



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

Docket No. DG 20-105

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

DIRECT TESTIMONY

OF

SUSAN L. FLECK

July 31, 2020

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1 **I. INTRODUCTION AND BACKGROUND**

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

3 A. My name is Susan L. Fleck. 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 President of Liberty Energy Utilities (New Hampshire) Corp. (“Liberty Energy
7 (NH)”), and I am also President of its two subsidiaries, which are Liberty Utilities
8 (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (“EnergyNorth” or “the
9 Company”) and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
10 (“Granite State”). In these positions, I oversee the regulated gas and electric operations
11 of EnergyNorth and Granite State. I am responsible for ensuring that EnergyNorth
12 provides safe, reliable and cost-effective service to its New Hampshire customers,
13 consistent with the Company’s operational and financial performance objectives.

14 **Q. Please describe your educational background and professional experience.**

15 A. I received a Bachelor of Science in Civil Engineering from Carnegie-Mellon University
16 and a Master of Business Administration with a concentration in Finance from Boston
17 College. From 1980 to 1981, I worked as an Engineer for Columbia Gas Transmission
18 Company in the Measurement and Regulation Department. In 1981, I joined The
19 Brooklyn Union Gas Company as an Engineer and remained there until 1982. From
20 1982 to 1985, I was employed by Consolidated Edison Company as an Associate
21 Engineer in the Gas Operations Department. In 1985, I joined Boston Gas Company

1 (“Boston Gas”) as a Measurement and Design Engineer. I remained with Boston Gas
2 through the end of 2000, progressing through numerous positions including
3 Superintendent Distribution Administration, Director Distribution System Planning,
4 Group Leader Distribution System Design, Construction Engineer, Vice President
5 Engineering and Gas Control, and Vice President Engineering and Environmental
6 Management. From 2000 to 2007, following the acquisition of Boston Gas by KeySpan
7 Corporation, I served as Vice President NYC Gas Operations for KeySpan Energy
8 Delivery New York. From 2007 to 2017, following the acquisition of KeySpan
9 Corporation by National Grid PLC, I served as Vice President of Engineering Standards
10 and Policy for National Grid, and then as Vice President of Gas Pipeline Safety and
11 Compliance, until my retirement from National Grid in June 2017. In September 2017, I
12 became President of Liberty Energy (NH).

13 **Q. Do you serve on any industry organizations?**

14 A. Yes, I have been a long time member of the American Gas Association, where I have
15 held leadership positions, including serving on the Operations Managing Committee. I
16 am an industry advisor to the Gas Pipeline Committee of the Pipeline Hazardous
17 Materials Safety Administration. I am also a member of the American Society of Civil
18 Engineers. In addition, I have served as an industry advisor to the Pipeline Safety Trust.

1 **Q. Have you previously testified in regulatory proceedings before the New Hampshire**
2 **Public Utilities Commission and other regulatory agencies?**

3 A. Yes, I have testified previously before the New Hampshire Public Utilities Commission
4 (“Commission”) in Docket No. DG 10-017, which was a distribution rate case for
5 EnergyNorth Natural Gas, Inc. (under National Grid ownership); in Docket No. DG 17-
6 198, which is the proceeding in which EnergyNorth is seeking approval of its Granite
7 Bridge pipeline and LNG storage tank project; in Docket No. DE 19-064, which was
8 Granite State’s distribution rate case; and in Docket No. DG 19-161, which was an
9 EnergyNorth rate case that was ultimately withdrawn.

10 I have also testified before the Massachusetts Department of Public Utilities, the Rhode
11 Island Public Utilities Commission, and the New York Public Service Commission.

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

13 A. The purpose of my testimony is to provide an overview of the Company’s request for
14 new temporary and permanent distribution rates, including a discussion of the factors
15 driving the need for the filing. I will highlight the important issues and proposals in the
16 case and explain how granting this request is necessary to enable the Company to
17 continue to provide safe, reliable and cost-effective service. Specifically, my testimony
18 provides: (1) an overview of the Company’s operations and the external factors shaping
19 the Company’s current operating environment; (2) a discussion of the factors that are
20 driving the Company’s distribution rate request; and (3) an overview of the Company’s

1 distribution rate request and key proposals that are included in the request. My testimony
2 is organized into sections that correspond to these topics.

3 **Q. Is the Company's rate request supported by testimony from additional witnesses?**

4 A. Yes. The Company is presenting a comprehensive rate filing supported by all of the
5 information required by the Commission's rules, including testimony and exhibits
6 demonstrating the need for temporary and permanent rate relief, as well as the
7 Commission's Standard Filing Requirements that must accompany such a request. In
8 addition to my testimony, the Company's request is supported by testimony from the
9 following witnesses:

- 10 • Revenue Requirement Analysis (Permanent and Temporary Rates): David B.
11 Simek, Manager of Rates and Regulatory Affairs of Liberty Utilities Service
12 Company ("Liberty"), and Kenneth A. Sosnick of FTI Consulting ("FTI") present
13 EnergyNorth's revenue requirement analysis for permanent base distribution rates
14 and proposed step increases. They also provide separate joint testimony in
15 support of the Company's request for temporary rates.
- 16 • Capital Investments: Brian R. Frost, Engineer IV, Robert A. Mostone, Director of
17 Gas Operations, and Heather M. Tebbetts, Manager of Rates and Regulatory
18 Affairs for Liberty provide joint testimony to support the Company's cost
19 recovery of plant additions placed in service since the Company's last rate case,
20 as well as the request for step adjustments to recover the cost of non-growth plant
21 additions in 2020, 2021, and 2022. Their testimony describes the factors driving

1 the need for increased capital investment and outlines the Company's proposal to
2 implement and fund an integrated capital improvement plan to maintain system
3 safety and reliability and to address asset condition.

- 4 • Regulatory Policy, Step Adjustments, and Compliance: Steven E. Mullen,
5 Director, Rates and Regulatory Affairs for Liberty, describes in detail the factors
6 that are creating financial pressures on the Company and driving its need to seek
7 rate relief; explains the Company's request for approval of step adjustments to
8 recover the revenue requirement associated with non-growth related capital
9 additions placed in service after the test year; and presents a proposed property
10 tax recovery mechanism consistent with RSA 72:8-d and -e. Mr. Mullen's
11 testimony also demonstrates the Company's compliance with the Commission's
12 directives for this rate case filing, including the requirements set forth in Docket
13 No. DG 19-161. Lastly, Mr. Mullen presents a proposal for process
14 improvements and possible workload reductions and efficiency gains in relation
15 to future regulatory filings, and describes a customer service initiative in which
16 the Company plans to switch its account payment services provider, which is
17 leading to evaluation of an option to enable customers to pay their bills by credit
18 or debit card without a transaction fee.

- 19 • Cost of Capital: John Cochrane, a Senior Managing Director and head of the
20 Power & Utilities practice at FTI, presents evidence and provides
21 recommendations regarding the return on equity ("ROE") for the Company in the

1 current market, as well as recommendations regarding the Company's capital
2 costs and capital structure.

- 3 • Functional Cost of Service Study: Mr. Sosnick presents the functional cost of
4 service study performed by FTI and used as support for the rates proposed by
5 EnergyNorth in this proceeding.
- 6 • Marginal Cost Study and Rate Design: Matthew DeCoursey, a Managing Director
7 at FTI, presents the marginal cost study for the Company and used for designing
8 proposed rates for each of the Company's customer classes.
- 9 • Lead/Lag Study: Mr. Simek and Catherine A. McNamara, Analyst in Rates and
10 Regulatory Affairs for Liberty, present the Company's lead-lag study, which is
11 used to determine the cash working capital requirement in rate base.
- 12 • iNATGAS and New Hampshire DAS Special Contracts Update: William Clark,
13 Senior Director, Business Development, and Mark Stevens, Business
14 Development Professional for Liberty, provide joint testimony with a status
15 update regarding two special contracts approved by the Commission in Docket
16 Nos. DG 14-091 and DG 17-035, including information in support of the
17 Company's recovery of certain costs associated with these contracts.

1 **II. COMPANY OVERVIEW**

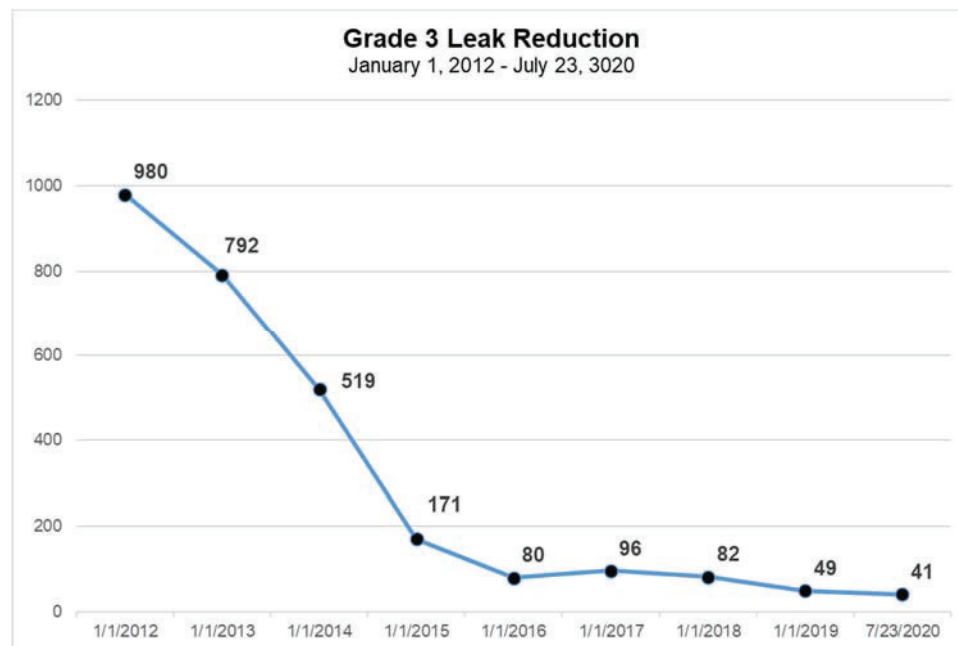
2 **Q. Would you please provide a brief description of the Company?**

3 A. EnergyNorth is a regulated gas distribution utility providing service to approximately
4 97,000 customers in the State of New Hampshire. The Company's service area covers
5 the Merrimack River valley from Nashua to the Lakes Region, and a small portion of
6 Berlin. EnergyNorth also owns and operates CNG and propane air systems that serve
7 approximately 1,250 customers in Keene. The Company is a subsidiary of Liberty
8 Utilities, which has a regional corporate operations center in Londonderry and natural gas
9 operations facilities in Nashua, Manchester, and Tilton.

10 **Q. How does EnergyNorth approach its obligations as a provider of utility service?**

11 A. EnergyNorth has many obligations as a public utility in New Hampshire, centered upon
12 the provision of safe and reliable service at just and reasonable rates. The provision of
13 natural gas and propane service to the Company's customers is extremely important
14 given the uses of these fuels for heating, cooking, manufacturing, and industrial purposes.
15 Each day, the Company faces decisions related to the operation and maintenance of the
16 distribution system as well as maintaining reliable and cost effective sources of supply.
17 With each decision, the safety of the Company's employees and customers is its first and
18 highest priority. Reliability and reasonable rates are a function of the people we hire and
19 the investments we make in the system. The Company's investments are not only in
20 physical assets, but also in recruiting, hiring, and training excellent employees. Since
21 Liberty acquired ownership of the Company in mid-2012, EnergyNorth has significantly
22 improved the reliability of the distribution system, strengthened training methods,

improved policies and procedures, and strengthened the local workforce. These investments have yielded measurable results and enable the Company to meet its many obligations as a public utility in this state. For example, the Company's emergency response in the years 2013 through 2019 improved to an average arrival time of 18–20 minutes,¹ with meter reading over the same period averaging a 98–99 percent success rate. EnergyNorth has also substantially reduced the number of Grade 3 leaks from 980 at the beginning of 2012, under prior ownership, to 41 as of July 23, 2020.² The reduction is shown in the graph below.



¹ Attachment J to the Settlement Agreement in Docket No. DG 11-040 (which approved Liberty's acquisition of EnergyNorth and Granite State) required EnergyNorth to respond to emergency calls within 30, 45, and 60-minutes, depending on the category. For example, EnergyNorth had respond to at least 82 percent of the Category A-1 calls within 30 minutes. Response times of 20 minutes or less exceed these requirements.

² EnergyNorth acknowledges that a portion the reduction in Grade 3 leaks is the result of a reclassification of Grade 3 leaks to Grade 2 leaks as part of the May 10, 2013, update of the Puc 500 rules. Note that Grade 2 leaks must be repaired "within 6 months or before the end of the calendar year." Puc 508.04(m)(2).

1 **Q. What are your priorities for EnergyNorth?**

2 A. Liberty Utilities takes pride in the improvements and growth that have taken place on its
3 system in recent years. The Company has accelerated the removal of the cast iron and
4 bare steel mains and services in its system and is committed to replacing the remaining
5 such mains and services.

6 The Company is also committed to growing its system and providing safe and reliable
7 gas service to new customers while providing opportunities for economic development in
8 the communities served by EnergyNorth. With respect to such commitments,
9 EnergyNorth has a significant amount of planned future capital projects, as described in
10 the joint testimony of Messrs. Frost and Mostone and Ms. Tebbetts, that target things
11 such as the Company's Distribution Integrity Management Program, the replacement of
12 leak-prone pipe that was formerly included in the Company's Cast Iron/Bare Steel
13 ("CIBS") program, reliability projects to reinforce the gas system, and supply
14 enhancement projects that will provide benefits to customers in the short-term and the
15 long-term.

16 With respect to its Keene Division, the Company is committed to undertaking a
17 methodical approach to converting the system, over time, from propane/air to natural gas.
18 This will occur over a period of years to allow for conversions, following the siting and
19 installation of a permanent compressed natural gas/liquefied natural gas supply facility,
20 that are not disruptive to customers while also providing for potential expansion of the
21 system consistent with the risk sharing provisions established by the Commission in

1 Docket No. DG 17-048.

2 Lastly, as the Company grows, it will continue to pursue cost-effective and innovative
3 means to ensure continued supply for both the short and near terms. The Company's
4 recently announced long-term contract with Tennessee Gas Pipeline for additional
5 capacity on the Concord Lateral and its approach to converting its Keene system to
6 natural gas and providing for a long-term cost-effective fuel source illustrates how the
7 Company takes a long-term view of the need to provide for its customers.

8 **Q. Are there additional initiatives you would like to highlight?**

9 A. Yes. After several years of research and planning, Liberty Utilities is moving forward
10 with a company-wide comprehensive replacement to the existing Customer Information
11 System, accounting software, and other vital systems. This initiative, collectively
12 referred to as "Customer First," is currently scheduled to be implemented in New
13 Hampshire during the second quarter of 2022. Although the cost estimates and structures
14 are still being refined, it is important that the Commission, Staff, and the Office of the
15 Consumer Advocate ("OCA") are aware of this important initiative that will enhance
16 service to customers and improve efficiency.

17 **Q. Have you taken any other actions since joining Liberty Energy (NH) to promote**
18 **organizational and cost efficiencies at the Company?**

19 A. Yes. Upon joining Liberty Energy (NH) in 2017, I evaluated the Company's approach to
20 its capital investment program and instituted several changes and enhancements to bring
21 greater visibility and discipline to the process. I have reinforced and strengthened regular

1 monthly meetings to track, monitor, and report on the status of complex projects. These
2 meetings may include various topics such as budget variances, committed and actual
3 costs to date, estimated cost at completion, projected year-end expenditures, schedule
4 variances, scope changes, and other aspects of project status. I take a hands-on approach
5 to those meetings and the budget process and actively work with the Company's finance,
6 engineering, and operations teams to monitor spending as compared to budget and
7 determine if projects need to be revised or removed from the capital work plan to keep
8 the budget on track. In addition, I authorized the establishment of a new full time
9 position, Operations Finance Manager, whose primary focus is to improve the rigor and
10 accuracy of the Company's planning, budgeting, and reporting in relation to delivering
11 the capital plan. Since the fall of 2019 and the hiring of an experienced Operations
12 Finance Manager, these monthly reviews have provided greater detail about project costs
13 and enabled greater insights about end-of-year forecasts. Establishing this role – creating
14 a single point of contact in the Company to manage capital project financials – has
15 enhanced the Company's ability to recalibrate the overall Company actual spend to
16 budget targets. In addition, the Company developed and implemented a new process of
17 burden allocations. This new process allocates burdens throughout the year, improving
18 the accuracy of job estimates and overall project estimates.

1 **Q. Are there other related steps you are taking to better plan and budget and to control**
2 **costs?**

3 A. Yes, the Company is focused on strengthening its Construction Department and practices.
4 In addition, I have instituted a process whereby the Construction Manager and
5 Construction Supervisors will now be included in the monthly budget reviews.

6 **Q. Lastly, what actions has Liberty Utilities taken to ensure continued service to**
7 **customers during the COVID-19 pandemic?**

8 A. As part of Liberty Utilities, the Company has a pandemic preparedness plan in place,
9 which includes a task force that is working with guidance from the Centers for Disease
10 Control and Prevention (CDC). This task force has prepared for how the virus might
11 impact the organization and the communities it serves, and how to respond appropriately.
12 The Company continues to monitor the situation and actively share updates and
13 information with employees so that they can keep themselves and their families safe.
14 The Company has provided additional protective supplies and equipment to its frontline
15 employees, and has limited employee travel, limited in-person meetings, and postponed
16 larger gatherings and events. To prevent the spread of the virus, the Company is
17 encouraging anyone who feels sick or has concerns regarding potential exposure to stay
18 at home.

19 With the rapidly evolving COVID-19 situation, the Company has also provided
20 customers with updates on the actions it has taken across its territory to protect the health
21 and safety of customers and employees and to help ensure that the communities it serves

1 can continue to count on critical services. The Company closed its walk-in customer
2 service centers to the public until further notice, and customer service representatives
3 have been appropriately distanced from each other and remain available by phone to
4 work with customers that may be experiencing financial uncertainty. In addition, the
5 customer care team has proactively reached out to customers who are in arrears to work
6 with them and make sure they understand that they will still be responsible for their
7 charges, including those incurred during the pandemic.

8 Utilities must often respond to extreme conditions and disasters. At EnergyNorth, the
9 Company plans and practices regularly to help ensure continuity of service. The
10 Company takes this responsibility seriously. As part of the pandemic response, the
11 Company implemented its emergency plan and is quickly adjusting to conditions of the
12 current COVID-19 situation to ensure safe and reliable service to customers and
13 communities. In addition, each department has updated its Business Continuity Plan and
14 is required to provide weekly updates about any changes to that department's status.

15 **III. DRIVERS OF THE COMPANY'S RATE FILING**

16 **Q. Why is it necessary for the Company to file for a rate increase at this time?**

17 A. As demonstrated in this rate filing, EnergyNorth has a distribution revenue operating
18 deficiency that exists primarily due to the substantial amount of capital investment that
19 the Company has made in the last several years to maintain and improve its gas
20 distribution system. Absent rate relief, the Company will not have a reasonable
21 opportunity to earn a reasonable return on the cost of its property that is used and useful

1 in the public service. As of December 31, 2019, which is the end of the test year in this
2 case, the Company's earned return on rate base was 4.79 percent, which is below industry
3 standards for a fair and reasonable return, and 201 basis points lower than the return on
4 rate base of 6.80 percent authorized by the Commission in the Company's 2017 rate case.

5 **Q. Please describe the factors driving the need for this rate filing.**

6 A. The primary factor driving the need for this rate filing is the continued capital investment
7 to ensure a safe and reliable system. In the Company's last rate case, it was allowed a
8 step adjustment to recover capital costs through 2017. The Company subsequently made
9 capital investments of approximately \$37.0 million in 2018 and \$47.4 million in 2019
10 related to growth and non-growth projects not currently being recovered in rates. The
11 Company's rate request is necessary to recover the costs of these investments. The joint
12 testimony of Messrs. Frost and Mostone and Ms. Tebbetts explains these investments in
13 more detail.

14 **Q. Are property taxes also a factor in the Company's need for rate relief?**

15 A. Yes. Property taxes have been increasing steadily since the Company's 2017 rate case,
16 and the Company has no control over these increases. Specifically, since the last rate
17 case, the Company's property taxes have increased by more than \$3 million, while rates
18 have been adjusted to recover only approximately \$1 million of those costs. Mr.
19 Mullen's testimony discusses the Company's proposal for a property tax recovery
20 mechanism that is consistent with legislation passed in 2019, which established a
21 methodology for valuing utility distribution assets for property tax purposes. The

1 legislation (codified in RSA 72:8-d and -e) authorizes an annual reconciliation and
2 establishment of a rate recovery mechanism for property taxes paid by a public utility.

3 **Q. Are there any other factors underlying the Company's request for rate relief?**

4 A. Yes. Mr. Mullen's testimony explains that the Company has experienced a negative
5 financial impact related to the implementation of its revenue decoupling mechanism
6 following the 2017 rate case. The impact stems from an increase in use per customer
7 since the 2016 test year in that case, as well as a reclassification of certain commercial
8 and industrial customers to other rate classes in February 2017 based on a review of their
9 usage. Because the reclassification occurred after the test year in that case, it was not
10 reflected in the revenue per customer amounts established as part of the decoupling
11 mechanism. This rate case will enable a reset of the test year revenues for purposes of
12 the decoupling mechanism. Mr. Mullen's testimony provides more information on this
13 issue. In approving the decoupling mechanism, the Commission directed that the
14 Company's next rate case would be based on a test year ending no later than December
15 31, 2020, in order "to reset test year revenues in light of the decoupling mechanism."³

16 **Q. Is the Company's rate request driven by increases in operating and maintenance**
17 **expenses?**

18 A. Other than property taxes and other known and measurable adjustments to test year
19 expenses, the Company's operating and maintenance ("O&M") expenses generally have
20 been held flat since the 2017 rate case. As such, O&M increases are not a substantial

³ Docket No. DG 17-048, Order No. 26,122 at 46 (April 27, 2018).

1 driver of this case. The joint testimony of Messrs. Simek and Sosnick on the revenue
2 requirement for the permanent rate increase provides further information.

3 **IV. OVERVIEW OF THE COMPANY'S RATE FILING**

4 **Q. Please describe the Company's request for new permanent and temporary**
5 **distribution rates.**

6 A. In this proceeding, the Company is requesting a permanent change in base distribution
7 rates to recover a revenue deficiency of \$13.5 million, inclusive of temporary rate relief
8 of \$6.5 million (actual calculation was 9.8 million), based on a test-year ending
9 December 31, 2019. The revenue deficiency is calculated based upon a test year-end rate
10 base \$356,411,727 and an overall weighted average cost of capital of 7.47 percent.

11 The Company's current distribution rates are insufficient to recover the cost of providing
12 service to customers, including a fair return on the assets devoted to utility service.
13 Specifically, the Company's earned return on rate base for the test year ended December
14 31, 2019, was 4.79 percent, which is below industry standards for a fair and reasonable
15 return, and 201 basis points lower than the return on rate base of 6.80 percent authorized
16 by the Commission in the Company's 2017 rate case. For these reasons, the Company
17 now finds it necessary to petition the Commission for review and determination of an
18 increase in base distribution revenues to support utility operations.

19 If the Company's proposals are approved without modification, a typical R-1 residential
20 non-heating customer would see a total annual bill increase of 5.60 percent or \$20.21 due
21 to the temporary rate increase and an additional 4.26 percent or \$15.78 due to the

1 permanent rate increase; and a typical R-3 residential heating customer would see a total
2 annual bill increase of 4.75 percent or \$48.14 due to the temporary rate increase and an
3 additional 4.76 percent or \$48.94 due to the permanent rate increase. For commercial
4 and industrial (“C&I”) customers, the total annual bill impact ranges from 3.68 to 5.53
5 percent for small C&I customers for the temporary rate increase and an additional 3.23 to
6 5.08 percent for the permanent rate increase; from 2.72 to 3.48 percent for medium C&I
7 customers for the temporary rate increase and an additional 4.12 to 4.88 percent for the
8 permanent rate increase; and from 1.98 to 2.74 percent for large C&I customers for the
9 temporary rate increase and an additional 3.88 to 4.64 percent for the permanent rate
10 increase, depending on their usage.

11 **Q. When are the effective dates of new rates under the Company’s proposal?**

12 A. The Company’s proposed permanent rates would apply to usage on and after September
13 1, 2020, but the Company anticipates the Commission will suspend the effective date of
14 the rates pending further investigation to August 1, 2021. The Company is proposing the
15 temporary rates to be effective as of October 1, 2020, through the pendency of this case.

16 **Q. Does the Company’s proposal include step adjustments for capital investments as**
17 **part of a multi-year rate plan?**

18 A. Yes. In addition to the proposed base revenue increases, the Company is proposing step
19 adjustments to address the need for continued significant capital investment in the
20 coming years, balancing the Company’s need for rate relief with the impact on customer

1 bills. The step adjustments would apply to post-test-year plant investments in 2020,
2 2021, and 2022.

3 Like all natural gas local distribution companies, the Company's fundamental obligation
4 is to maintain its distribution infrastructure in a manner that complies with applicable
5 state and federal pipeline safety regulations and that will provide safe and reliable service
6 to customers. Consequently, the Company's capital plan is driven largely by its
7 Distribution Integrity Management Plan (DIMP), which identifies threats to the system
8 and prioritizes the risks posed by the various threats for appropriate mitigation by the
9 utility. Under the Company's capital improvement plan, the Company will invest
10 approximately \$142 million over next three years, improving the safety and reliability of
11 the distribution system and providing additional capacity in areas that have experienced
12 load growth.

13 For the Company to maintain its public safety and service reliability obligations to
14 customers, it needs to have a ratemaking structure in place that provides for adequate and
15 timely funding of utility operations. This is not the situation at the current time and,
16 absent a multi-year plan, the Company will have no alternative but to file frequent base
17 rate proceedings in order to recover the significant costs of its capital additions.

18 **Q. Are the step adjustments particularly important for replacement of aging**
19 **infrastructure in light of the termination of the CIBS program?**

20 **A.** Yes. Across the country and especially in the Northeast, the trend has been to establish
21 alternative rate mechanisms to enable local distribution companies to replace aging

1 natural gas infrastructure on an accelerated basis. In fact, the National Association of
2 Regulatory Utility Commissioners (“NARUC”) issued a report in January 2020 entitled
3 “Natural Gas Distribution Infrastructure Replacement and Modernization: Review of
4 State Programs,” which concluded that while there is no “one size fits all” approach, state
5 regulators play a significant role in supporting and encouraging appropriate and
6 responsible infrastructure modernization. The report also noted that the ways in which
7 programs are implemented or how utilities recover infrastructure-related costs can vary
8 across and within jurisdictions. With this rate case, and in light of the termination of the
9 CIBS program, the Company is asking the Commission to adopt a regulatory approach
10 that supports the need to enhance and continue pipeline integrity and reliability programs,
11 upgrade the systems supporting the gas operations, support gas growth, and deliver the
12 quality service that customers expect. As concluded in the NARUC report, high costs,
13 uncertain cost recovery, and lack of consistent regulatory incentives are barriers to
14 pipeline replacement and infrastructure modernization.

15 **Q. Would you please comment on the Commission’s recent statement regarding the**
16 **Company’s policies and practices around planning and budgeting its CIBS pipe**
17 **replacement projects?**

18 A. Yes. Recently, the Commission strongly encouraged the Company “to analyze its
19 policies and practices to better plan and budget its CIBS pipe replacement projects and to
20 control its related costs going forward.”⁴ The Commission stated that CIBS planning and

⁴ Docket No. DG-20-049, Order 26,374 (June 30, 2020) at 6.

1 budgeting should more accurately reflect anticipated costs related to state and municipal
2 requirements, and should identify and account for asbestos or other environmental
3 liabilities that may arise in proposed replacement projects.

4 The Company acknowledges the Commission's concern and is taking steps to address
5 this issue. At a high level, the Company is reassessing its standard practice to apply a 10
6 percent contingency factor to gas project costs, which is intended to cover potential
7 increases associated with environmental conditions that must be remediated, state or
8 municipal requirements, or other situations that cannot not be predicted easily or
9 precisely during the planning phase. The Company is also instituting steps to ensure
10 greater coordination between its Gas Engineering Department and Construction
11 Department. Additional details regarding these changes are described in the joint
12 testimony of Messrs. Frost and Mostone and Ms. Tebbetts.

13 **Q. Does the Company's rate case filing contain other proposals and information?**

14 A. Yes. As described earlier in my testimony, the Company is proposing a property tax
15 recovery mechanism consistent with New Hampshire legislation.

16 Importantly, the Company's filing also demonstrates the Company's compliance with the
17 Commission's directives for this rate case filing, including the requirements set forth in
18 Docket No. DG 19-161. These updates include compliance requirements from the 2017
19 rate case for an analysis of the depreciation reserve imbalance; information to enable the
20 Commission to evaluate the impact of decoupling; an updated analysis regarding the
21 Company's investment in the iNATGAS facility; and addressing the Commission's prior

1 determinations regarding the revenue requirement for the first phase of the Keene
2 CNG/LNG conversion; along with information and updates required by several other
3 recent dockets. This information is discussed in detail in Mr. Mullen's testimony.

4 Lastly, the Company is planning to change its payment services provider in January 2021
5 as a customer service initiative and, as part of this, is evaluating changes to the credit card
6 payment fee structure. In response to feedback from customer satisfaction surveys, the
7 Company is exploring fee structures that would allow customers to use credit or debit
8 cards for bill payments with or without a transaction fee, with either customers incurring
9 the cost directly or the cost of the service borne by the Company and included as part of
10 operating costs. The Company does not have a specific proposal at this time but seeks to
11 have discussions with Staff and the OCA to examine the pros and cons of the various
12 alternatives and keep the costs of either approach reasonable for customers. If the
13 Company were to pursue a fee free model, it is likely that customer usage of the credit
14 card payment option would increase substantially, and has the potential to become a
15 relatively significant cost. For this reason, the Company would not implement the
16 program without Commission approval. This initiative is further discussed in Mr.
17 Mullen's testimony.

18 **V. CONCLUSION**

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

20 **A.** Yes. The Company understands that it has been on a fairly frequent schedule for filing
21 rate cases. This dynamic is largely a result of capital spending requirements, which are

1 affected by factors such as the Commission's decision last year to terminate the
2 accelerated recovery portion of the Company's CIBS program, the highly capital
3 intensive nature of the natural gas business, and the lack of mechanisms that allow for
4 timely recovery of capital investments between rate cases. The majority of necessary
5 capital investments do not generate additional revenue, therefore it is vital that the
6 Company, Staff, and the OCA work cooperatively toward a rate plan that recognizes the
7 need for capital investments and timely recovery of those costs. Otherwise, there will not
8 be a reasonable opportunity for the Company to earn what the Commission determines to
9 be a reasonable rate of return without frequent rate case filings, which are time
10 consuming and costly undertakings.

11 **Q. Does the fact that the Company has been on a fairly frequent rate case cycle indicate**
12 **that the Company's O&M costs are increasing in a manner that is driving the pace**
13 **of those filings?**

14 A. No, to the contrary, and as I stated earlier the Company's O&M expenses have remained
15 relatively flat since the last rate case as EnergyNorth has effectively managed these costs
16 and kept them in check.

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

18 A. Yes, it does.