



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

Docket No. DG 19-161

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

**DIRECT TESTIMONY
OF
SHAWN D. FUREY,
BRIAN R. FROST,
AND
HEATHER M. TEBBETTS**

November 27, 2019

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ATTACHMENTS

Attachment	Title
SF/BF/HT-1	Capital Spending Plan
SF/BF/HT-2	Illustrative Step Adjustment Calculation

1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Mr. Furey, please state your full name and business address.**

3 A. My name is Shawn Furey and my business address is 130 Elm Street, Manchester, New
4 Hampshire.

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

6 A. I am employed by Liberty Utilities Service Corp. as Manager of Gas Operations
7 (Construction) for Liberty Utilities (EnergyNorth Natural Gas) Corp. (“EnergyNorth” or
8 “the Company”).

9 **Q. Please describe your educational background and certifications.**

10 A. In 2008, I received a Bachelor of Science degree in Mechanical Engineering from the
11 University of Massachusetts Lowell. I have attended several training seminars and
12 courses conducted by various organizations such as the National Association of
13 Corrosion Engineers (NACE) and the Northeast Gas Association (NGA).

14 **Q. Please describe your professional experience.**

15 A. In April 2017, I assumed my current position as Manager of Gas Operations
16 (Construction) where my responsibilities include overseeing construction activities for
17 various programs such as the Cast Iron/Bare Steel (“CIBS”) Replacement Program,
18 City/State construction, and growth and reliability projects in New Hampshire. From
19 2013 through March 2017, I worked as a Corrosion Engineer for the Company. From
20 2008 through 2013, I worked as a Gas System Operator in the Gas Control Room and as
21 an Engineer in the Asset Replacement Department at National Grid. From 2007 to 2008,

1 I was employed by KeySpan Energy Delivery where I was an intern for the Corrosion
2 Department.

3 **Q. Have you previously testified before the New Hampshire Public Utilities
4 Commission (“the Commission”)?**

5 A. Yes, I testified before the Commission on the Company’s behalf for the CIBS filings for
6 program years 2018 and 2019.

7 **Q. Mr. Frost, please state your full name, business address, and position.**

8 A. My name is Brian R. Frost. My business address is 130 Elm Street, Manchester, New
9 Hampshire. I am a Senior Engineer for Liberty Utilities Service Corp. in New Hampshire
10 and provide engineering services to EnergyNorth.

11 **Q. Please describe your educational background and training.**

12 A. In 2007, I received a Bachelor of Science degree in Mechanical Engineering from
13 Rochester Institute of Technology. In the past I have attended the Appalachian Gas
14 Measurement Short Course, and the NGA Gas Operations School, and a multi-day formal
15 training class provided by the manufacturer of the software the Company uses to make
16 system planning decisions. On an ongoing basis, I regularly complete various self-study
17 training programs on the mapping computer program the Company utilizes to prioritize
18 and manage replacement for gas mains under its CIBS program.

19 **Q. Please describe your professional experience.**

20 A. Since April 2016 I have been responsible for project identification and design related to
21 the Company’s CIBS program. I have also designed numerous gas distribution system

1 growth and reinforcement projects. Recently, in 2019 I have provided support to the
2 Company's gas system planning efforts. From 2008 to 2016, I worked for New York
3 State Electric & Gas Corporation as an Engineer mainly specializing in the writing and
4 maintenance of gas construction standards and operating and maintenance procedures. In
5 2005 and 2006, I worked as a college intern at Rochester Gas and Electric Corporation in
6 the Gas Engineering department.

7 **Q. Have you previously testified before the Commission?**

8 A. Yes, I testified in Docket Nos. DG 17-063, DG 18-064, and DG 19-054; the 2017, 2018,
9 and 2019 CIBS Replacement Program Results dockets, respectively.

10 **Q. Ms. Tebbetts, please state your full name, business address, and position.**

11 A. My name is Heather M. Tebbetts and my business address is 15 Buttrick Road,
12 Londonderry, New Hampshire. I am Manager of Rates and Regulatory Affairs for
13 Liberty and am responsible for providing rate-related services for Energy North and
14 Liberty Utilities (Granite State Electric) Corp.

15 **Q. Please describe your educational background and training.**

16 A. I graduated from Franklin Pierce University in 2004 with a Bachelor of Science degree in
17 Finance. I received a Master's of Business Administration from Southern New
18 Hampshire University in 2007.

19 **Q. Please describe your professional background.**

20 A. I joined Liberty in October 2014. Prior to my employment at Liberty, I was employed by
21 Public Service Company of New Hampshire ("PSNH") as a Senior Analyst in NH

1 Revenue Requirements from 2010 to 2014. Prior to my position in NH Revenue
2 Requirements, I was a Staff Accountant in PSNH's Property Tax group from 2007 to
3 2010 and a Customer Service Representative III in PSNH's Customer Service
4 Department from 2004 to 2007.

5 **Q. Have you previously testified before the Commission?**

6 A. Yes, I have testified on numerous occasions before the Commission.

7 **II. PURPOSE OF TESTIMONY**

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

9 A. The purpose of our testimony is to provide the capital spending breakdown for calendar
10 year 2018, and January through June 2019, in support of the Company's request for a
11 permanent rate increase. In addition, since the Company is also proposing a series of
12 annual step increases for non-growth related capital spending projects, we provide details
13 of the significant planned capital spending in future years. These step increases are
14 needed to address the issue of earnings attrition that EnergyNorth experiences between
15 rate cases, even when it files rate cases on a relatively frequent basis. With more prompt
16 cost recovery for capital investments, the timing of rate cases for EnergyNorth will be
17 less frequent since the primary factor driving the need for rate cases is recovery of capital
18 investment, particularly non-growth related capital investments.

1 **Q. How much capital has the Company invested in its distribution system since its last**
2 **distribution rate case, Docket No. DG 17-048?**

3 A. The DG 17-048 rate case had a 2016 test year and included capital investments for that
4 year and also provided for a step increase to recover non-growth related capital
5 investments in 2017. Since then, the Company has spent \$49.9 million on capital
6 investments during calendar year 2018 and the first six months of 2019. The total spent
7 during the test year is \$24.4 million. Of that amount, \$12,293,905 was spent as part of
8 the CIBS replacement program, which is not included in the proposed revenue
9 requirement as it is recovered separately. Annually, the Company submits to
10 Commission Staff for review and comment its plan for the replacement of cast iron and
11 bare steel pipes for the coming fiscal year, which begins on April 1. The proposed plan
12 sets forth a prioritized list of pipes to be replaced based on the year of installation,
13 condition of the pipe, and other relevant factors. The CIBS program's mandate is to
14 replace pipes that have a demonstrated prior leak and degradation history. Following
15 review by Staff, including technical sessions between Staff, the OCA, and the Company,
16 Liberty implements the CIBS plan over the course of the construction season, subject to
17 reasonable deviations based on circumstances that may arise or additional information
18 that may become available. The program's goal is to accelerate the replacement of cast
19 iron and bare steel pipes used in the Company's distribution system, which tend to
20 deteriorate over time. These are pipes that have been in ground and exposed to corrosive
21 environment and earth movement for a long time, in some cases more than one hundred
22 years.

1 **III. DESCRIPTION OF 2018 AND 2019 PROJECTS**

2 **Q. Please describe some of the specific capital projects that have been undertaken since**
3 **Docket DG 17-048.**

4 A. 2018 capital projects follow:

5 **A. Main Replacement Fitting Project 8840-1813**

6 This project tracks spending for materials and internal labor costs associated with
7 the required above ground work at the customer's meter to support the service
8 work associated with the CIBS program. Much of this work involves moving the
9 meter outside and the plumbing required to do so. In Docket No. DG 18-068, the
10 Company filed for recovery of capital utilized for the FY 2018 replacement of
11 bare steel and cast iron mains and services with new plastic. Pursuant to the CIBS
12 portion of the settlement agreement that was approved by the Commission in
13 Docket No. DG 11-040, which is Attachment J, EnergyNorth is not permitted
14 recovery for fitting charges as part of the CIBS annual reconciliation filing and
15 therefore requests recovery for those expenditures in this filing. Under the fitting
16 project number, the Company for CY 2018 budgeted \$1,470,000 with a total year-
17 end actual spend of \$1,427,488.

18 **B. Main Replacement City/State Construction and Service Replacement Fitting**

19 **City/State Construction**

20 This project tracks the main and service replacement work that is required to be
21 completed ahead of or after local municipality projects. The Company used

1 8840-1825¹ to track the CY 2018 fitting work, or the above ground work, at the
2 meter set to support the service work associated with the replacement work. If a
3 City or Town is paving a roadway or performing sewer or water main
4 replacements and there is leak prone pipe within the limits of paving, the
5 Company replaces that section of leak prone pipe (LPP) with new plastic in
6 conjunction with the City or Town work. The volume of this work that the
7 Company completes each year is directly related to the volume of municipality
8 work that is completed that same year. In CY 2018, under project 8840-1823, the
9 Company completed a total of 32 independent main replacement projects where
10 approximately 2.9 miles of cast iron and 0.5 miles of coated steel and plastic were
11 replaced with plastic. Under this program, the Company also replaced/transferred
12 236 services, 80 of which were bare steel and replaced with plastic, the balance
13 were plastic or coated steel that were either transferred to the new main or
14 replaced with plastic. Between the two project numbers, the Company for CY
15 2018 budgeted for \$5,310,000 with a total year-end actual spend of \$6,130,938.
16 Part of the variance is related to the required number of projects that the Company
17 needed to complete to satisfy the work associated with local municipality utility
18 and paving projects. Although the Company meets with the municipalities prior
19 to establishing its budget, the projects actually undertaken by a municipality often
20 differ from those that were originally on their lists of planned projects. Most

¹ In subsequent years the initial two digits of the last four digits of the project number will be updated to match the construction year. For example, for 2019, the project number became 8840-1925.

1 notably, in 2018 the City of Nashua received budgeting which allowed an
2 increase of two to three times the normal volume of paving. The Company thus
3 had two to three times the amount of work to replace cast iron and bare steel
4 mains ahead of that increased paving in order to ensure the Company would not
5 have to dig into newly paved streets in future construction seasons. Another
6 reason for the variance was a municipal culvert replacement project in Franklin
7 where the Company had to relocate an existing gas line by horizontal directional
8 drilling a route for a new gas main. The Company initially planned to use an 8-
9 inch plastic pipe for the drill route. However, the Company ultimately decided to
10 use a 12-inch sleeve to protect the carrier pipe and then inserted the sleeve with
11 the 8-inch plastic. Since the drill was through 100 percent rock, this increased the
12 cost to install the 12-inch sleeve and 8-inch carrier pipe. This project accounted
13 for approximately \$500,000 of the variance of actuals vs. estimate on the
14 City/State project number.

15 **C. Growth - New Mains and Services Projects**

16 EnergyNorth adds approximately two to three percent to its customer base each
17 year. To accomplish this, the Company either installs main extensions off
18 existing gas mains along with new service lines off the main extensions, or the
19 Company installs new service lines off existing gas lines. The Company uses
20 project number 8840-1847 (growth new main) to track charges associated with
21 the installation of the gas mains installed to support growth. The Company uses
22 8840-1850 (growth residential services) to track charges associated with the

1 installation of residential service lines. The Company uses 8840-1851 (growth
2 commercial services) to track charges associated with the installation of new
3 commercial services. Once the new service line is installed, the Company then
4 installs above ground piping along with a new meter prior to turning the gas on,
5 which work is tracked by project number 8840-1849 (growth fitting).

6 In CY 2018, EnergyNorth completed 67 main extension projects totaling 14.5
7 miles of new plastic mains to support growth. The Company also installed 864
8 new service lines and installed a total of 1,461 new meters, of which 1,169 were
9 residential meters and 292 were commercial meters. In CY 2018, and including
10 all related project numbers, the Company budgeted for \$12,856,200 with total
11 year end actual spend of \$13,041,465.

12 2019 capital projects through June 30, 2019, follow:

13 **D. Main Replacement Fitting LPP Project 8840-1913**

14 Similar to project number 8840-1813 that was utilized for CY 2018 spending, the
15 Company continues to utilize project number 8840-1913 to track charges for CY
16 2019 that are associated with above ground meter work required to support the
17 CIBS replacement projects that were included in Docket No. DG 19-068. As
18 previously stated, the Company is not permitted to recover fitting charges in the
19 CIBS filing and therefore requests recovery in this rate case. The budget for
20 8840-1913 for CY 2019 is \$1,500,000 and the year-end spend is expected to be on
21 budget. Costs from January 1 through June 30, 2019, were \$695,234.

1 **E. Main Replacement City/State Construction and Service Replacement Fitting**

2 **City/State Construction**

3 EnergyNorth utilizes project number 8840-1923 to track the CY 2019 main and
4 service replacement work that must be completed as part of local municipality
5 projects (City/State Construction). The Company uses 8840-1925 to track the
6 fitting work or the above ground work at the customers meter set to support the
7 associated service work under 8840-1923. There were seven completed main
8 replacement projects from January 1 through June 30, 2019. The Company
9 replaced approximately 0.7 miles of bare steel mains with new plastic. Of the
10 seven completed projects, the Company relayed or transferred 50 services and
11 replaced approximately 15 bare steel services with plastic. The balance of the
12 services were either plastic or coated steel services that were either relayed or
13 transferred to the new main. The total spend from January 1 through June 30,
14 2019, for project 8840-1923 is \$830,789 for individual jobs in service and, for
15 8840-1925, was \$107,632. For CY 2019, the Company is targeting to replace
16 approximately 1.9 miles of bare steel mains with new plastic. The Company also
17 expects in 2019 to relay or transfer 113 services of which 30 are bare steel and
18 will be replaced with plastic. The balance are coated steel or plastic services that
19 will either be relayed or transferred to the new main. The budget for CY 2019 is
20 \$2,840,000 with an estimated year end spend of \$4,296,035.

21 The variance is partly due to higher than anticipated volume of City/State projects
22 that required the Company to replace additional bare steel or cast iron mains. As

1 stated above, due to a budget increase the City of Nashua continues to pave streets
2 at two to three times normal rates. The rest of the variance comes from three
3 projects. The first is 53-87 Factory Street in Nashua, a project where multiple
4 subsurface utilities impacted the installation and increased the installation cost of
5 the new gas facilities. The second project is at 116-147 West Pearl Street in
6 Nashua where subsurface utilities also impacted the installation of the new gas
7 main being installed. Reports from the field show that the Contractor was only
8 able to install approximately 10 feet of pipe a day on sections of the project due to
9 the existence and proximity of the other utilities' infrastructure. The third project
10 which resulted in a variance was at Court Street in Laconia. This project initially
11 was going to be a horizontal directional drill with plastic pipe. However,
12 contaminated soils were discovered once digging operations commenced and the
13 Company had to switch from plastic to coated steel pipe. Costs increased due to
14 steel pipe installation as well as environmental remediation on the project. These
15 three projects with variances caused a total of \$1,000,000 in overages versus
16 estimate.

17 **F. Growth - New Main and Services Projects**

18 For 2019, the Company utilized four project numbers to track work associated
19 with growth projects: 8840-1947 (growth new main), 8840-1949 (growth fitting),
20 8840-1950 (growth residential services), and 8840-1951 (growth commercial
21 services). From January 1 through June 30, 2019, the Company installed
22 approximately four miles of new gas main along with 299 new service lines. The

1 Company also installed approximately 613 new gas meters of which 512 were
2 residential meters and 101 were commercial meters. The total spending for jobs
3 that were put into service on projects 8840-1947, 8840-1950, and 8840-1951 was
4 \$4,278,160. The total spending on project 8840-1949 was \$1,015,674.

5 For all of CY 2019, the Company is projecting to install approximately 15 miles
6 of new gas mains along with 1,039 new service lines. The Company is also
7 projecting to install 1,720 new gas meters of which 1,420 are residential meters
8 and 306 are commercial meters. The budget for CY 2019 across the four projects
9 (8840-1947, 8840-1949, 8840-1950, and 8840-1951) is \$9,806,200 with an
10 estimated spend of \$12,100,000. The reason for the variance is due to higher than
11 anticipated overheads hitting 8840-1949, of an estimated \$750,000. Also, the
12 variance is due to ledge encountered on a horizontal directional drill on a growth
13 main project off Route 102 in Londonderry, where it took upwards of four months
14 to complete the drill. This caused the project to carry into 2019 from 2018.
15 Under normal soil conditions the drill would have taken less than a week to
16 complete. Due to the increase in time to complete the drill, \$1,600,000 carried
17 over from 2018 to 2019, to the CY 2019 budget for 8840-1947.

1 **Q. Is all of the capital investment described above included in rate base in this case**
2 **used and useful in providing service to the Company's customers?**

3 A. Yes. All of these projects included in rate base as of the end of calendar year 2018 are
4 operational and providing service to the Company's customers.

5 For the projects undertaken in 2019, due to the split test year, some of these projects have
6 work orders that were in service as of the end of the test year, June 30, 2019.

7 **Q. Does the Company have any significant capital projects planned for the near**
8 **future?**

9 A. Yes, the Company will be undertaking several system capacity and infrastructure
10 improvement projects through 2023. These projects are necessary to provide additional
11 capacity in areas that have experienced load growth⁴, and are expected to see load
12 increases in the future. In addition, the Company has plans for the continuing
13 replacements of its aging infrastructure.

14 **IV. DESCRIPTION OF FUTURE PROJECTS**

15 **Q. Please describe the significant future capital projects the Company plans to**
16 **undertake over the next few years, including the need for each project.**

17 A. The Company will undertake the following system capacity and reinforcement projects in
18 the years 2019 through 2023. These projects are necessary to provide additional capacity
19 in specific areas that have experienced residential, commercial, and industrial load
20 growth over time. They will also resolve existing and forecasted violations of the
21 Company's planning criteria.

1 **A. Merrimack System Capacity and Reliability**

2 The Merrimack area north of the Souhegan River and East of the Everett
3 Turnpike currently relies on a single 60 PSIG (pounds per square inch gauge) 8”
4 pipeline emanating from the Company’s Manchester yard. The existing 8” line
5 has exceeded its capacity due to increased demand so much so that in the winter
6 of 2017/2018 a temporary LNG plant had to be set up in advance of a predicted
7 cold snap. Since that time, the Company has continued to add to this part of the
8 system as this is one of the fastest growing load areas in the Company’s franchise.

9 To alleviate some of the capacity issues in Merrimack, the Company will connect
10 the southern half of the Merrimack system with the Northern half of the Nashua
11 system by conducting a Horizontal Directional Drill underneath the Everett
12 Turnpike in the vicinity of Baboosic Lake Road in the fall of 2019. This will
13 connect to an existing 60 PSIG 6” pipeline on the Western side of the Everett
14 Turnpike. This connection, in addition to a capacity increase for Merrimack, will
15 also provide some redundancy at warmer temperatures for the single feed from
16 Manchester.

17 However, based on the rate of gas load requests, the capacity gained by this
18 project is only anticipated to allow for another two years of growth at the current
19 rates in this section of the system. The long term solution is to run a new feeder
20 pipeline to this area off of the 750 PSIG pipeline that currently feeds the Calpine
21 Energy Power Plant in Londonderry. This project is proposed for a 2021

1 installation running parallel to Pettengill Road and Raymond Wieczorek Drive.
2 The Company believes that this type of pipeline may be well suited to use of 6”
3 PA-11 or PA-12 plastic pipe, and intends to complete a preliminary design study
4 comparing this material with a more conventional steel pipeline. The PA-11 and
5 PA-12 plastic pipes are next generation plastic pipeline materials that have been
6 recently accepted into the federal pipeline regulations. In this scenario, the
7 project will consist of two regulator stations; one reducing pressure from 750
8 PSIG to 250 PSIG and the second reducing pressure to 60 PSIG when it ties back
9 in to the previously mentioned 8” 60 PSIG pipeline. In addition to providing
10 system capacity it will also reduce the criticality of the regulator station at the
11 Manchester plant.

12 **B. Laconia System Loop and Pressure Increase**

13 In 2016, EnergyNorth began a multi-phase project to loop the single line that runs
14 from Tilton to Laconia with a new 8” plastic main rated for a maximum allowable
15 operating pressure (“MAOP”) of 125 PSIG. The distribution system low point
16 pressures and strong sales growth in the Laconia distribution system area have
17 necessitated these improvements. During the 2018–2019 winter, peak gas system
18 low point pressures in the Laconia area were below 20 PSIG, which indicates
19 system improvements are warranted to provide reliable service to existing and
20 future customers. In 2019 alone, EnergyNorth’s sales department was readily
21 able to add approximately 15 MCFH of peak day connected load corresponding to
22 a 5% increase in peak day flow for this area. This new line, which is being

1 completed at approximately one mile per year, provides both redundancy and
2 system capacity gains to the area of Belmont, Gilford, and Laconia. To date,
3 approximately 50 percent of the planned pipe has been installed. Once the pipe is
4 completed, two new regulator stations will be installed on either end of the
5 project, and the line will be disconnected from the 60 PSIG system and brought
6 up to its designed MAOP of 125 PSIG. The designed completion date of this
7 work is 2021.

8 The final phase of this project will occur when increased load demands warrant
9 more capacity, which is estimated to occur in approximately 2022. The
10 Company's existing LNG plant, located in Tilton, will be upgraded so that it can
11 inject 125 PSIG LNG into this line, and so that it can increase its ability to flow
12 more gas and come online quickly in an emergency if conditions warrant.

13 **C. Concord - Capacity Constraint**

14 As result of the Concord Steam decommissioning and ongoing conversion of low
15 pressure gas mains to 60 PSIG during CIBS work, gas loads have shifted within
16 the Concord area 60 PSIG distribution system. This has necessitated
17 reinforcement in the southern part of that distribution system. In 2019, a three-
18 phased capacity increase project commenced to allow for increased system
19 capacity to Concord, Hooksett, and Bow. The project also includes the
20 replacement of an existing regulator station that is at capacity. The first phase of
21 this project consisted of the installation of approximately 2,300' of 12" steel pipe

1 along Manchester Street in Concord that will be rated for a 200 PSIG MAOP and
2 the installation of a new regulator station. This is being done in anticipation of
3 the two subsequent phases.

4 The second phase, scheduled for completion in 2020, consists of removing
5 services from an existing 12” coated steel (“CS”) line and transferring them to an
6 already installed 8” CS line. Once this work is completed, the existing 12” CS
7 line will be tied into an existing 100 PSIG line. At that time the previously
8 installed regulator station in phase one will begin regulating pressure from 100
9 PSIG to 60 PSIG. Once this occurs, the existing station that is at capacity will be
10 removed from service.

11 Phase three consists of verifying documentation of the existing Concord 100
12 PSIG system and conducting the necessary work to increase the MAOP to 200
13 PSIG. This work is expected to include some pipe installation and re-pressure
14 testing sections of the system that were not previously tested for a 200 PSIG
15 MAOP. This phase of the project is anticipated to take place in 2021, but may be
16 pushed back to 2022 or 2023 as City projects and gas capacity demands dictate.

17 **D. Manchester Gate Station – Age and Condition**

18 The Manchester gate station located on Candia Road in Manchester is a key
19 connection point of EnergyNorth’s distribution system with the interstate pipeline
20 system. The gate station was originally installed in 1952 and has been maintained
21 with periodic equipment and piping refreshes since then. However, with current

1 gas load in the Manchester area, several sections of piping within the existing gate
2 station operate at velocities well over 100 feet per second, which is industry
3 standard for design criteria of station piping. Additionally, the existing station is
4 currently located in the embankment to Interstate 93 making rebuild on the
5 existing footprint problematic. As a result, the Company is undertaking design
6 for a new gate station during the 2020 calendar year. Construction of the new
7 station would occur during 2021. The Company is also considering the
8 installation of a one megawatt Turbo-Expander, which would generate electricity
9 through the decompression of natural gas that occurs at the gate station.
10 Currently, this energy is not captured with the existing regulation devices. If the
11 Company can capture this energy thru group net metering, the Company can
12 decrease its electrical bills. Costs for the Turbo-Expander are not included in
13 Attachment SF/BF/HT-1.

14 **Q. What are the estimated costs for each project?**

15 A. The estimated costs for each project are shown in Attachment SF/BF/HT-1. The
16 attachment shows the estimated capital expenditure in each year and the amount that is
17 expected to be used and useful at the end of each year.

1 **V. REQUEST FOR FUTURE STEP ADJUSTMENTS**

2 **Q. Please describe the request for step adjustments for capital projects placed in**
3 **service in years beyond the June 30, 2019, end of the test year.**

4 A. EnergyNorth continues to invest in its infrastructure and is requesting a series of step
5 adjustments to account for a return on additions to the Company's net plant. For capital
6 projects placed in service from July 1, 2019, through June 30, 2020, the Company's
7 request for a step adjustment related to those projects is described in the joint testimony
8 of David Simek and Kenneth Sosnick. For capital projects placed in service in years after
9 June 30, 2019, the Company proposes a step increase in 2020 for non-growth plant
10 placed into service during the period of July 1 through December 31, 2019. For future
11 step increases (2021 and beyond), the Company proposes to file documentation
12 demonstrating the change in its net plant between January 1 and December 31 of each
13 year. The actual change would be compared to forecasted increases in plant in service
14 derived from the Company's annual forecast. If the amount of the actual change is equal
15 to or greater than the amount forecasted, the step increase will take effect on July 1 of
16 each year, subject to prudence review. The amounts of the step increases would be
17 associated with 80 percent of the non-growth changes in net plant. If the Company's net
18 plant additions are less than the forecasted amount, then the total net utility plant balance
19 will be compared to the forecasted amount for a given year. If the plant balance meets
20 the forecasted amount, the step increase would take effect as scheduled and subject to a
21 prudence review.

1 For illustration, Attachment SF/BF/HT-2 provides a revenue requirement calculation
2 showing that if the Company spends \$40 million in capital expenditures during calendar
3 year 2020, the step increase in rates that is presumed for July 1, 2021, is \$2,642,065.
4 Under this proposal, if the change in Company's net utility plant between January 1 and
5 December 31, 2020, is at least \$20 million (that is, if the increase in the Company's
6 distribution plant for that period, after taking into account accumulated depreciation, is
7 greater than or equal to \$20 million) and the plant additions (following review by the
8 Staff and OCA and approval of the Commission are found to be prudent, used and useful,
9 and providing service to customers), then the Company will be permitted to increase its
10 revenues by \$2,624,556, which represents the revenue requirement associated with 80
11 percent of that change in net plant. If the Company does not add \$20 million in net plant
12 assets, the lower net amount of the change will be used in calculating the revenue
13 requirement for the adjustment. Should the Company add more in assets than was
14 forecast, it will not receive a corresponding increase to the step adjustment.

15 **Q. Is this methodology similar to step adjustments provided to other New Hampshire**
16 **utilities in the past?**

17 A. Yes. Step increases involving a similar methodology have been approved in the past for
18 Eversource (Docket No. DE 09-035) and Unitil (Docket Nos. DE 10-055 and DE 16-
19 384). This same mechanism has also been proposed in Granite State's ongoing rate case,
20 Docket No. DE 19-064.

1 Given the similarity in the underlying non-growth capital investments by EnergyNorth,
2 Granite State Electric, and those other utilities, the Company believes it would be
3 appropriate and consistent to propose a step adjustment mechanism that has previously
4 been approved by the Commission and used by the other New Hampshire utilities.

5 **VI. CIBS**

6 **Q. Are there any other ratemaking methodologies in place that provide for prompt**
7 **commencement of recovery of certain capital investments?**

8 A. Yes. There has existed an accelerated recovery mechanism since the inception of
9 EnergyNorth's CIBS Replacement Program. However, as ordered in Docket No. DG 19-
10 054, the Company will discontinue the annual reconciliation of the Cast Iron Bare Steel
11 (CIBS) program after March 31, 2020. The Company will continue to replace CIBS as
12 part of its ongoing business operations and will seek to include those investments as part
13 of the step adjustment mechanism described above.

14 **VII. CONCLUSION**

15 **Q. Please summarize your testimony.**

16 A. Since the last general distribution rate proceeding, the Company has spent approximately
17 \$62.1 million on capital investments, less CIBS as described in the testimony here. This
18 capital spending supports a significant portion of the proposed distribution rate increase
19 requested in this filing.

20 The future projects, such as Merrimack System Capacity and Reliability and Laconia
21 System Loop and pressure increase, provide the needed asset replacement and capacity

1 for growth in the area, and will form the basis for requests for cost recovery through
2 future step adjustments to allow the Company to more quickly recover costs associated
3 with safe and reliable service, reducing the pressure to file more frequent rate cases.

4 **Q. Does this complete your testimony?**

5 **A.** Yes, it does.