal functions,
8 to ensure a robust and stable energy economy,
9 and to reduce the impacts of greenhouse gas
10 emissions that result from a fossil
11 fuel-dependent economy."

12 Q. And turning to the second page, marked 13-2, at
13 the very top of the page, what's that
14 statement, one sentence?

15 A. "The City shall comply with the New Hampshire
16 Climate Action Plan, which aims to reduce
17 greenhouse gas emissions 80 percent below 1990
18 levels by 2050."

19 Q. And jumping way ahead to Page 17, at the top of
20 the page there's a -- what does it say about
21 the "Overall Long-Term Goal"?

22 A. "Lebanon is a leader in energy efficiency,
23 renewable energy reliance, and innovation
24 across municipal, commercial, institutional,

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[WITNESS: Chaffee]

1 and residential sectors."

2 Q. And, on the next page, 18, the "Outcome Number
3 2"?

4 A. "Occupant 2" is "The City relies upon as much
5 local renewable energy as possible."

6 Q. And Strategy B states that?

7 A. "The City shall encourage the commercial and
8 residential sectors to invest in renewable
9 energy."

10 Q. And, finally, on the next page, 20, "Outcome
11 Number 4 states that, what does it say?

12 A. "The City's residential, commercial, and
13 institutional sectors privately invest in
14 energy efficiency and renewable energy
15 projects."

16 Q. And is it your understanding, as a member of
17 the City's Energy Advisory Committee, that the
18 City is working towards the very strategies and
19 actions to implement these outcomes and goals?

20 A. The City has offered a --

21 *[Court reporter interruption.]*

22 **BY THE WITNESS:**

23 A. Let me offer that the City shall take active
24 steps to encourage residents, businesses, and

[WITNESS: Chaffee]

1 institutions to invest in efficiency and
2 renewable technology.

3 BY MR. BELOW

4 Q. And I simply asked if it's your understanding
5 that the City is working to implement these
6 outcomes and strategies?

7 A. Yes, it is.

8 MR. BELOW: Okay. And one -- I think
9 there's one more document to enter as an
10 exhibit here, which is titled "Addendum for the
11 Energy Chapter of the City of Lebanon Master
12 Plan 2012".

13 Could that be marked as an exhibit?

14 CHAIRMAN HONIGBERG: That's "21".

15 (The document, as described, was
16 herewith marked as **Exhibit 21**
17 for identification.)

18 CHAIRMAN HONIGBERG: And I have one
19 more document.

20 MR. BELOW: Okay.

21 CHAIRMAN HONIGBERG: Just so I hope
22 you have the same?

23 MR. BELOW: Yes, I do.

24 BY MR. BELOW

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[WITNESS: Chaffee]

1 Q. And do you recognize this document?

2 A. Yes.

3 Q. And could you describe what it is?

4 A. The "Addendum for the Energy Chapter of the
5 City of Lebanon Master Plan 2012", this was
6 adopted by unanimous vote of the City Council
7 and the Planning Board.

8 Q. And recently?

9 A. I have the dates here. Recently? It was on
10 June 7th and July 10th.

11 Q. And the third sentence or paragraph down, could
12 you just read that one sentence there?

13 A. It says "And whereas such references to the
14 possible use or increased use of natural gas do
15 not reflect and are not supported by policies
16 of the City of Lebanon."

17 Q. Okay. And you've said that "Liberty should
18 know that environmental awareness in Lebanon
19 and Hanover will be a marketing negative". Why
20 do you say that?

21 A. Well, Michael Licata was at the meetings with
22 which this was unanimously passed. That there
23 have been numerous well-attended forums on
24 natural gas use and on this pipeline. That

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[WITNESS: Chaffee]

1 most recently there was a rally on August 12th
2 in the green of the City of Lebanon attended by
3 over 300 people, many of whom signed -- over
4 100 of whom signed up to have their -- offered
5 their e-mails as contact to participate in
6 persuading customers not to sign up for natural
7 gas.

8 MR. BELOW: And the final document to
9 look at as an exhibit is entitled "A Resolution
10 of the City Council of the City of Lebanon, New
11 Hampshire, in Support of the Paris Climate
12 Agreement".

13 Could that be marked as an exhibit?

14 CHAIRMAN HONIGBERG: That will be
15 "22".

16 (The document, as described, was
17 herewith marked as **Exhibit 22**
18 for identification.)

19 BY MR. BELOW

20 Q. And is it your understanding that, during the
21 month of August, perhaps August 8th, the City
22 Council unanimously adopted this resolution?

23 A. Yes.

24 Q. And could you just read the two sentences that

[WITNESS: Chaffee]

1 follow the "Now, therefore, be it resolved that
2 the City of Lebanon" statement?

3 A. "Lebanon indicates its continuing commitment to
4 reducing greenhouse gas emissions through its
5 implementation of its Master Plan; and joins
6 other US cities and municipalities in the
7 Climate Mayors network and otherwise in
8 adopting and supporting the goals of the Paris
9 Agreement."

10 Q. And, so, what are the conclusions -- what's the
11 conclusion of your testimony?

12 A. There's no question in anyone's mind that the
13 future -- in the future renewable energy must
14 supply more and more of our energy needs. That
15 future is coming faster than we expected.
16 Increasingly horrific climate events caused by
17 global warming drive home our understanding
18 that we cannot continue to use fossil fuels
19 long term. At the same time, technology
20 changes are making renewable alternatives
21 available at a rate never anticipated.

22 In Lebanon and Hanover, we're moving
23 purposefully and quickly into an electrified
24 and renewable energy future. Lebanon and

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[WITNESS: Chaffee]

1 Hanover are entering into a particularly
2 exciting alternative to natural gas use,
3 hopefully coming on line next year, a roll out
4 of a local smart grid experiment, which will
5 offer renewably generated electricity from the
6 local landfill and real time electric pricing
7 at lower rates to encourage the use of
8 extremely efficient heat pumps for heating.
9 And just note that the PUC has enabled this and
10 Liberty will participate in this local smart
11 grid experiment.

12 I oppose the pipeline settlement. To
13 grant a franchise against explicit municipal
14 policy seems extraordinary. I believe that the
15 Settlement would be a mistake. That the
16 utility should not be insulated from the
17 investment risk, which it knows, in rolling out
18 this plan, that is entailed. It would be a
19 mistake for the concerted efforts of Hanover
20 and Lebanon to take local action for a better
21 environment, and be a mistake to the
22 ratepayers, who are rolled into this as
23 betters, and a mistake for Liberty Utilities
24 itself. If a crutch were not being handed to

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[WITNESS: Chaffee]

1 the utility, perhaps it would respond to the
2 true signals of market forces, which should be
3 leading it to a business plan viable in an
4 electrified, distributed energy future.

5 Q. Does that conclude your testimony?

6 A. It does.

7 MR. BELOW: Thank you.

8 CHAIRMAN HONIGBERG: Mr. Below, I
9 assume you have no further questions for the
10 witness?

11 *[Audience interruption.]*

12 CHAIRMAN HONIGBERG: Please stop.
13 Please stop. Thank you.

14 Mr. Below, I assume you have no
15 further questions for the witness?

16 MR. BELOW: Correct. Thank you.

17 CHAIRMAN HONIGBERG: Ms. Griffin, do
18 you have any questions?

19 *(Ms. Griffin indicating in the*
20 *negative.)*

21 CHAIRMAN HONIGBERG: That was a "no".
22 Mr. Wilkie?

23 MR. WILKIE: No.

24 CHAIRMAN HONIGBERG: Mr. Buckley, do

[WITNESS: Chaffee]

1 you have any questions?

2 MR. BUCKLEY: No.

3 CHAIRMAN HONIGBERG: Mr. Speidel?

4 MR. SPEIDEL: No.

5 CHAIRMAN HONIGBERG: Mr. Sheehan?

6 MR. SHEEHAN: Two.

7 **CROSS-EXAMINATION**

8 BY MR. SHEEHAN

9 Q. Mr. Chaffee, I understand, and I don't mean to
10 oversimplify this, but the gist of what your
11 testimony seems to be is, if the price of gas
12 goes up as you think it will, we will have a
13 hard time attracting new customers.

14 A. Yes.

15 Q. And, similarly, --

16 A. That's your assertion. I'm repeating what you
17 said.

18 Q. Right. We agree with that. And that, if the
19 customers are given the environmental view that
20 you've expressed here today, similarly it would
21 be hard for us to attract new customers?

22 A. I'm saying that that environmental awareness
23 exists or will exist among the customer base.
24 And, yes, it will make it difficult.

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[WITNESS: Chaffee]

1 Q. And you understand the Settlement builds in
2 protections that, if we are unable to attract
3 customers, we won't go forward?

4 A. Yes.

5 Q. And do you understand that those protections,
6 the 50 percent, the three-year cost -- risk
7 sharing are much more stringent than our
8 existing tariff for the rest of the state
9 provides?

10 A. I understand that. But I also say that I
11 would -- that I would prefer the OCA's initial
12 recommendation that there be -- that
13 100 percent of the customers be required to be
14 demonstrated before offering a franchise, and
15 that the Company and its stockholders bear
16 100 percent of the risk.

17 MR. SHEEHAN: Understood. Thank you.

18 CHAIRMAN HONIGBERG: Commissioner
19 Bailey?

20 CMSR. BAILEY: I understand your
21 testimony. Thank you. I don't have any more
22 questions.

23 CHAIRMAN HONIGBERG: Commissioner
24 Giaimo?

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[WITNESS: Chaffee]

1 CMSR. GIAIMO: I echo that.

2 CHAIRMAN HONIGBERG: And I have no
3 questions.

4 I assume you have nothing further,
5 Mr. Below?

6 MR. BELOW: Correct.

7 CHAIRMAN HONIGBERG: All right. Dr.
8 Chaffee, you can return to your seat.

9 There are no more witnesses, correct?

10 *[No verbal response.]*

11 CHAIRMAN HONIGBERG: All right. So,
12 are there objections to the striking of ID on
13 any of the Exhibits 1 through 22?

14 Mr. Sheehan?

15 MR. SHEEHAN: Although we could argue
16 some of them, we are not going to. We will not
17 object to those exhibits.

18 CHAIRMAN HONIGBERG: Anyone else?

19 *[No verbal response.]*

20 CHAIRMAN HONIGBERG: All right.
21 Seeing no objections, we'll strike ID on
22 Exhibits 1 through 22. They're all full
23 exhibits.

24 Is there anything else we need to do

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1 before we allow the parties to sum up?

2 *[No verbal response.]*

3 CHAIRMAN HONIGBERG: I didn't think
4 so. I believe we just heard Dr. Chaffee's
5 closing, essentially. I assume you have
6 nothing to add, Dr. Chaffee.

7 DR. CHAFFEE: Yes.

8 CHAIRMAN HONIGBERG: No, I got not
9 it. I got it.

10 Ms. Griffin, do you have anything to
11 add? And she said "no" inaudibly.

12 Mr. Wilkie, do you have anything?

13 MR. WILKIE: No.

14 CHAIRMAN HONIGBERG: Mr. Below?

15 MR. BELOW: Yes. The City of Lebanon
16 entered this proceeding primarily concerned
17 with retaining its local jurisdiction over land
18 use regulation, excavations, and public safety,
19 and fire code issues.

20 However, the City Council, in a
21 discussion last night, did ask or support my
22 attendance, and wanting to make clear to the
23 Commission that our current Master Plan, which
24 is the official policy of the City adopted by

1 both the Planning Board and the City Council,
2 does not support the expanded use of natural
3 gas. It's not consistent with our goals to
4 move more quickly to reduce our carbon
5 footprint as a city and to develop renewable
6 energy.

7 We would prefer if Liberty Utilities
8 would focus more of its entrepreneurial efforts
9 in working with the City on those goals, and to
10 better accelerate development and integration
11 of local renewable energy resources and a
12 beneficial electrification of transportation
13 and space heating, such as through our proposed
14 pilot that we're working on.

15 I do note a couple -- just a couple
16 points. In Mr. Frink's testimony, on Page 8,
17 at 11, he stated that "Although Liberty's
18 savings analysis indicated substantial savings
19 for propane customers converting to natural
20 gas, the propane prices used in Liberty's
21 savings analysis are probably higher than what
22 the potential anchor customers are paying, as
23 large users can typically negotiate a more
24 favorable rate."

1 To the best of my knowledge, there's
2 not much -- any much more testimony on that
3 particular issue, but I do think it raises some
4 degree of doubt as to the extent to which
5 natural gas may be more favorable than propane.
6 And it would not be unexpected if local propane
7 dealers got more aggressive in their pricing to
8 retain customers. Sort of raising the risk
9 issue.

10 I would also note that, in the
11 Northern Utility case, Order Number 25700, at
12 Page 4, as cited by the utility in their
13 petition, it states that "the Commission also
14 scrutinizes franchise petitions to ensure that
15 they're consistent with the orderly development
16 of the region." I think that both Lebanon and
17 the Town of Hanover have expressed their views
18 of what is the orderly development, that our
19 Master Plan reflects our community's goal in
20 terms of how we want to further develop within
21 the community. And, at this point, it doesn't
22 include the idea of expanded natural gas.

23 That being said, we don't have any
24 regulations or policies that prohibit that.

1 Obviously, some legal businesses are using
2 trucked in CNG or LNG presently, and that's not
3 something we are going to in any way deny that
4 choice to those customers.

5 If the Commission -- so, our
6 preference is that Liberty not proceed with
7 this franchise. But, if the Commission does
8 decide to grant the franchise and approve the
9 Settlement, I think there are a few
10 clarifications or conditions that might be
11 appropriate.

12 One of which is that, when they do
13 update their business plan and are presenting
14 their case that they have the necessary
15 customer commitments, that that would be more
16 appropriately come back to the Commission in
17 the form of a hearing, so that other parties,
18 interested parties, such as the City and the
19 Town of Hanover, could have a chance to
20 scrutinize that argument, as the impact in this
21 particularly heavily traveled area, part of the
22 city, would be very significant from what's
23 necessary to begin building out a distribution
24 system.

1 And we would also appreciate it if
2 the Commission would just confirm what was said
3 in -- at the hearing today, that it's -- the
4 expectation is fully that Liberty would be
5 working with the City, if they do move forward,
6 through all of our local land-use regulations
7 and fire code and safety regulations.

8 And I think that concludes my
9 statement. Thank you, Mr. Chairman.

10 CHAIRMAN HONIGBERG: Mr. Buckley.

11 MR. BUCKLEY: Thank you, Mr.
12 Chairman. Given the conditions included within
13 the Settlement Agreement, particularly the
14 ratepayer protections embodied within the
15 risk-sharing provision, the Office of the
16 Consumer Advocate views the Agreement as in the
17 public interest and supports its approval by
18 the Commission.

19 Thank you.

20 CHAIRMAN HONIGBERG: Mr. Speidel.

21 MR. SPEIDEL: As stated by Mr. Frink,
22 Staff supports the approval of the Settlement
23 Agreement by the Commission.

24 Thank you.

1 CHAIRMAN HONIGBERG: Mr. Sheehan.

2 MR. SHEEHAN: Thank you. Obviously,
3 the end of my request -- closing is ask that
4 you approve the Settlement Agreement, which
5 will provide for the awarding of the franchise
6 under the conditions provided there. That
7 simply authorizes us to compete for customers
8 in Hanover and Lebanon.

9 We have heard the presentations
10 today. We have been at similar meetings at
11 different locations before. We are not blind
12 to the difficulty it may be to attract the
13 customers. And, thus, we readily agreed to the
14 conditions in this Settlement, for a couple
15 reasons.

16 One, and most importantly, it
17 acknowledges our understanding that we need to
18 be sure this is going to work before we go
19 forward. And, in essence, that's what those
20 conditions lay out.

21 The two main arguments we've heard
22 here today are, economically, customers may not
23 want to do it, and, environmentally, customers
24 may not want to do it. And many of the people

1 here in this room strongly believe those, and
2 we respect that.

3 I think Mr. Frink made the most
4 telling statement today: "We don't know if
5 there's another side." Meaning, is there a
6 population out there, a sufficient population
7 to make this work for those people? And we
8 don't know that, because, without the
9 franchise, we've never had the opportunity to
10 knock on a door and say "we can offer you
11 natural gas next year at this price." We have
12 not been able to do that because we didn't have
13 the franchise.

14 We think this Settlement gives a good
15 protection to the customers. It gives,
16 frankly, protection for us. We're not going to
17 go forward if we're anywhere close to not
18 meeting these goals.

19 I do want to note the Dartmouth
20 letter says it takes no position on this thing,
21 on this Petition.

22 And I'd also like to respond briefly
23 to Mr. Below's proposed conditions. We have
24 said all along we will comply with all local

1 applicable zoning, fire, and safety codes, and
2 we will follow through with that.

3 His proposed condition that, after we
4 update the business plan and demonstrate to
5 Staff that we've met the 50 percent, we do not
6 agree to a "coming back for another hearing and
7 order". That would, we think, be inappropriate
8 and would not be consistent with the terms of
9 this Settlement.

10 With that, we ask that you approve
11 the Settlement. Thank you.

12 CHAIRMAN HONIGBERG: All right.
13 Thank you all. We will adjourn the hearing,
14 take the matter under advisement and issue an
15 order as quickly as we can.

16 ***(Whereupon the hearing was***
17 ***adjourned at 1:35 p.m.)***