

REDACTED

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-8

Date of Response: 2/24/21
Respondent: Steven Mullen

REQUEST:

Ref. Attachment SEM-2 (Bates II-234). Please:

- a. Describe the capital costs of \$1,612,698 (direct costs without Take Station) and provide supporting documentation (i.e., work orders, contractor invoices, etc.);
- b. Describe the customer commitments obtained prior to commencing construction and provide supporting documentation (i.e., copies of service agreements, special contracts, etc.);
- c. Provide list of Pelham C&I customers and for each customer provide the date the service agreement was entered into, projected annual revenue when the service agreement was signed, date service began, amount billed in 2019 and in 2020, and if actual 2020 is less than 25% of original projected annual revenue, explain the lower than projected revenue;
- d. Identify each customer that committed to taking service and is not taking service, explain the customer's financial obligation under the terms of the sales agreement and what efforts the Company has undertaken to enforce the agreement;
- e. Recalculate the sharing mechanism to exclude revenue from customers that committed to service prior to commencing construction and have not commenced service.

RESPONSE:

- a. Please see Attachment Staff TS 3-8.a.xlsx for a listing of the costs that comprise the \$1,612,698. Given the large number of items in the list of costs, it is impractical and overly burdensome to provide additional supporting documentation for all items as requested. However, the Company can provide documentation for selected items upon request after Staff's review of the attached information.
- b. There were five customer commitments prior to commencing construction. Service Line Agreements ("SLAs") from [REDACTED], [REDACTED], [REDACTED], and [REDACTED] are provided as Confidential Attachments Staff TS 3-8.b.1 through Confidential Attachment Staff TS 3-8.b.4, respectively. The fully executed version of the Service Agreement for the fifth customer, [REDACTED], has not yet been located. However, [REDACTED] committed to take service in April 2016 (see the

April 15, 2016, Rebuttal Testimony of William J. Clark in Docket No. DE 15-362 at Bates 004, lines 8–11: https://www.puc.nh.gov/Regulatory/Docketbk/2015/15-362/TESTIMONY/15-362_2016-04-15_ENGI_DBA_LIBERTY_SUPP_TESTIMONY_W_CLARK.PD

- c. Please see Confidential Attachment Staff TS 3-8.c.xlsx. Any customers where the 2020 revenue was less than 25% of the annual projected revenue is due solely to the date service commenced. See columns AA through AC of the attachment.
- d. As of the date of this response, there are two C&I customers that have signed service agreements but have not yet taken service. The two customers are [REDACTED] and [REDACTED]. [REDACTED] is expected to take service within the next one or two years as it undertakes a [REDACTED] project that has been delayed. [REDACTED] is expected to take service during 2021. [REDACTED] was expected to take service during 2020 but the owner of the building complex wanted to focus on converting the north building first, and the pandemic played a part in the delay. In accordance with Liberty's tariff and the service agreements, neither customer has a financial obligation as services have not yet been installed. If the service had been installed and the customer did not take service within nine months, the customer would be responsible for the cost of installation and removal of the service.
- e. The calculation requested in the question would be contrary to the express terms of the Settlement Agreement in Docket No. DE 15-362 wherein "anticipated revenue" is defined to include "committed revenue." "Committed revenue" has been consistently demonstrated over the years with respect to various tariff provisions as being evidenced by a signed SLA from a customer. The Company has signed SLAs from both customers identified in part d. of this response. Therefore, the requested calculation would be inappropriate and is not being performed nor provided.

The information marked above and embedded throughout Confidential Attachment Staff TS 3-8.b.1, Confidential Attachment Staff TS 3-8.b.2, Confidential Attachment Staff TS 3-8.b.3, Confidential Attachment Staff TS 3-8.b.4, and Confidential Attachment Staff TS 3-8.c.xlsx is "individual customer data ... that can identify, singly or in combination, that specific customer," RSA 363:37, I, and is thus protected from disclosure by RSA 363:38 and RSA 91-A:5, IV. Therefore, pursuant to Puc 203.08(d), the Company has a good faith basis to seek confidential treatment of this information and will submit a motion seeking confidential treatment prior to the final hearing in this docket. Since the confidential information (e.g., customer names, locations, usage) appears throughout the above confidential attachments, it is not possible to effectively redact the confidential information. Therefore, redacted versions of the above attachments will not be provided.

**LIBERTY UTILITIES (ENERGYNORTH NATURAL
GAS) CORP. D/B/A LIBERTY
DISTRIBUTION SERVICE RATE CASE**

DOCKET NO. DG 20-105

Staff's Responses to Liberty Utilities' First Set of Data Requests

Date Request Received: March 25, 2021
Data Request No.: LU 1-20

Date of Response: April 8, 2021
Witness: Stephen Frink

Request:

Reference the Direct Testimony of Witness Frink, Bates 000037, lines 4 – 10. Please provide any reference in the DG 15-362 Settlement Agreement, the Commission's order in that proceeding, or any other document that provides a time limit for a customer with a signed service agreement to commence taking service prior to having the service installed for the purpose of determining anticipated revenue.

Response:

The Settlement Agreement and Commission Order approving the Settlement Agreement in DG 15-362 is silent on how much time needs to pass before a revenue projection related to a signed service agreement should no longer be considered anticipated revenue if a potential customer has not taken service.

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Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-3

Date of Response: 2/24/21
Respondent: Steven Mullen

REQUEST:

Ref. Staff DR TS 1-5. Please describe AVSG assets and the estimated value.

RESPONSE:

AVSG owns and operates seven compressed natural gas vehicle locations listed below:

AVSG Concord
20 Broken Bridge Road
Concord, NH 03301

AVSG Lexington
Route 128 North
Lexington, MA 02421
(617) 242-8755

AVSG Middleborough
12 Harding Street, Rte 44
Middleboro, MA 02346
(617) 242-8755

AVSG Nashua
11 Riverside Street
Nashua, NH 03062

AVSG Tewksbury
20 Main Street
Tewksbury, MA 01876
(617) 242-8755

AVSG Walpole
533 High Plain Street

Docket No. DG 20-105 Request No. Staff TS 3-3

Walpole, MA 02081
(617) 242-8755

AVSG Worcester
20 Quinsigamond Ave
Worcester, MA 01608
(617) 242-8755

Liberty does not have access to an estimated value of all the facilities combined, and this information is not available from town assessing databases as the lots are owned by municipalities and the Commonwealth of Massachusetts. However, as a reference, the Nashua facility cost in excess of \$1M when it was constructed approximately seven years ago, so a rough estimate of the value of the facilities, assuming all of them are fairly similar is approximately \$7M.

iNATGAS also has a special contract with Eversource in Worcester, MA, for a facility similar to the Concord facility.



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

Docket No. DG 20-152

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities – Keene Division
Winter 2020/2021 Cost of Gas Filing

**REBUTTAL TESTIMONY
OF
STEVEN E. MULLEN**

October 20, 2020

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ATTACHMENTS

Attachment	Title
SEM-1	Liberty's Response to Staff 1-10
SEM-2	Liberty's Response to Staff 1-4 (original response)
SEM-3	Liberty's Revised Response to Staff 1-4
SEM-4	Liberty's Response to Staff 1-12
SEM-5	Timeline of Events
SEM-6	Liberty's Response to Staff TS 1-9

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1 **I. INTRODUCTION AND BACKGROUND**

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 Director, Rates and
7 Regulatory Affairs. I am responsible for rates and regulatory affairs for Liberty Utilities
8 (EnergyNorth Natural Gas) Corp. (“EnergyNorth” or “the Company”) and Liberty
9 Utilities (Granite State Electric) Corp. (“Granite State”) in New Hampshire, Liberty
10 Utilities (Peach State Natural Gas) Corp. in Georgia, and Liberty Utilities (St. Lawrence
11 Gas) Corp. in New York.

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

13 A. In 2014, I was hired by Liberty as the Manager, Rates and Regulatory, and was promoted
14 to Senior Manager in August 2017 and to my current position of Director in July 2018.
15 In addition to managing the Rates and Regulatory Affairs department, I am responsible
16 for the development of regulatory strategy, interacting with regulators and other parties
17 on behalf of Liberty, reviewing and preparing testimony and other aspects of regulatory
18 filings, and internal approval of rate changes for EnergyNorth and Granite State, among
19 other duties.

20 From 1996 through 2014, I was employed by the New Hampshire Public Utilities
21 Commission (“Commission”) in various roles. Through 2008, I held positions first as a

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

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

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

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

2 A. I am testifying on behalf of EnergyNorth’s Keene Division in support of its Winter
3 2020/2021 Cost of Gas filing and in response to the testimony filed by Staff witness
4 Stephen P. Frink on October 15, 2020. My testimony addresses the issues raised in Mr.
5 Frink’s testimony including the recoverability of Compressed Natural Gas (“CNG”) demand
6 charges incurred during the period August 2017 through September 2019,
7 proposed deferral of the difference between CNG and propane commodity pricing, and
8 other issues.

9 **Q. Did any additional Staff witnesses file testimony?**

10 A. Yes. The Commission’s Director of its Safety Division, Randall Knepper, filed
11 testimony focusing on Liberty’s discovery responses that described certain delays and
12 obstacles encountered on its path to eventually providing natural gas service to a limited
13 number of commercial customers in the Monadnock Marketplace. It appears that Staff
14 misinterpreted the Company’s responses regarding “delays and obstacles.” This will be
15 addressed later in my testimony.

16 **Q. How did Staff appear to misinterpret those responses?**

17 A. In defense of the CNG demand charges incurred during the August 2017 through
18 September 2019 time period, the Company answered discovery questions that attempted
19 to put a timeline behind the events that occurred during that period in support of having a
20 contract in place for CNG supply and related demand charges. The responses were
21 intended to be a simple recitation of historical events to shed some light on the events that

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1 transpired, when they occurred, whether they were expected, and the duration of those
2 events. The responses were not intended to place blame for those delays. Indeed, the
3 reasons for the delay are not relevant to the current issues. The Company was simply
4 providing insight into its decision making and the conditions that existed before and after
5 the execution of the CNG supply contract.

6 **II. ITEMS AT ISSUE IN THIS PROCEEDING**

7 **Q. What particular items are at issue in this Winter 2020/2021 Cost of Gas proceeding?**

8 A. Other than the propane-related supply costs, which do not appear to be at issue, there are
9 two items at issue. The first is whether the Company should be allowed to recover CNG
10 demand charges that were incurred during the period August 2017 through September
11 2019. The second topic is whether the full current costs of CNG should be recovered
12 over the winter period or whether the incremental cost of CNG as compared to propane
13 should be deferred for future determination as to recovery.

14 **Q. What is the Company's position on each of those issues?**

15 A. The Company's position with respect to the demand charges incurred during months
16 prior to the commencement of natural gas service is that they should be recoverable
17 because, based on the information that was known to the Company at the time the
18 contract and subsequent amendment were executed, it was reasonable and prudent for the
19 Company to enter into the contract and the Commission approved the CNG contract and
20 its demand charges in May 2018. Regarding the incremental cost of CNG, the CNG
21 costs only relate to a limited number of customers for whom the Commission has

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1 previously approved conversion from propane-air to natural gas. Thus, the Company
2 should not be prevented from recovering the current costs to provide natural gas service
3 to those customers.

4 **Q. Is the conversion of the entire Keene system from propane-air to natural gas at issue**
5 **in this proceeding?**

6 A. No. This is strictly a proceeding to determine the cost of gas rate to be charged to Keene
7 customers over the upcoming November 1, 2020, through April 30, 2021, winter period.
8 However, both Staff witnesses did discuss the future conversion of all customers
9 throughout their testimony.

10 **Q. Why do you think that is?**

11 A. Staff continues to link the temporary CNG installation to the conversion of the entire
12 Keene system. As such, Staff continues to comment on the lack of a plan for Liberty-
13 Keene to convert the entire system. It is vital for everyone to understand that the
14 temporary CNG facility is just that—temporary—and was installed to allow the
15 Company to shut down the troublesome blowers that were responsible for the December
16 2015 incident that resulted in customer outages, community concerns, and safety
17 concerns going forward. Other than the fact that the temporary CNG installation did
18 allow for the conversion of a small number of customers, it was never a part of the plan
19 to convert the entire system, nor was it intended to be the starting point of the full system
20 conversion. Of course, now that the temporary CNG facility is in place, those converted
21 customers will have to be included in any future plan to convert the entire Keene system

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1 and eventually connected to the permanent facility once it has been sited, approved, and
2 is operational.

3 **Q. Does the Company plan to provide Staff and the Commission with plans related to**
4 **the conversion of the entire system, including the location and specifications for the**
5 **permanent facility, the details concerning the phases of converting the system, etc.?**

6 A. Absolutely. The Company has not finished the analysis on converting the entire system
7 because a final location for the permanent CNG/LNG facility has not yet been
8 determined. That analysis will also take into account the results of the recent condition
9 assessment of the existing propane-air facility, which Liberty does not own. The lease
10 for the Keene facility expires in March 2026 and can be extended for up to three years.
11 Development of the plan for the permanent CNG/LNG facility must consider the final
12 location of that facility, the condition of the existing propane-air system, and the time
13 constraints imposed by the existing lease. Please see Attachment SEM-1, a copy of the
14 Company's response to Staff 1-10, for more information on this topic.

15 **Q. What were Staff's recommendations in this proceeding?**

16 A. As discussed in the testimony of Mr. Frink, Staff's recommendations were as follows:

- 17 • Disallow recovery of compressed natural gas (CNG) demand charges incurred
- 18 prior to October 2019;
- 19 • Do not allow recovery of CNG 2019–2020 winter incremental costs in 2020–2021
- 20 winter rates;
- 21 • Allow recovery of projected CNG costs in 2020–2021 winter rates on the
- 22 condition of potential refund of incremental CNG costs, pending a prudency
- 23 determinate in a future docket;
- 24 • Approve a COG rate of \$1.0225 per therm (which reflects the above);
- 25 • Approve a FPO rate of \$1.0425 per therm (which reflects the above);

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- 1 • Require Liberty to notify FPO customers of the difference between the FPO rate
2 offer and the approved rate.

3 I note that the last three recommendations stem directly from the first two.

4 **Q. Did Mr. Knepper have any recommendations in his testimony?**

5 A. No. Mr. Knepper's testimony was simply a defense of the Safety Division's October 3,
6 2018, Adequacy Assessment and the length of the related review.

7 **Q. Through its discovery responses in this proceeding, was the Company attempting to**
8 **take issue with the results of the Safety Division's review?**

9 A. Absolutely not. The Company simply provided the historical progression of events that
10 bring us to the present circumstances. That being said, it is important to know this
11 history as it relates to the CNG supply contract to understand the reasons that demand
12 charges were incurred during a period of time before commencement of natural gas
13 service. In addition, in reviewing the text of the response, the Company acknowledges
14 that some necessary clarifying language should have been included in the response.

15 **Q. Please explain.**

16 A. One particular sentence that was contained in Liberty's response to Staff 1-4 with which
17 Staff took issue referred to the Safety Division's interpretation of the demarcation point
18 between the applicability of certain safety standards reads as follows:

19 This interpretation was not expected by the Company and
20 resulted in the entire CNG skid having to be modified to
21 meet the different standards and also necessitated significant
22 revisions to the Company's documentation, including the
23 documentation of the owner of the CNG skid.

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1 In retrospect, given that the response was attempting to describe the timeline of events
2 that transpired in support of its request to recover the earlier demand charges, the
3 sentence should have included the following clarifying language:

4 This interpretation was not expected by the Company *at the*
5 *time it entered into the CNG supply contract, nor at the time*
6 *of the amendment to that contract*, and resulted in the entire
7 CNG skid having to be modified to meet the different
8 standards, and also necessitated significant revisions to the
9 Company's documentation, including the documentation of
10 the owner of the CNG skid.

11 I take responsibility for the lack of clarity in that response as I was the respondent. A
12 revised discovery response has been submitted that includes the above italicized
13 language. I have included the original response to Staff 1-4 as Attachment SEM-2 and
14 the revised response as Attachment SEM-3.

15 **Q. Before you address each of Staff's recommendations, do you have a general**
16 **comment regarding the status of discovery responses in this docket?**

17 A. Yes. Both Mr. Frink and Mr. Knepper commented with respect to the fact that discovery
18 questions that were posed on October 7 and 8 had not yet been answered. The Company
19 notes that its responses were provided in accordance with the procedural schedule which,
20 due to the short time period for this proceeding and Staff's desire to file testimony, called
21 for responses by October 19, after the filing of Staff's testimony. The Company
22 recognizes the short time period for the consideration of this docket and the complicating
23 factors introduced by the inclusion of CNG costs and appreciates the efforts of all
24 involved in the proceeding.

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1 **III. AUGUST 2017 THROUGH SEPTEMBER 2019 CNG DEMAND CHARGES**

2 **Q. In determining whether Liberty should recover the demand charges that were**
3 **incurred during the period August 2017 through September 2019, what is the main**
4 **question the Commission needs to answer?**

5 A. The Commission should apply the typical prudence standard of review and thus ask,
6 based on the information that was known to Liberty at the time Liberty executed and later
7 amended the CNG contract, whether the decision to enter into that supply contract was
8 prudent.

9 **Q. When was the contract originally executed?**

10 A. The original multi-year contract was signed on November 4, 2016, and covered the term
11 of May 1, 2017, through April 30, 2020.¹

12 **Q. Was any supply service provided under that original multi-year agreement prior to**
13 **the amendment?**

14 A. No.

15 **Q. When and why was the contract amended?**

16 A. The contract was amended on May 22, 2017, to change the contract term to cover the
17 period July 2017 through June 2021. The contract was amended to recognize that natural

¹ There was a prior six-month contract signed on October 24, 2016, that covered the period December 1, 2016, through May 31, 2017, under which the Company took service. That contract was terminated on May 22, 2017, the same date the multi-year contract was amended.

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1 gas service would not be starting as early as May 2017 and, therefore, the contract term
2 was modified.

3 **Q. Why was the contract executed months ahead of providing service?**

4 A. It is standard practice to issue a Request for Proposals and enter into supply contracts
5 months ahead of providing service for planning and logistical reasons, including the fact
6 that the temporary CNG facility still had to be brought to Keene and connected to the
7 Company's distribution system.

8 **Q. Why was it necessary to enter into a multi-year contract rather than an annual**
9 **contract?**

10 A. Due to the fact that the CNG installation to serve the Marketplace is only a temporary
11 facility and the CNG skid is not owned by Liberty, potentially changing suppliers each
12 year and incurring mobilization fees would be a much more expensive and challenging
13 proposition than contracting for the several years that was expected to cover the interim
14 period before a permanent CNG/LNG facility would be in place and ready for operation.

15 **Q. Did Staff's testimony look back to determine what information was known to the**
16 **Company at the time the contract was executed or amended?**

17 A. No. Rather, Staff appears to be taking a retrospective approach in analyzing whether
18 entering into the contract was prudent. That is not the way prudence is determined.

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1 **Q. Please explain why the Company incurred CNG demand charges during this period**
2 **that preceded the commencement of CNG service to customers in the Monadnock**
3 **Marketplace (“the Marketplace”).**

4 A. The Company’s original plan was to convert customers in the Marketplace in time to
5 serve them with natural gas for the 2017/2018 winter period. As such, the Company
6 needed to enter into a CNG supply contract in anticipation of providing natural gas
7 service during that winter period, and also complete the other tasks necessary to serve
8 CNG to the Marketplace (prepare the distribution piping for CNG, prepare plans to
9 convert the Marketplace customers to CNG, etc.).

10 As described in detail in the Company’s responses to Staff 1-4 (see Attachment SEM-3)
11 and Staff 1-12 (see Attachment SEM-4), there was a series of events that took place in
12 advance of providing natural gas service that delayed the date for converting customers in
13 the Marketplace and the commencement of natural gas service, which events the
14 Company could not reasonably be expected to have anticipated when it signed the CNG
15 contract in May 2017. Among the delays encountered were the following:

16 • An unexpected, and ultimately denied assertion by Staff that the Company needed
17 to file for and receive franchise approval to provide natural gas service in the
18 Company’s Keene service territory, despite the existence of the Company’s
19 franchise dating from 1860 to provide “gas” within Keene and the history of
20 having distributed several forms of “gas” over the ensuing 150 years. Liberty
21 filed a petition asking the Commission to declare Liberty already had the

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franchise rights to serve natural gas, Docket No. DG 17-068, and was ultimately successful. This unexpected issue, and resulting docket, was the seminal event that delayed CNG service and caused the Company to incur the contracted demand costs for two years prior to the commencement of natural gas service;

- The initial six-month period of time from the filing of the Company's request for a declaratory ruling regarding the need for franchise approval was pending at the Commission until the order granting Liberty's requested relief;
- A recommended change in the demarcation point within the CNG facility at which the Safety Division's jurisdiction began, which gave rise to the need for substantial modifications to the facility, causing delays. Until that change in demarcation point, Liberty reasonably believed the demarcation point was at a different location within the CNG facility, and thus the CNG facility would not need these modifications;
- Motions for rehearing and reconsideration of the Commission's initial ruling in favor of Liberty in Docket DG 17-068, which needed to be ruled on by the Commission.

Q. Why is understanding these various delays important to the determination as to whether or not the August 2017 through September 2019 CNG demand charges should be recoverable?

A. The time frame of the above delays mirrors the time period over which the CNG demand changes were incurred prior to the commencement of the provision of natural gas service to the Marketplace customers, for which the conversion from propane-air to natural gas

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1 was ultimately approved by the Commission and the Safety Division. Rather than repeat
2 information that was already detailed in discovery responses, please refer to Attachments
3 SEM-3 and SEM-4 regarding the overlap of the incurrence of demand charges with the
4 procedural delays that were encountered. To provide a picture of the overlap, please refer
5 to the timeline presented in Attachment SEM-5.

6 **Q. Did Staff claim that Liberty has not previously sought approval of the CNG supply**
7 **contract?**

8 A. Yes. Mr. Frink explicitly put forth that position on lines 25 through 27 on Bates 000004
9 of his testimony where he stated Liberty did not seek explicit Commission approval to
10 enter into a CNG supply contract either before the contract was signed or anytime
11 thereafter.

12 **Q. Does the Company agree?**

13 A. No. Staff is mistaken both as to the need to seek prior Commission approval to execute
14 the contract, and as to the fact that the Company has requested and received approval of
15 the contract in past Cost of Gas proceedings. On this latter issue, Mr. Frink contradicts
16 himself later in his testimony (Bates 000010 through Bates 000012) where he discusses
17 the Commission's approval of CNG costs in Keene's Summer 2018 and Summer 2019
18 Cost of Gas filings.

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1 **Q. Does the Company need to seek explicit Commission approval of each supply or**
2 **capacity contract it enters into?**

3 A. No. Rather, the Company includes the supply and/or capacity costs for each contract as
4 part of its Cost of Gas proceeding. They are described in testimony and in the various
5 schedules filed with cost of gas proceedings. These contracts and their costs are elements
6 of the final cost of gas rate for which the Company seeks approval. That is exactly how
7 the costs of propane supply contracts have always been approved; CNG should be no
8 different.

9 **Q. Is there a recent decision by the Commission that supports the Company’s position**
10 **that specific approval of each supply or capacity contract is not required?**

11 A. Yes, in Order No. 26,409 (October 6, 2020) in Docket No. DG 17-198, the Commission
12 ruled that both a supply and capacity contract for which Liberty had sought specific
13 approval in the Granite Bridge docket “were discussed and approved in Liberty’s 2018
14 cost of gas docket, DG 18-137,” and, therefore, no further Commission approval was
15 necessary. Since no further approval was necessary, and the Company’s requests to
16 approve those contracts were the last issues remaining in the docket, the Commission
17 stated:

18 We note that the two contracts that Liberty sought approval
19 for in this docket were discussed and approved in Liberty’s
20 2018 cost of gas docket, DG 18-137. Having denied
21 Liberty’s Motion to Amend Petition, and recognizing that
22 Liberty has withdrawn its request for approval of the Granite
23 Bridge Project, there are no issues that remain, accordingly,
24 we close this docket.

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1 Order No. 26,409 at 14. That ruling is particularly of note because, even though the costs
2 of those contracts were included in the underlying gas cost schedules and were part of the
3 proposed cost of gas rates, the order in Docket DG 18-137 did not mention the contracts
4 at all – they were approved by implication. Order No. 28,188 (Nov. 1, 2018).

5 **Q. Do similar circumstances exist with respect to the CNG supply contract at issue in**
6 **this proceeding?**

7 A. Yes. CNG costs resulting from the supply contract were expressly “discussed and
8 approved” in the Keene Division Summer 2018 Cost of Gas docket, DG 18-052, and
9 were also expressly discussed in the order which approved a summer Cost of Gas rate as
10 just and reasonable.

11 **Compressed Natural Gas.** Liberty stated that plans to use
12 Compressed Natural Gas (“CNG”) to serve a portion of the
13 Keene system starting in late June or early July, and the costs
14 presented in this case included CNG costs. Liberty stated
15 that the cost of the CNG was lower than the spot price of
16 propane. Exh. 1 at 10.

17 Order No. 26,126 at 4-5 (May 1, 2018).

18 **Q. Is Mr. Frink attempting to draw a distinction with CNG and the need for explicit**
19 **Commission approval?**

20 A. Apparently so. Mr. Frink referred back to Docket No. DG 14-155, the docket in which
21 Liberty’s acquisition of what is now its Keene Division was approved. In that docket,

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1 Company witnesses described in general terms the Company's eventual plan to explore
2 converting the entire Keene system to natural gas.

3 **Q. Has the Company submitted a plan for such conversion of the entire Keene system?**

4 A. No, it has not.

5 **Q. Why is that?**

6 A. As the Company has consistently stated in many dockets, conversion of the entire system
7 can only take place after a permanent CNG/LNG facility that is capable of supplying
8 natural gas to the entire Keene system is sited, approved, and operational. Please see
9 Attachment SEM-1 for further information.

10 **IV. DEFERRAL OF DIFFERENCES IN CNG AND PROPANE COMMODITY**

11 **PRICING FOR CUSTOMERS IN THE MONADNOCK MARKETPLACE**

12 **Q. What limited conversion of the Keene System has taken place to date?**

13 A. The only conversion of customers in Keene from propane-air to natural gas that has
14 occurred to date is the conversion of a small number of commercial customers in the
15 Monadnock Marketplace.

16 **Q. Did that occur with Commission oversight?**

17 A. Yes.

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1 **Q. Did the Commission approve the conversion of those customers and the Safety**
2 **Division’s recommendation which allowed natural gas to flow to those limited Keene**
3 **customers?**

4 A. Yes. In Order No. 26,274 at 14 (Aug. 26, 2019) in Docket No. DG 17-068, the
5 Commission stated:

6 Accordingly, we grant Liberty the permission and approval
7 to undertake the conversion of the Keene system, subject to
8 the conditions set forth herein.

9 * * *

10 FURTHER ORDERED, that the Commission’s Safety
11 Division’s recommendation that Liberty be permitted to
12 initiate the conversion of the Keene propane-air distribution
13 system to compressed natural gas to customers in the Keene
14 Division for Phase I is approved;

15 **Q. Did the Commission recognize that, once those customers were converted to natural**
16 **gas, they needed to be supplied with natural gas and propane would no longer be an**
17 **option?**

18 A. Yes. In that same order, the Commission stated:

19 The gas supply and production facilities and the distribution
20 system used to provide natural gas to Keene customers will
21 be separate and distinct from the system used to provide
22 propane-air. Once a customer begins receiving natural gas,
23 that customer will no longer be able to receive propane-air
24 as a fuel source.

25 *Id.* at 13. Those statements are important because they indicate the Commission’s
26 recognition of the reality that, following conversion, serving the customers in the

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1 Marketplace with propane is not possible. Thus, what necessarily follows is that the
2 Marketplace customers must to be supplied with natural gas.

3 **Q. Given those comments, is it unfair to deny Liberty current recovery of the full cost**
4 **of providing CNG supply to those customers?**

5 A. Yes. If the Commission recognized that these customers can only be served with a
6 particular commodity following the approved conversion, the Company should be
7 allowed to recover that cost.

8 **Q. Did Staff previously raise the issue of the difference in commodity pricing between**
9 **CNG and propane in another docket?**

10 A. Yes. As Mr. Frink noted in his testimony, this issue was raised by Staff in the Keene
11 Summer 2019 Cost of Gas proceeding, Docket No. DG 19-068. While Mr. Frink
12 correctly pointed out that the Commission did not dismiss Staff's concern about the price
13 differential in that proceeding, what is equally important is that it also did not address
14 Staff's position when it approved the Summer 2019 COG rates nor did it condition its
15 approval on a later determination regarding the full system conversion to natural gas.

16 We decline to address Staff's concerns with regard to CNG
17 costs that may exceed the cost of alternative fuels at this
18 time. Staff is free to raise the issue in future dockets,
19 including in the Company's next rate case.

20 Order No. 26,241 (April 29, 2019) at 5.

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1 **V. OTHER TOPICS ADDRESSED BY STAFF**

2 **Q. Are there topics in Staff’s testimony where the Company’s position is inaccurately**
3 **portrayed?**

4 A. Yes. One topic relates to whether the Commission has already found the Keene
5 conversion prudent. Staff’s testimony reads as though the Company views the
6 conversion of the entire Keene system has already been found prudent. In support of that
7 position, Mr. Frink attached a copy of a discovery response, Staff 1-12, to his testimony
8 as Attachment SPF-2. The first sentence of that response clearly limits the Company’s
9 views of what the Commission has decided to be prudent:

10 The Company disagrees with the statement that “the
11 prudence of the CNG conversion, including the CNG supply
12 contract, has not been determined,” *at least with respect to*
13 *the limited number of customer conversions that have*
14 *taken place to date.* (emphasis added)

15 For some reason, Staff did not include the limiting language above in its testimony. I can
16 assure the Commission that the status of the Keene conversion has been discussed
17 extensively within the Company and there is not one person who thinks the Commission
18 has already decided the prudence of the entire Keene conversion.

19 **Q. On the subject of prudence, did Staff also misconstrue the Company’s view as to the**
20 **impact of individual events such as the Commission’s allowance of the revised tariff**
21 **pages detailing natural gas to go into effect as part of Docket No. DG 17-069?**

22 A. Yes. Staff mistakenly understood the items identified in the Company’s response to Staff
23 1-12 as each being presented by the Company as an indication of prudence. Rather, it is

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1 the collective nature of the various items described in that response that leads Liberty to
2 the conclusions it has with respect to prudence and various approvals.

3 **Q. Did Mr. Knepper’s testimony include any particular comments you would like to**
4 **address?**

5 A. Yes. On Bates 000006 of his testimony Mr. Knepper stated that the Company’s response
6 to Staff 1-4 “unfortunately depicts safety issues as ‘obstacles and delays.’” That is
7 patently not true. While it is true that the Safety Division’s review and the difference in
8 interpretation with respect to the appropriate demarcation point were included in that
9 response, the Company was merely laying out the events that transpired over the past few
10 years in relation to the timing of the execution of the CNG supply contract. Obstacles
11 can take many forms, whether they are timing obstacles, procedural obstacles, physical
12 obstacles, economic obstacles, etc. As the Commission is aware, safety is priority
13 number one for Liberty. That is why the installation of the temporary CNG supply was
14 engineered in the first place – to allow the Company to retire the troublesome blower
15 system that has caused several incidents. Liberty does not view safety issues as
16 obstacles. The Company and its CNG supplier had carefully assessed the installation
17 plan for the CNG skid (see the response to Staff TS 1-9 included as Attachment SEM-6).
18 The obstacle/delay encountered with respect to the safety aspects is the contribution of
19 time to the resulting delay in being able to commence providing natural gas service to the
20 customers in the Monadnock Marketplace.

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1 **VI. CONCLUSION**

2 **Q. What is the Company’s position with respect to the topics that are at issue in this**
3 **proceeding?**

4 A. Based on the information that was available to the Company at the time the CNG supply
5 contract was initially executed and subsequently amended in 2017, it was prudent to enter
6 into the CNG supply contract. Thus, the demand charges that were incurred during the
7 period August 2017 through September 2019 should be recoverable. In this proceeding,
8 the Company has proposed to begin recovery over a three-year period which is already
9 longer than the period of time over which the costs were incurred. For the purpose of
10 trying to resolve this issue, the Company would be willing to consider a longer recovery
11 period, for example, five years, which for the purpose of this proceeding would reduce
12 the amount for which the Company is seeking recovery over the 2020/2021 winter period
13 from approximately \$72,000 to approximately \$43,000.

14 With respect to Staff’s recommendation that the cost difference between CNG and
15 propane be deferred until a ruling on the prudence of conversion of the full Keene system
16 to natural gas, it is patently unfair to not allow the Company to recover the current costs
17 to serve customers who have been converted to natural gas, which customers’
18 conversions were approved by the Commission, particularly considering the Commission
19 recognized that propane service is no longer an option for those customers. That is, as
20 the Commission stated, “Once a customer begins receiving natural gas, that customer will
21 no longer be able to receive propane-air as a fuel choice.”

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1 **Q. Does the Company have any other recommendations?**

2 A. Yes. Liberty believes it advisable that the Company, Commission Staff, and the Office
3 of the Consumer Advocate schedule a meeting in the near future to make sure everyone
4 gets on the same page in terms of understanding the numerous Commission rulings with
5 respect to Keene, the status of the Company’s plans with respect to Keene, and other
6 issues related to the future conversion of the system to natural gas. It has become
7 obvious that, in some cases, people are talking past each other with slightly different
8 perspectives on past decisions, meetings, discussions, and so forth. There have been
9 many developments over the years, and it would be in everyone’s best interest to perhaps
10 clear the air a little and iron out any differences to improve the path forward.

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

12 A. Yes, it does.

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