



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

Docket No. DG 17-048

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Distribution Service Rate Case

DIRECT TESTIMONY

OF

STEVEN E. MULLEN

June 30, 2017

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1 **I. INTRODUCTION**

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

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

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

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

10 **Q. Please state your educational background and professional experience.**

11 A. I graduated from Plymouth State College with a Bachelor of Science degree in
12 Accounting in 1989. I attended the NARUC Annual Regulatory Studies Program at
13 Michigan State University in 1997. In 1999, I attended the Eastern Utility Rate School
14 sponsored by Florida State University. I am a Certified Public Accountant and have
15 obtained numerous continuing education credits in accounting, auditing, tax, finance, and
16 utility related courses. From 1989 through 1996, I was employed as an accountant with
17 Chester C. Raymond, Public Accountant in Manchester, NH. My duties involved
18 preparation of financial statements and tax returns, as well as participation in year-end
19 engagements. From 1996 through 2014, I was employed by the New Hampshire Public
20 Utilities Commission (“Commission”) in various roles. Through 2008, I held positions
21 first as a PUC Examiner, then as a Utility Analyst III and Utility Analyst IV. In those
22 roles, I had a variety of responsibilities that included field audits of regulated utilities’

1 books and records in the electric, telecommunications, water, sewer, and gas industries,
2 rate of return analysis, review of a wide variety of utility filings, and presenting testimony
3 before the Commission. In 2008, I was promoted to Assistant Director of the Electric
4 Division. Working with the Electric Division Director, I was responsible for the day-to-
5 day management of the Electric Division, including decisions on matters of policy. In
6 addition, I evaluated and made recommendations concerning rate, financing, accounting,
7 and other general industry filings. In my roles at the Commission, I represented
8 Commission Staff in meetings with utility officials, outside attorneys, accountants, and
9 consultants relative to the Commission's policies, procedures, Uniform System of
10 Accounts, rate cases, financing, and other industry and regulatory matters.

11 In 2014, I was hired by Liberty as the Manager, Rates and Regulatory. I am responsible
12 for rates and regulatory affairs for EnergyNorth and Granite State Electric. My duties
13 involve review and preparation of testimony and other aspects of regulatory filings,
14 interacting with regulators and other parties on behalf of Liberty, approval of rate
15 changes for EnergyNorth and Granite State, development of regulatory strategy, and
16 assisting the Director of Rates and Regulatory with management of the department.

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

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

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

20 A. My testimony is provided in response to the Commission's May 24, 2017, secretarial
21 letter in Docket No. DA 16-560. That docket was opened on May 10, 2016, upon the

1 filing by EnergyNorth and Granite State of a lease agreement (the “Lease”) covering
2 Granite State’s use of the gas and electric Training Center facility located on Broken
3 Bridge Road in Concord, New Hampshire, and owned by EnergyNorth. Although Staff
4 conducted limited discovery in that proceeding, no recommendation was filed by Staff
5 nor had any action been taken by the Commission prior to the issuance of the secretarial
6 letter. In that letter, the Commission cited certain sections of New Hampshire RSA
7 Chapter 366, RSA 374:30, and Chapter 2100 of the Commission’s administrative rules
8 with respect to the lease agreement and stated:

9 Because the Commission will apply additional standards for approval that
10 were not addressed in EnergyNorth’s filing in DA 16-560, the
11 Commission will consolidate this docket [DA 16-560] into the
12 EnergyNorth rate case, DG 17-048. EnergyNorth will be permitted to
13 supplement its rate case filing...to demonstrate that the lease meets all
14 applicable requirements for approval.¹

15 My testimony demonstrates that all of the applicable requirements have been met. In
16 addition, my testimony also addresses the capital costs of the Training Center.

17 **Q. Did the secretarial letter require that any other aspects of the Training Center be**
18 **addressed in supplemental information?**

19 A. Not explicitly. In addition to the above quoted passage, the secretarial letter included a
20 footnote that briefly referenced some testimony filed by Staff and rebuttal testimony filed
21 by Granite State in Granite State’s recent rate case, Docket No. DE 16-383. Other than a
22 reference to those two pieces of testimony, the letter provided no further direction other
23 than “to demonstrate that the lease meets all applicable requirements for approval.”

¹ May 24, 2017, secretarial letter in DA 16-560 at 2.

1 However, to facilitate the review and discussion of the Lease, my testimony will address
2 the information referenced in the footnote. Some of the information will be duplicative
3 of information previously provided in the joint rebuttal testimony of Mark E. Smith and
4 Steven E. Mullen filed in Docket No. DE 16-383² on February 3, 2017. To facilitate the
5 identification of that information, any text from that prior testimony is provided in *italic*
6 font with specific citations to that testimony.

7 **Q. Are you familiar with the details of the Lease?**

8 A. Yes. I was involved in the drafting and development of the Lease.

9 **Q. Are you familiar with the governing statutes, RSA Chapter 366, RSA 374:30, and**
10 **Chapter 2100 of the Commission's administrative rules, the "Affiliate Transactions**
11 **Rules?"**

12 A. Yes. During my time at Liberty and my previous employment at the Commission, I have
13 been involved in a number of proceedings that included reviewing and/or reporting on
14 affiliate transactions as well as review of affiliate agreements and other relevant subjects
15 that implicate the subject statutes. In addition, while on Commission Staff I was involved
16 in the rulemaking process that led to the initial adoption of the Affiliate Transactions
17 Rules.

² Docket No. DE 16-383, Exhibit 19 at Bates 219-242 (hereinafter cited as "Exhibit 19 at ____").

II. GOVERNING STATUTES AND COMMISSION RULES

A. New Hampshire Statutes

1. RSA Chapter 366

Q. Please describe the requirements of RSA 366 as they relate to the filing of affiliate agreements by public utilities and, specifically, as those requirements pertain to the lease agreement that was filed in DA 16-560.

A. RSA Chapter 366 is titled “Affiliates of Public Utilities.” RSA 366:1 defines affiliates, with subsection II.(d) applying to the relationship between EnergyNorth and Granite State due to their shared ownership. RSA 366:3 requires the filing of affiliate agreements with the Commission within ten days of the execution date or the date the arrangement was entered into.

Q. Did EnergyNorth and Granite State comply with RSA 366:3?

A. Yes. The Lease was effective beginning May 1, 2016, and it was filed with the Commission on May 10, 2016.

Q. Does RSA Chapter 366 contain any requirements concerning the terms and conditions that must be included in any such affiliate agreements upon their filing?

A. No. However, RSAs 366:3 and 366:5 indicate that the Commission could require “full information” and may investigate affiliate agreements, with the burden of proof remaining with the utility as to the reasonableness of the agreement. In this case, any additional information regarding the Lease obtained by the Commission pursuant to RSAs 366:3 and 366:5 would be used by the Company in support of a public good

1 determination, to the extent such further investigation is deemed necessary by the
2 Commission.

3 **Q. How does such investigation of affiliate agreements by the Commission typically**
4 **take place?**

5 A. Upon receipt of an affiliate agreement, Commission Staff will review the agreement and,
6 if necessary, will conduct discovery to further examine any areas in which Staff has
7 questions.

8 **Q. Did such discovery take place in DA 16-560?**

9 A. Yes, the Commission Staff conducted a very limited amount of discovery. Given Staff's
10 comments at the prehearing conference in this rate case docket, it appears that Staff's
11 main questions revolve around the capital costs:

12 The Concord Training Center, in particular, is of concern to the
13 Staff, not necessarily in concept, as much as it is in the amount of
14 the Training Center, as we understand its current cost versus its
15 projected cost when it was first mentioned to the Staff several
16 years ago.³

17 Notwithstanding the concern expressed by Staff at the prehearing conference, none of the
18 questions asked in DA 16-560 requested detail about the total capital costs.

³ Transcript of May 26, 2017, prehearing conference at 10.

1 **2. RSA 374:30**

2 **Q. The Commission’s secretarial letter also mentioned RSA 374:30. How does that**
3 **statute pertain to the Lease?**

4 A. In the Company’s view, that statute is not relevant. The Lease is an affiliate arrangement
5 of the type governed by RSA Chapter 366. As explained above, a utility has the burden
6 to demonstrate the reasonableness of the affiliate agreement to the extent further
7 investigation is deemed necessary by the Commission following the required submission
8 of the agreement pursuant to RSA 366:3. Such a demonstration by a utility relates to a
9 “public good” requirement. RSA 374:30 contains its own public good determination, but
10 any details necessary for that demonstration would, particularly for the Lease at issue in
11 this proceeding, be subsumed in the investigation conducted pursuant to RSAs 366:3 and
12 366:5. Thus, such public good determinations would be duplicative.

13 **B. Commission’s Rules Governing Affiliate Transactions**

14 **Q. What is the overriding purpose of Chapter 2100 of the Commission’s administrative**
15 **rules, the “Affiliate Transactions Rules?”**

16 A. The stated purpose of the affiliate rules is to provide “certain standards of conduct and
17 related procedures governing the relationship between a utility and its affiliates
18 transacting business in New Hampshire.”⁴ Put in the proper context, the affiliate rules
19 were first established due to electric industry restructuring to ensure that affiliates of
20 utilities that were engaged in competitive activities were not provided with an unfair
21 advantage or preference as compared to similar entities that were not otherwise affiliated

⁴ Puc 2101.01.

1 with a regulated utility. Similarly, utilities were not to be disadvantaged through their
2 dealings with other non-regulated affiliates. The affiliate rules were required as a
3 component of RSA 374-F, the statute that enabled and directed electric industry
4 restructuring.

5 **Q. Were those rules established specifically to address a situation such as the Lease**
6 **where one regulated utility leases a portion of a building to another affiliated**
7 **regulated utility?**

8 A. No. As stated above, the primary purpose of the affiliate transactions rules was to
9 eliminate situations where a competitive affiliate would have an unfair advantage over
10 similarly situated non-affiliated entities. Notwithstanding that point, the rules do apply to
11 transactions such as the Lease and the 2100 rules have particular provisions related to
12 pricing of transactions between utilities and their affiliates.

13 **III. COMPLIANCE WITH THE PRICING PROVISIONS OF PUC 2105.09**

14 **Q. What are the pricing provisions of Puc 2105.09?**

15 A. There are two particular provisions that apply to the Lease, one from the perspective of a
16 utility as a lessor and the other from the perspective of a utility as a lessee. First, Puc
17 2105.09(a)(1) states:

18 A utility may sell, lease, or otherwise transfer to an affiliate an asset, the
19 cost of which has been reflected in the utility's rates for regulated service,
20 provided that the price charged the affiliate is the highest of net book
21 value, fully loaded cost, and the current market value of the asset, as
22 applicable.

1 For purposes of the above provision as it relates to the Lease, EnergyNorth is the “utility”
2 (lessor) and Granite State is the “affiliate” (lessee). This pricing provision establishes the
3 value of the lease revenue to the lessor at a level at which the utility’s customers are not
4 harmed. As for the utility acting as the lessee, in this case Granite State, Puc
5 2105.09(a)(3) states:

6 An affiliate may sell, lease or otherwise transfer to a utility an asset, and
7 may provide services to a utility, provided that the price charged to the
8 utility is the lesser of the market value, the net book value, and the fully
9 loaded cost, as applicable.

10 Similar to the prior provision, this means that Granite State’s customers should not be
11 disadvantaged through its dealings with an affiliate—in this case, EnergyNorth. Thus,
12 Puc 2015.09(a) requires the lessor utility (EnergyNorth) to obtain the “highest” price at
13 the same time that it requires the lessee utility (Granite State) to pay the “lesser” price.

14 **Q. Given that two affiliated New Hampshire utilities are parties to the Lease, how do**
15 **you reconcile the above pricing provisions which could, in certain situations, be read**
16 **as requiring conflicting results?**

17 **A.** It simply comes down to determining whether EnergyNorth and its customers or Granite
18 State and its customers are harmed by the terms and conditions of the Lease. They are
19 not. The Lease is written such that Granite State pays its Proportionate Share of
20 EnergyNorth’s actual costs of ownership and operation of the Training Center—no more
21 and no less. If, for instance, a non-utility affiliate of EnergyNorth and Granite State
22 owned the Training Center rather than EnergyNorth, consistent with Puc 2105.09(a)(3)
23 above, neither EnergyNorth nor Granite State would be allowed to pay more than cost.

1 The terms of the Lease as written put both EnergyNorth and Granite State in that
2 situation. That is, neither is paying more than their share of the cost. Thus, pricing the
3 lease payments at cost demonstrates that the Lease contains fair and reasonable terms that
4 do not disadvantage EnergyNorth, Granite State, or the customers of either utility.
5 Therefore, the terms and conditions of the Lease comply with the pricing requirements
6 contained in Puc 2105.09.

7 **IV. TRAINING CENTER CAPITAL COSTS**

8 **Q. What were the total capital costs incurred by EnergyNorth in building the Training**
9 **Center?**

10 A. The total capital costs were approximately \$3.8 million.

11 **Q. What was the amount of the initial estimate that was included in the Company's**
12 **prior distribution rate case, DG 14-180?**

13 A. In that August 2014 filing, the Company included an estimate of \$1.45 million (excluding
14 overheads), as part of a requested step increase, for a project to be in service as of March
15 31, 2015. That estimate originated in 2013/2014 and was included in the 2014 capital
16 budget. At the time that EnergyNorth's prior rate case, Docket No. DG 14-180, was
17 filed, the 2015 capital budget had not been finalized and, as the Training Center was
18 planned to be in service by March 31, 2015, twelve months after the end of the test year,
19 the \$1.45 million was used in the rate case filing as part of the Company's request for a
20 step increase.

1 **Q. Was the Training Center actually placed into service on March 31, 2015?**

2 A. Yes. The Company received the Certificate of Occupancy in March 2015. The first
3 training class was held on March 31, 2015.

4 **Q. Were all aspects of the facility and the surrounding grounds completed by March**
5 **31, 2015?**

6 A. No. Given the time of year and factors such as the number of snowstorms that had
7 occurred, some aspects of the facility were not yet complete, but that did not preclude
8 Liberty from using the Training Center. Those items included landscaping, paving,
9 additional fixtures and furniture, communications equipment, among other capital items.

10 **Q. Please describe the main reasons for the significant difference between the initial**
11 **estimate and the final capital costs.**

12 A. There are a number of reasons, not the least of which is that the \$1.45 million initial
13 estimate did not include overheads. The \$1.45 million is best viewed as more of an
14 investment grade estimate. In addition, significant costs arose that were not included in
15 the initial estimate. Those costs include:

- 16 • Road and water main work required by the City of Concord;
- 17 • Drainage work required by the City of Concord;
- 18 • Costs of removing a previously unknown underground bunker-type structure
19 encountered during the site work;

- 1 • Approximately \$350,000 of various fees for architectural services, civil
2 engineering for building and roadwork, testing services, and fees from the City of
3 Concord for things such as traffic impact, inspections, and water investment; and
- 4 • Additional costs for telecommunications/cabling to address a situation of poor
5 cellular service available at the Training Center site.

6 **Q. Did the Company take measures to control the capital costs incurred for the**
7 **Training Center?**

8 A. Yes. As explained in the Smith/Mullen rebuttal testimony filed in DE 16-383:

9 **Q. *Once the building was constructed, how cost efficient was Liberty in outfitting the***
10 ***facility to become suited for training?***

11 A. *When construction on the building was completed, all work to make the Training Center*
12 *functional was completed in-house by Company employees under the direction of the gas*
13 *and electric training instructors. Used gas appliances were secured and made functional*
14 *for training, a gas leak field was built behind the building, poles were erected, and*
15 *transformers, meters, and other equipment were made functional for training. This work*
16 *was performed as a learning and training experience by Company employees and could*
17 *not have been completed in a more cost-effective manner.*⁵

⁵ Exhibit 19 at Bates 233.

1 **Q. Are the capital costs of the Training Center, including the items listed above,**
2 **currently under review?**

3 A. Yes. As part of the audit in this rate case, the Company has been answering questions
4 and providing supporting documentation to the Commission's Audit Staff. The Audit
5 Staff will be reviewing the costs and supporting documentation in great detail.

6 **Q. Have there been opportunities in other dockets for discovery to be conducted on the**
7 **estimated and actual costs so that a better understanding of what was and was not**
8 **included in the cost totals could be developed?**

9 A. Yes. The Training Center has been a topic in the following dockets:

- 10 • DG 14-180, EnergyNorth's distribution rate case;
- 11 • DE 16-383, Granite State's distribution rate case; and
- 12 • DA 16-560, the Lease between EnergyNorth and Granite State.

13 Despite ample opportunities for Staff to investigate the details behind the costs, it has not
14 taken advantage of those opportunities and has preferred to rely solely on the original
15 \$1.45 million estimate. This reliance on the original estimate without taking into account
16 other the factors that contributed to the higher actual cost has led Staff to unsupported
17 and incorrect conclusions that the Training Center costs were excessive. Such claims
18 were made by Staff in testimony filed in Docket No. DE 16-383.

19 The Company does not dispute that the total capital costs are much higher than the
20 estimate put forth nearly three years ago. As I have described in this testimony, in

1 retrospect, the original estimate is outdated and was lacking in several ways.⁶ However,
2 the primary consideration for rate recovery is the actual amounts spent and the details
3 behind that spending. In addition, one must be mindful of developments that have taken
4 place in various proceedings since the \$1.45 million estimate. First, in Docket No. DG
5 14-180, where recovery of the cost of the Training Center was first introduced by the
6 Company, there were no other significant filings made in that docket subsequent to the
7 Company's initial submission of testimony. In that docket, there was an extended period
8 of settlement discussions that culminated in a settlement agreement, thus obviating the
9 need for Staff or OCA testimony or rebuttal by the Company that would have addressed
10 the capital costs of the Training Center. Therefore, in that proceeding, there was no
11 meaningful opportunity to update the capital costs and, even if the costs had been
12 updated, that would not have affected the outcome of that proceeding.

13 More recently, in both DA 16-560 and DE 16-383, the higher capital costs were made
14 known and were subject to review. However, the Company was not asked to explain the
15 increase in costs as compared to the initial estimate, although it would have certainly
16 provided the necessary explanations as it is currently doing in this proceeding. The first
17 indication of Staff's concern over the actual cost was revealed in Staff's testimony in DE
18 16-383, which the Company responded to in its rebuttal.

6

1 As discussed earlier, the Audit Staff is in the process of conducting an audit of the rate
2 case, including the Training Center cost. This audit will be Staff's first detailed review of
3 the actual Training Center costs.

4 **V. FOOTNOTED ITEMS IN SECRETARIAL LETTER**

5 **A. Items Mentioned in Staff Testimony in DE 16-383**

6 **Q. The footnote in the secretarial letter also mentioned that Staff had submitted an**
7 **outline of items it suggested EnergyNorth file in its rate case in support of its**
8 **decision to build the Training Center. Could you please address this topic?**

9 A. Certainly. Staff's testimony in DE 16-383 stated that there were certain types of
10 documentation that it would like to see in a rate case filing with respect to the Training
11 Center, predominantly from a cost perspective. Those items included things such as
12 training requirements, costs of alternatives, a written business case, revenue requirement
13 calculations, etc. Training methods under prior Company ownership as well as
14 alternatives explored with respect to both buildings and training sources were addressed
15 in the Smith/Mullen DE 16-383 rebuttal testimony:

16 **Q. *How did Liberty employees receive training under the predecessor ownership?***

17 A. *Prior to Liberty's acquisition of Granite State, the training of gas and electric employees*
18 *was performed in training centers owned and operated by their respective parent*
19 *companies. For Granite State Electric employees, training was held in Massachusetts at*
20 *the Millbury training center. EnergyNorth Gas employees were trained by KeySpan at*
21 *the Norwood, Massachusetts, facility, and later, under National Grid, in Millbury,*
22 *Massachusetts. Both of these large utilities took training seriously and believed that a*

1 *combination of classroom and hands-on training was critical to ensuring employees were*
2 *fully qualified to perform their responsibilities in a safe and productive manner. The*
3 *work that utility employees perform is very technical and has serious safety implications*
4 *to the employee, to co-workers, and to the public.*⁷

5 **Q. *Prior to building the Training Center, did Liberty examine the possibility of utilizing***
6 ***existing Company space or purchasing an existing building within its service territory?***

7 A. *Yes. The Company examined all its existing facilities and determined there was no*
8 *suitable space available that could be utilized for training purposes. Many years ago, a*
9 *building in the Manchester yard was used to train gas employees, but due to*
10 *environmental issues, it was ruled out as a viable option for training. Liberty also*
11 *engaged a commercial real estate broker to examine buildings that were available in its*
12 *service area that could potentially be used for a training center. Nothing suitable was*
13 *identified.*⁸ *Ultimately, the decision was made to build a facility on Broken Bridge Road*
14 *in Concord, New Hampshire, as the Company already owned the land and because it was*
15 *centrally located to the gas and electric operations centers. Mr. Iqbal did not dispute the*
16 *Company's conclusion that no other suitable buildings were available.*

17 **Q. *Prior to building the Training Center, did the Company look at options to secure***
18 ***training for its employees?***

19 A. *Yes, the Company looked at other options for training. For gas employee training, there*
20 *were simply no other suitable facilities in New Hampshire. For electric employee*

⁷ Exhibit 19 at Bates 226-227.

⁸ Attachment SEM-1, Liberty's response to Staff 2-3 in Docket No. DA 16-560.

1 *training, discussions were held with Eversource, which resulted in a few training sessions*
2 *in 2014, totaling nine days, at their training center in Pittsfield, New Hampshire. This*
3 *agreement was also temporary and quite costly. The cost for the eight days of training*
4 *was \$12,000, and Eversource closed its Pittsfield facility shortly thereafter. No other*
5 *potential sources of training were identified.*

6 *The Company also considered on-the-job training, without any classroom or controlled*
7 *environment, but ruled it out for several reasons, mostly because exclusive reliance of*
8 *on-the-job training is insufficient to ensure employees are able to fully learn and safely*
9 *perform their functions. Hands-on, in the field, training is also a potential distraction to*
10 *employees who are trying to perform work. It shifts their focus away from the task on*
11 *hand, which can obviously be problematic. Moreover, Liberty employs only one gas and*
12 *one electric trainer. The logistics of only two people providing on-the-job training at*
13 *multiple work locations creates significant scheduling and planning issues. Assigning*
14 *training responsibilities to multiple field supervisors would result in an ineffective*
15 *program as the training would vary from supervisor to supervisor. Supervisors also have*
16 *too many other responsibilities and distractions to ensure training is given necessary*
17 *priority. Thus, it is more efficient to employ dedicated trainers who have training as*
18 *their top priority.*⁹

⁹ Exhibit 19 at Bates 228-229.

1 **Q. Has any of the other information referenced in the footnote to the secretarial letter**
2 **been provided in prior dockets as well as this current rate case filing?**

3 A. Yes. Revenue requirement calculations for both the Lease and related to the Training
4 Center in general have been provided in DA 16-560, DE 16-383, and this current filing,
5 DG 17-048.

6 **Q. You mentioned earlier that the Commission's Audit Staff is currently reviewing**
7 **capital cost information. What types of information have been provided to the**
8 **Audit Staff?**

9 A. The Audit Staff has been provided with cost summaries, general ledger information, the
10 business case, capital budget information, contractor invoices, work order support, and
11 other information.

12 **Q. Do you have information regarding training requirements?**

13 A. Yes. The Gas and Electric Technical Trainers provided me with a comprehensive list of
14 the training requirements for gas and electric personnel, including supervisors and
15 managers. That information is provided in Attachment SEM-2 and includes, among other
16 things, details regarding the course descriptions, the applicable federal regulations, and
17 the required frequency of the particular course.

1 **B. Benefits of the Training Center**

2 **Q. Please describe the Training Center facility.**

3 A. The structure is about 6,000 square feet including 3,000 square feet of hands-on indoor
4 lab space. The building is located on an 11-acre parcel. The current training
5 infrastructure consists of the following:

- 6 • Two classrooms that can accommodate approximately 16 students each, complete
7 with smart boards;
- 8 • A gas leak field used to train technicians on analyzing and finding leaks;
- 9 • An outdoor pole line to train overhead lineworkers on construction and pole top
10 rescue;
- 11 • A manhole built into the second floor to train employees on enclosed space
12 manhole rescue;
- 13 • Live gas boilers and furnaces to train technicians on re-lights, leak detection, etc.;
- 14 and
- 15 • Live electric transformers, switch gear, meters, and related equipment to train
16 employees on installation and troubleshooting of electric utility infrastructure.¹⁰

17 Additional discussion of the details of the Training Center was provided by Company
18 counsel during the May 26, 2017, prehearing conference in this rate case docket.

19 **Q. Have the need for and the benefits of the Training Center previously been discussed**
20 **by the Company?**

21 A. Yes. Mr. Smith and I discussed the benefits of the Training Center in our DE 16-383
22 rebuttal testimony as follows:

¹⁰ This information was provided in a June 2016 discovery response to Staff 1-4 in DA 16-560. See Attachment SEM-3.

1 **Q. *Why is a training center necessary to train employees?***

2 A. *Aside from being the only option available to Liberty, as described above, the Training*
3 *Center provides benefits that could not be achieved through an alternative means, if it*
4 *existed. At the Training Center, employees are subject to both classroom and hands-on*
5 *learning. Training that is based on real-life scenarios can be simulated in a safe and*
6 *controlled environment, which is the best way to link theory and practice. For electric*
7 *employees a few examples of this are pole top rescues, climbing certification, and*
8 *manhole and enclosed space rescue training. The electric trainer has also installed*
9 *equipment that will allow employees to train on the installation and troubleshooting of*
10 *energized transformers, switch gears, and meters in a controlled environment. In*
11 *addition to many other topics, gas employees are trained to locate and classify gas leaks*
12 *in a simulated environment at the Training Center. These types of critical safety training*
13 *are key to ensuring employees are fully capable of performing their roles when faced*
14 *with them outside the classroom. When an employee has difficulty grasping a subject or*
15 *completing a task, additional learning or corrections can be made without putting*
16 *someone at risk. Additionally, since the Company controls the Training Center, it can*
17 *schedule training in the most efficient manner. Schedules can be set and adjusted around*
18 *workload and weather. Finally, for gas employees, Operator Qualification training can*
19 *be more closely monitored and controlled than would be the case if training were*
20 *performed elsewhere and by other parties.*

1 **Q. *Is this last point of interest to the Commission?***

2 A. *Yes, especially in view of the Safety Division's recent recommendation that the*
3 *Commission open a generic investigation to be conducted by the Safety Division*
4 *regarding the Operator Qualification program.*

5 **Q. *Other than training of gas and electric employees, how has and how will the Training***
6 ***Center be used?***

7 A. *In addition to almost daily usage for training of gas and electric employees, the Training*
8 *Center has been and will continue to be used to train other Liberty employees on the*
9 *basics of gas and electricity. To date many customer contact center and office employees*
10 *have gone through this beneficial training to provide them a better understanding of the*
11 *electric and gas utility industries. This is training that would not otherwise have*
12 *occurred if the use of an outside training facility was required due to limited availability.*
13 *During 2016, Liberty gas and electric employees received 116 sessions of training*
14 *totaling 4,095 hours at the Training Center. Recently, Unitil employees joined Liberty*
15 *employees for vendor supplied training on cable fault locating at the center. Plans are*
16 *underway for a joint effort between Liberty, Unitil, Eversource, and the New Hampshire*
17 *Electric Co-operative to train new first responders from New Hampshire municipalities*
18 *on both gas and electric emergencies. Training materials are currently under*
19 *development. First responder training sessions will be held at the Training Center when*
20 *the program is implemented in mid-2017. The Training Center is also used for safety and*
21 *environmental training of Liberty employees. The Energy Council of the Northeast will*
22 *be utilizing the Training Center in May 2017 to present a three-day course on Electric*

1 *Distribution System Protection, which will include participation by all New Hampshire*
2 *and many New England utilities.*¹¹

3 **Q. Has the Training Center been used to train employees other than those who work in**
4 **field operations?**

5 A. Yes. In addition to the training for contact center and office employees described in the
6 above testimony, the Training Center is also used by Safety Department employees to
7 conduct training for Liberty employees on safety-related matters.

8 **Q. Have other events been held at the Training Center involving outside parties?**

9 A. Yes. The following is a sampling of such events that have recently occurred in 2017:

- 10 • April 11, 2017 – Annual Granite State and Municipality Emergency/First
11 Responder Meeting.
- 12 • April 13, 2017 – Hendrix Corp. provided a Technical Spacer Cable installation
13 orientation.
- 14 • April 20-21, 2017 – Liberty hosted and provided logistics for the Northeast Gas
15 Association two-day Leadership School.
- 16 • May 5, 2017 – AVCom provided a Power Monitoring instrumentation seminar for
17 meter workers and engineers. Two employees of the New Hampshire Electric
18 Cooperative participated.
- 19 • May 9-11, 2017 – Liberty hosted and provided logistics for the Energy Council of
20 the Northeast's Power Utility Institutes "Protection of the Electrical Distribution
21 System." Students that attended were from Emera, United
22 Illuminating/AVANGRID, Chicopee Electric Light, Borrego Solar, and Liberty.

23 Further, Liberty has partnered with Eversource, Unitil, and the New Hampshire Electric
24 Cooperative to be a resource for the New Hampshire Fire Academy for training for
25 Electrical Hazard Awareness and Wires Down. Related to that, a PowerPoint

¹¹ Exhibit 19 at Bates 233-235.

1 presentation has been developed for use by the Fire Academy. Finally, Liberty has
2 offered to host a Live Line demonstration for first responders this fall utilizing
3 Eversource's equipment.

4 **Q. Does having its own training personnel provide Liberty with flexibility to address**
5 **training needs as they arise?**

6 A. Yes. As an example, last Friday, June 23, the Electric Technical Trainer was asked by
7 Electric Operations to immediately provide training using a Secondary Cable Fault
8 Locator to address a complaint from a large customer in Hanover, New Hampshire. The
9 fault location was expected to be difficult due to the existence of sidewalks, pavement,
10 and traffic. The Trainer was able to adjust his schedule and perform the training that
11 morning and the fault was located later that day. On the following Monday, June 26, the
12 crews were able to use that training to locate another fault. Although the training did not
13 take place at the Training Center, having Trainers on the payroll of Liberty provided
14 great value to Liberty and its customers by being able to quickly adapt, provide training,
15 and locate a problem in an expeditious manner. If Liberty relied solely on outside
16 training, such an outcome could not have been achieved.

17 **VI. CONCLUSION**

18 **Q. Do you have any final comments?**

19 A. Yes. The filing of the Lease by EnergyNorth and Granite State on May 10, 2016, fully
20 complied with the requirements of RSA 366:3. In addition, the terms of the lease require
21 EnergyNorth and Granite State to pay only their respective shares of the cost of

1 EnergyNorth's ownership and operation of the Training Center. Pricing at cost ensures
2 that neither utility nor their customers are disadvantaged by the terms of the agreement.

3 For anyone who visits the Training Center, it is clear to see that it is not a "gold-plated"
4 facility filled with extravagance, unused space, or other physical aspects that are the
5 result of wasteful spending. Rather, the Training Center is a highly used facility that
6 combines the elements of gas and electric training in one place. It is located in the gas
7 service territory and roughly midway between the major areas of Granite State's electric
8 territory and, thus, offers efficiency for employees and customers of both EnergyNorth
9 and Granite State. Having such a central location reduces travel time that would
10 otherwise be incurred by employees to receive the required training, and therefore
11 reduces costs. As training requirements increase and/or change, having a Company-
12 owned and controlled Training Center offers the greatest amount of flexibility to
13 accommodate whatever training needs may arise.

14 This testimony demonstrates that the requirements found in New Hampshire law as well
15 as the Commission's administrative rules with respect to the terms and conditions of the
16 Lease and its filing with the Commission have all been met. The terms of the Lease are
17 reasonable and consistent with the public good.

18 The Company invites the Commission, its Staff, and the OCA to visit the Training Center
19 and, as can be arranged, experience demonstrations of the types of training that are
20 available at the only utility-owned and operated gas and electric training facility located
21 in the State of New Hampshire. Through my experience with utility regulation, I have

1 learned that there is no substitute for seeing and experiencing a physical asset in order to
2 develop a full understanding as well as a fully informed judgement.

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

4 **A. Yes, it does.**

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