



**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

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SEM-1	Liberty's Response to Staff 1-10
SEM-2	Liberty's Response to Staff 1-4 (original response)
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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.

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”)
6 demand 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

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

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

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);

- 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.

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.

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.

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.

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

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

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

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

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

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.

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.

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,

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.

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.

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

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.

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.”

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.

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

DG 20-152
Winter 2020/2021 Cost of Gas

Staff Data Requests - Set 1

Date Request Received: 9/24/20
Request No. Staff 1-10

Date of Response: 10/5/20
Respondent: Steven Mullen

REQUEST:

Please explain plans to convert additional Keene customers (residential and commercial) to CNG or LNG; please provide a timeline and next steps.

RESPONSE:

As the Company has consistently stated, the first step in further conversion of Keene customers from propane-air to natural gas is the siting of a permanent CNG/LNG facility. This was most recently stated in the testimony of Susan Fleck that was filed in EnergyNorth's distribution service rate case, Docket No. DG 20-105. In that testimony, Ms. Fleck stated:

With respect to its Keene Division, the Company is committed to undertaking a methodical approach to converting the system, over time, from propane/air to natural gas. This will occur over a period of years to allow for conversions, following the siting and installation of a permanent compressed natural gas/liquefied natural gas supply facility, that are not disruptive to customers while also providing for potential expansion of the system consistent with the risk sharing provisions established by the Commission in Docket No. DG 17-048. (Fleck testimony at Bates II-089, II-090)

As required by the NH Department of Environmental Services before it would grant permits for a facility at the Company-owned land on Production Avenue, and as is prudent utility practice, the Company has spent a considerable amount of time exploring different possibilities for a location for the permanent facility with the potential land parcels each having various restrictions or other drawbacks and complicating factors. Any future plans for conversion/expansion of the Keene system necessarily must begin with the location of that permanent facility determined as the anchor point from which future plans can be developed and detailed. As the search for an appropriate site is still ongoing, the timeline for subsequent events is necessarily uncertain at this time.

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With respect to future conversion/expansion plans, the Company is mindful of the impending date for the cessation of the lease at the propane-air production plant.¹ On a related note, the Company engaged a consultant to assess the conditions and long-term viability of the propane-air plant. The report by the consultant is expected to be finalized in the near future and will be shared with the Staff and the OCA when it is available. The results of that report are expected to be a significant input into the decision making process regarding the length of time available before conversion of the entire Keene system is a necessity.

Once a site for the permanent facility is selected, it will be necessary, in accordance with the terms of orders issued in Docket Nos. DG 17-048 and DG 17-068 that the Company review its plans for the system with the Safety Division as well as attempt to obtain commitments from prospective new customers. Logistically speaking, though, it may be more challenging to obtain customer commitments prior to obtaining support from the Safety Division, other Staff, and the OCA regarding the permanent facility and its associated costs. In addition, the Company's replacement of leak-prone pipe in Keene continues so that is another factor that has to be taken into account in terms of timing.

As stated in Ms. Fleck's testimony cited above, the process is expected to take a number of years and is not something that can be accomplished in a short period of time, particularly as the time prior to the termination of the lease for the propane-air plant continues to shrink.

¹ The lease was prepaid by the former owner through March 2026, and there is the option for three additional years at \$70,000 to \$75,000 per year.

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

DG 20-152
Winter 2020/2021 Cost of Gas

Staff Data Requests - Set 1

Date Request Received: 9/24/20
Request No. Staff 1-4

Date of Response: 10/5/20
Respondent: Steven Mullen

REQUEST:

Ref. Bates p. 9. Please describe each obstacle and the associated delay. To what form of permission does the phrase “the go-ahead to put the CNG system online at any time” refer?

RESPONSE:

The obstacles to putting the temporary CNG system online varied since early 2017 when the Company informed Staff and the OCA of its plan to install the facility on its Production Avenue site to serve the Monadnock Marketplace and retire the blower systems. (In 2016, the Company and Staff discussed a temporary facility located behind a store at the Marketplace, but there was not sufficient time to work through the various issues that arose with siting the facility there.) The permissions also evolved over time.

The first obstacle was Staff’s statement that the Company did not have the franchise right to serve natural gas in Keene. As described in the April 24, 2017, Petition for a Declaratory Ruling (“Petition”) (revised on April 26, 2017) in Docket No. DG 17-068, the Company had been discussing with Staff its plan for a temporary CNG facility in Keene on several occasions and, during a March 27, 2017, meeting, was advised by Staff that the Company needed to file for franchise approval to be able to serve natural gas to its customers in Keene. The Petition further stated the Company’s plans to have the temporary CNG facility ready for the 2017–2018 winter season. Although the Company did not agree that it needed to seek franchise authority, it filed the Petition in an attempt to avoid significant delay given the difference in position and essentially obtain “permission” to serve natural gas in Keene.

The Company received this “permission” on October 20, 2017, six months after filing with no other activity in the docket, when the Commission issued Order No. 26,065 in DG 17-068 granting the Company’s petition and declaring that additional franchise authority was not required. Given the timing of that order, even if it was issued without the further requirements discussed below, the temporary CNG facility could not have been put online to serve customers because it was already too late in the season to be able to convert the customers in the Marketplace for the 2017–2018 winter season. The conversions cannot safely occur during cold weather. Had the Company known the Petition was going to be pending at the Commission for

Docket No. DG 20-152 Request No. Staff 1-4

an extended period of time then it likely would have altered its plans regarding the timing of putting the CNG facility in service and not entered into a CNG supply contract in advance of the 2017–2018 winter season.

The second obstacle to the CNG facility going online, and the second permission needed before serving CNG, arose from the conditions imposed in Order No. 26,065:

FURTHER ORDERED, that Liberty provide the final comprehensive plans and reports as described above; and it is

FURTHER ORDERED, that Liberty shall not flow any gas through the CNG/LNG installation in Keene until the Commission's Safety Division has found the required plans and reports adequate, and completed its physical inspection of the facilities as described above.

This language indicates that the ability to grant permission rested with the Commission's Safety Division with no mention that further action by the Commission would be necessary.¹ The requirement to obtain Safety Division approval gave rise to nearly a two year delay.

As the Company proceeded to provide plans and reports as required in Order No. 26,065, it became apparent that there was a significant difference in interpretation of the appropriate demarcation point on the CNG decompression equipment between where ASME B31.3 and 49 CFR Part 192 standards applied. The Company submitted its documentation consistent with ASME B31.3, which is the code governing the supplier of the CNG skid and is what that company used in its other installations of CNG unloading facilities, including those that feed into utility transmission and distribution piping, throughout the country. As part of that documentation, the demarcation point between the applicability of ASME B31.3 and 49 CFR Part 192 would be the outlet flange after the decompression was complete. The Safety Division, while acknowledging that “[t]here is no single applicable safety standard used within New Hampshire, nor nationwide, for CNG trailers,”² applied 49 CFR Part 192 to the installation as part of its assessment of the CNG installation, which meant that the demarcation point was the hose that connects the decompression facility to the trailers. This interpretation was not expected by the Company and resulted in the entire CNG skid having to be modified to meet the different standards, and also necessitated significant revisions to the Company's documentation, including the documentation of the owner of the CNG skid. The Safety Division's October 3, 2018, Adequacy Assessment took approximately a year to produce.

¹ The Company did not definitively learn that Commission approval of the Safety Division's assessment was a portion of the permission until twenty-one months later when the Commission issued Order No. 26,274 (July 24, 2019) and “accepted” and approved the Safety Division's assessment.

² NHPUC Safety Division Adequacy Assessment of the Proposed Compressed Natural Gas Installation by Liberty Utilities - Keene, NH Division (October 3, 2018) at 7.

Docket No. DG 20-152 Request No. Staff 1-4

The Company understands that this CNG installation was the first of its kind in New Hampshire and required significant research and investigation, but this was a significant portion of the delays that were encountered throughout the process. As the Company had no idea how long the Safety Division's assessment might take or what it might say, it was reasonable for the Company to have a CNG supply contract in place to be ready to serve customers for the 2018–2019 winter as the approval could have happened “at any time.”

Following months of the Company providing the necessary responses and updates to the Safety Division's Adequacy Assessment, on April 6, 2019, the Safety Division submitted its recommendation that “allows the commencement of the proposed Monadnock Marketplace system conversion from propane-air to natural gas and begins the flow of natural gas.” Although receipt of the Safety Division's recommendation gave support for the commencement of natural gas service, the Commission subsequently issued Order No. 26,274 (July 24, 2019) which denied Mr. Clark's motion for rehearing of Order 26,065 (which had been pending since May 2018), and “accepted” and approved the Safety Division's recommendation. As stated earlier, this was a procedural step that was not expected by the Company nor previously articulated by the Commission.

Mr. Clark sought further reconsideration of the July 24 order. As long as Mr. Clark's motion was still pending, the Company could not proceed because there was still the possibility the Commission could alter its ruling after rehearing. The Commission denied that pending motion in Order No. 26,294 (September 25, 2019), almost two years after issuing Order 26,065, which, coupled with the other events described above, finally provided the “go-ahead” to proceeding customer conversions and the provision of natural gas service in advance of the 2019–2020 winter season.

The Company converted the Marketplace customers and began flowing CNG in October 2019, two and one half years after encountering the first obstacle.

REVISED

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

DG 20-152
Winter 2020/2021 Cost of Gas

Staff Data Requests - Set 1

Date Request Received: 9/24/20
Request No. Staff 1-4

Date of Response: 10/20/20
Respondent: Steven Mullen

REQUEST:

Ref. Bates p. 9. Please describe each obstacle and the associated delay. To what form of permission does the phrase “the go-ahead to put the CNG system online at any time” refer?

RESPONSE:

The obstacles to putting the temporary CNG system online varied since early 2017 when the Company informed Staff and the OCA of its plan to install the facility on its Production Avenue site to serve the Monadnock Marketplace and retire the blower systems. (In 2016, the Company and Staff discussed a temporary facility located behind a store at the Marketplace, but there was not sufficient time to work through the various issues that arose with siting the facility there.) The permissions also evolved over time.

The first obstacle was Staff’s statement that the Company did not have the franchise right to serve natural gas in Keene. As described in the April 24, 2017, Petition for a Declaratory Ruling (“Petition”) (revised on April 26, 2017) in Docket No. DG 17-068, the Company had been discussing with Staff its plan for a temporary CNG facility in Keene on several occasions and, during a March 27, 2017, meeting, was advised by Staff that the Company needed to file for franchise approval to be able to serve natural gas to its customers in Keene. The Petition further stated the Company’s plans to have the temporary CNG facility ready for the 2017–2018 winter season. Although the Company did not agree that it needed to seek franchise authority, it filed the Petition in an attempt to avoid significant delay given the difference in position and essentially obtain “permission” to serve natural gas in Keene.

The Company received this “permission” on October 20, 2017, six months after filing with no other activity in the docket, when the Commission issued Order No. 26,065 in DG 17-068 granting the Company’s petition and declaring that additional franchise authority was not required. Given the timing of that order, even if it was issued without the further requirements discussed below, the temporary CNG facility could not have been put online to serve customers because it was already too late in the season to be able to convert the customers in the

Docket No. DG 20-152 Request No. Staff 1-4 (Revised)

Marketplace for the 2017–2018 winter season. The conversions cannot safely occur during cold weather. Had the Company known the Petition was going to be pending at the Commission for an extended period of time then it likely would have altered its plans regarding the timing of putting the CNG facility in service and not entered into a CNG supply contract in advance of the 2017–2018 winter season.

The second obstacle to the CNG facility going online, and the second permission needed before serving CNG, arose from the conditions imposed in Order No. 26,065:

FURTHER ORDERED, that Liberty provide the final comprehensive plans and reports as described above; and it is

FURTHER ORDERED, that Liberty shall not flow any gas through the CNG/LNG installation in Keene until the Commission's Safety Division has found the required plans and reports adequate, and completed its physical inspection of the facilities as described above.

This language indicates that the ability to grant permission rested with the Commission's Safety Division with no mention that further action by the Commission would be necessary.¹ The requirement to obtain Safety Division approval gave rise to nearly a two year delay.

As the Company proceeded to provide plans and reports as required in Order No. 26,065, it became apparent that there was a significant difference in interpretation of the appropriate demarcation point on the CNG decompression equipment between where ASME B31.3 and 49 CFR Part 192 standards applied. The Company submitted its documentation consistent with ASME B31.3, which is the code governing the supplier of the CNG skid and is what that company used in its other installations of CNG unloading facilities, including those that feed into utility transmission and distribution piping, throughout the country. As part of that documentation, the demarcation point between the applicability of ASME B31.3 and 49 CFR Part 192 would be the outlet flange after the decompression was complete. The Safety Division, while acknowledging that “[t]here is no single applicable safety standard used within New Hampshire, nor nationwide, for CNG trailers,”² applied 49 CFR Part 192 to the installation as part of its assessment of the CNG installation, which meant that the demarcation point was the hose that connects the decompression facility to the trailers. This interpretation was not expected by the Company and resulted in the entire CNG skid having to be modified to meet the different standards, and also necessitated significant revisions to the Company's documentation, including the documentation of the owner of the CNG skid. The Safety

¹ The Company did not definitively learn that Commission approval of the Safety Division's assessment was a portion of the permission until twenty-one months later when the Commission issued Order No. 26,274 (July 24, 2019) and “accepted” and approved the Safety Division's assessment.

² NHPUC Safety Division Adequacy Assessment of the Proposed Compressed Natural Gas Installation by Liberty Utilities - Keene, NH Division (October 3, 2018) at 7.

Docket No. DG 20-152 Request No. Staff 1-4 (Revised)

Division's October 3, 2018, Adequacy Assessment took approximately a year to produce. The Company understands that this CNG installation was the first of its kind in New Hampshire and required significant research and investigation, but this was a significant portion of the delays that were encountered throughout the process. As the Company had no idea how long the Safety Division's assessment might take or what it might say, it was reasonable for the Company to have a CNG supply contract in place to be ready to serve customers for the 2018–2019 winter as the approval could have happened “at any time.”

Following months of the Company providing the necessary responses and updates to the Safety Division's Adequacy Assessment, on April 6, 2019, the Safety Division submitted its recommendation that “allows the commencement of the proposed Monadnock Marketplace system conversion from propane-air to natural gas and begins the flow of natural gas.” Although receipt of the Safety Division's recommendation gave support for the commencement of natural gas service, the Commission subsequently issued Order No. 26,274 (July 24, 2019) which denied Mr. Clark's motion for rehearing of Order 26,065 (which had been pending since May 2018), and “accepted” and approved the Safety Division's recommendation. As stated earlier, this was a procedural step that was not expected by the Company nor previously articulated by the Commission.

Mr. Clark sought further reconsideration of the July 24 order. As long as Mr. Clark's motion was still pending, the Company could not proceed because there was still the possibility the Commission could alter its ruling after rehearing. The Commission denied that pending motion in Order No. 26,294 (September 25, 2019), almost two years after issuing Order 26,065, which, coupled with the other events described above, finally provided the “go-ahead” to proceeding customer conversions and the provision of natural gas service in advance of the 2019–2020 winter season.

The Company converted the Marketplace customers and began flowing CNG in October 2019, two and one half years after encountering the first obstacle.

REVISED RESPONSE:

Upon review, the Company determined that certain clarifying language should have been included in one of the paragraphs of the response. That paragraph is reproduced below with the added language shown in underline format.

As the Company proceeded to provide plans and reports as required in Order No. 26,065, it became apparent that there was a significant difference in interpretation of the appropriate demarcation point on the CNG decompression equipment between where ASME B31.3 and 49 CFR Part 192 standards applied. The Company submitted its documentation consistent with ASME B31.3, which is the code governing the supplier of the CNG skid and is what that company used in its other installations of CNG unloading facilities, including those that feed into utility transmission and distribution piping,

throughout the country. As part of that documentation, the demarcation point between the applicability of ASME B31.3 and 49 CFR Part 192 would be the outlet flange after the decompression was complete. The Safety Division, while acknowledging that “[t]here is no single applicable safety standard used within New Hampshire, nor nationwide, for CNG trailers,” applied 49 CFR Part 192 to the installation as part of its assessment of the CNG installation, which meant that the demarcation point was the hose that connects the decompression facility to the trailers. This interpretation was not expected by the Company at the time it entered into the CNG supply contract, nor at the time of the amendment to that contract, and resulted in the entire CNG skid having to be modified to meet the different standards, and also necessitated significant revisions to the Company’s documentation, including the documentation of the owner of the CNG skid. The Safety Division’s October 3, 2018, Adequacy Assessment took approximately a year to produce. The Company understands that this CNG installation was the first of its kind in New Hampshire and required significant research and investigation, but this was a significant portion of the delays that were encountered throughout the process. As the Company had no idea how long the Safety Division’s assessment might take or what it might say, it was reasonable for the Company to have a CNG supply contract in place to be ready to serve customers for the 2018–2019 winter as the approval could have happened “at any time.”

In addition, a date in another paragraph was incorrect and the corrected date is indicated below:

Following months of the Company providing the necessary responses and updates to the Safety Division’s Adequacy Assessment, on April 6, 2019, the Safety Division submitted its recommendation that “allows the commencement of the proposed Monadnock Marketplace system conversion from propane-air to natural gas and begins the flow of natural gas.” Although receipt of the Safety Division’s recommendation gave support for the commencement of natural gas service, the Commission subsequently issued Order No. 26,274 (July 24, 2019) which denied Mr. Clark’s motion for rehearing of Order 26,065 (which had been pending since November 2017), and “accepted” and approved the Safety Division’s recommendation. As stated earlier, this was a procedural step that was not expected by the Company nor previously articulated by the Commission.

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

DG 20-152
Winter 2020/2021 Cost of Gas

Staff Data Requests - Set 1

Date Request Received: 9/24/20
Request No. Staff 1-12

Date of Response: 10/5/20
Respondent: Steven Mullen

REQUEST:

Re: Testimony of Gilbertson, McNamara and Simek at 8 and Order 26,305 (October 31, 2019 Docket No. 19-153) at 2 (“When seeking Commission approval for its acquisition of Keene in 2014, Liberty mentioned future plans to convert the existing Keene propane-air gas system to a natural gas system”) at 7 (“The Commission has yet to find the use of natural gas in Keene to be consistent with a least cost supply, or otherwise prudent”). Given that the prudence of the CNG conversion, including the CNG supply contract, has not been determined, isn’t it premature to include demand charges from August 2017 through September 2019 in this filing? Would this matter more appropriately be considered in a future docket that presents the question of whether the conversion was prudent?

RESPONSE:

The Company disagrees with the statement that “the prudence of the CNG conversion, including the CNG supply contract, has not been determined,” at least with respect to the limited number of customer conversions that have taken place to date.

First, in Docket No. DG 17-069, the Commission allowed to go into effect changes to the Company’s tariff that allowed for the conversion to CNG in Keene. “Specifically, Liberty-Keene plans to convert from a system that delivers propane-air to a system that delivers natural gas, and the adjustments to Page 17 of NHPUC No.1 are designed to accommodate this conversion.” Order No. 26,019 at 1 (May 24, 2017). The Order suspended the proposed tariff until August 24, 2017, and, since the Commission elected to take no further action in the docket, the tariff became effective on August 24 by operation of law.

Second, the Commission approved Liberty’s conversion of the customers at the Monadnock Marketplace from propane-air to CNG in Order No. 26,274 (July 26, 2019) in Docket No. DG 17-068 with the following language:

FURTHER ORDERED, that the Commission’s Safety Division’s recommendation that Liberty be permitted to initiate the conversion of the Keene propane-air distribution

Docket No. DG 20-152 Request No. Staff 1-12

system to compressed natural gas to customers in the Keene Division for Phase I is approved; and it is

FURTHER ORDERED, that Liberty shall not flow any gas through Phases II through V of CNG/LNG installations in Keene until the Director of the Commission's Safety Division has DG 17-068 found the required plans and reports to be adequate and has completed its physical inspection of the facilities;

Third, the Commission twice approved as "just and reasonable" cost of gas rates that included CNG demand charges in the Summer 2018 and Summer 2019 cost of gas proceedings. *See* Order No. 26,126 at 5 (May 1, 2018); Order No. 26,241 at 5 (Apr. 29, 2019). The 2018 order did not condition its approval on some future prudence determination. The 2019 order rejected Staff's argument that the CNG costs may be imprudent, simply saying Staff could make that argument elsewhere: "We decline to address Staff's concerns with regard to CNG costs that may exceed the cost of alternative fuels at this time. Staff is free to raise the issue in future dockets, including in the Company's next rate case." Order No. 26,241 at 5. The Order unequivocally approved the requested COG rates as filed, which included demand charges. Although the Company later removed the demand charges through the summer period reconciliations because the CNG did not flow during those seasons, these orders remain conclusive findings that it was prudent for the Company to incur the CNG demand costs at the time they were incurred, which, of course, is the appropriate prudence standard.

The discussion above indicates that (a) the Commission approved the demand charges through the 2018 and 2019 cost of gas orders; (b) since the conversion of the customers in the Monadnock Marketplace from propane-air to compressed natural gas was approved, the Company needed to provide those customers with CNG, and (c) there was no approval at that point of any further conversions on the Keene system.

The CNG costs that have been incurred to date relate to the temporary CNG facility that is being used to supply customers in the Monadnock Marketplace and the contract to provide the needed CNG supply for those same customers. The Company had planned to put the temporary CNG facility online in the latter part of 2017, so it was necessary to have a CNG contract in place, including the incurrence of demand charges, to be ready to serve customers. Although the conversion of customers in the Monadnock Marketplace to natural gas was delayed until the fall of 2019, it was expected at various interim times that CNG service would commence sooner. *See, for example, the Company's testimony during the October 13, 2017, hearing in the 2017 Winter cost of gas proceeding, at 26-27, stating the Company intended to begin serving CNG on November 2, 2017, and the testimony filed on March 30, 2018, in Docket No. DG 18-052 which stated that the Company expected to begin serving a limited number of customers with CNG during June or July 2018. Also see the Company's response to Staff 1-4 for further information about events that occurred to cause the commencement of CNG service to be delayed.*

From the Company's perspective, there are really three decisions at issue with respect to CNG costs:

Docket No. DG 20-152 Request No. Staff 1-12

- 1) The incurrence of demand charges beginning in August 2017;
- 2) The incurrence of CNG costs to serve customers that have been converted from propane-air to natural gas; and
- 3) Future conversion of portions of the Keene system beyond the Monadnock Marketplace.

While the first topic has been included in this docket for consideration, the Company views the second topic as costs it needs to incur to provide service to the customers in the portion of its system that have been converted to natural gas service. Given the Commission's approval of the cost of gas rates described above, and approval of the conversion of that limited part of the system, it is inappropriate to put the Company in a position where the costs to supply natural gas to those customers will continually be compared to propane costs as if the conversion had never happened because those prudently converted customers must be served natural gas.

The third topic will be dealt with in the future as each conversion/expansion phase is being considered. Pursuant to the provisions included in Order No. 26,122 (April 27, 2018), the Company needs to meet a series of requirements and get specific approval of all future conversion/expansion plans by both the Safety Division and the Commission before proceeding with any future phase. It seems at those times the Commission will have the opportunity to determine whether any future conversion/expansion phase would be in customers' interests.

Thus, the Company believes the Commission has already approved the CNG demand charges and does not believe a future docket is needed to address the question of the Marketplace CNG conversion. The Company is trying to methodically plan for the future of the Keene system, but the continual uncertainty regarding cost recovery makes future planning much more problematic.

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

DG 20-152
Winter 2020/2021 Cost of Gas

Staff Technical Session Data Requests - Set 1

Date Request Received: 10/7/20
Request No. Staff TS 1-9

Date of Response: 10/19/20
Respondent: Andrew Mills

REQUEST:

Ref. LU-K response to Staff DR Set 1-4 and Staff DR 1-12

[a.] Please confirm that during the conversion from supplying propane/air to CNG, the pressure per pound in Liberty-Keene’s distribution system(s) changed from a pressure system rated at approximately 0.5 psig MAOP –operating at 0.25 psig and another smaller system rated at 5 psig MAOP- operating at 3 psig (propane/air) to a CNG system that has portions rated at 4,250 psig MAOP operating at up to 4,000 psig, portions rated at 1400 psig MAOP – operating at up to 500 psig, portions rated at 105 psig MAOP – operating at 75 psig and finally portions rated at 60 psig MAOP – operating at approximately 55 psig (CNG).

[b.] Please state whether Liberty-Keene agrees that this operating pressure level is significant and increases system risk including potential consequences for any potential puncture, rupture, accidental operation, equipment failure that the public (employees, PUC inspectors, first responders, end use customers and general public that may include non-use customer) may potentially be subjected to in the event of an abnormal operation.

RESPONSE:

- a. Not confirmed to the extent this question suggests that the MAOP of the entire “Liberty-Keene distribution system(s)” changed from a very low pressure to very high pressures, i.e., the conversion to CNG did *not* result in “the pressure per pound in Liberty-Keene’s distribution system(s)” changing “from a pressure system rated at approximately 0.5 psig [and 5 psig MAOP] ... to a CNG system that has portions rated at 4,250 psig MAOP ..., portions rated at 1400 psig MAOP ..., portions rated at 105 psig MAOP ... and finally portions rated at 60 psig MAOP”

Approximately 29 miles of the 31-mile Keene distribution system remains serving propane-air and remains at the existing MAOP of 5.0 psig or lower,¹ and the propane-air

¹ The Keene distribution system consists of 9,670 feet (1.831 miles or 5.9%) of pipe flowing CNG; 9,710 feet (1.839 miles or 5.8%) of pipe flowing propane-air at the higher propane-air pressure; and 144,203 feet (27.311 miles or 87%) of pipe flowing propane-air at the lower propane-air pressure.

system is physically separated from any of the natural gas piping. That is, the MAOP for approximately 95% of the Keene distribution system serving propane-air did not change after the CNG conversion of the Marketplace. Thus, as to the vast majority of the Keene system, “the pressure per pound in Liberty-Keene’s distribution system(s)” *did not change* “from a pressure system rated at approximately 0.5 psig MAOP ... and another smaller system rated at 5 psig MAOP ... to a CNG system that has portions rated at 4,250 psig MAOP ..., portions rated at 1400 psig MAOP ..., portions rated at 105 psig MAOP ... and finally portions rated at 60 psig MAOP”

Of the remaining 1.8 miles that now contain natural gas and serve solely the Monadnock Marketplace, the Company confirms that about 60 feet of new lines are at an MAOP of 4250 psig (the lines from the CNG trailer into the CNG skid), about 23 feet of new lines are at an MAOP of 1400 psig (all within the enclosed CNG skid itself), approximately 40 feet of new piping is at an MAOP of 105 psig (from inside the CNG skid to where the piping connects with the 60 psig MAOP piping outside the CNG skid), and that the remaining 1.8 miles of piping serving the Monadnock Marketplace increased from 5.0 psig MAOP to 60 psig MAOP, which is an MAOP common to much of the EnergyNorth natural gas distribution system.

- b. Liberty-Keene does not agree that the higher operating pressures within the CNG decompression skid necessarily increase system risk.

First, there is no physical connection between the piping that contains CNG and the piping that contains propane air. Thus, the higher pressures of the CNG system pose zero risk to customers, employees, Safety Division Staff, or anyone else having contact with any of the 29 miles of piping delivering propane-air. They are two separate and distinct systems.

Second, although the conversion of the Monadnock Marketplace in Keene only changed the MAOP of a small portion of the Liberty-Keene system, the conversion increased the level of safety for the entire system -- both the propane-air portion and for the newly converted natural gas system. This is because the reduction of propane-air load by converting some of the largest Liberty-Keene customers to natural gas allowed Liberty-Keene to shut down the propane-air facility’s troublesome blower system which, as illustrated during the December 2015 event, posed a substantial safety risk to the entire Keene system.

Third, CNG decompression facilities are very safe. There are two non-utility CNG decompression skids in Keene -- one located at the Cheshire Medical Center and the other at the Brox Industries asphalt plant – that were built in accordance with ASME B31.3 and have been operating safely outside the Safety Division’s jurisdiction for years. There are other CNG decompression facilities built to the ASME B31.3 standard that have been safely injecting gas directly into transmission lines and local distribution systems for years, also operating outside the jurisdiction of the applicable regulatory safety divisions.

Fourth, although the Liberty-Keene CNG decompression facility was built to the same, safe, ASME standard referenced above, in 2018 the Safety Division elected to assert jurisdiction over the entire decompression skid, which triggered application of the PHMSA safety standards of 49 CFR Part 192. This change in the point of custody transfer between Liberty and its CNG supplier, and resulting change in standard, resulted in Liberty-Keene taking ownership, control, and responsibility for the additional, small sections of high pressure systems lines -- the 120 feet of lines at 4250 psig, 1400 psig, and psig 105 MAOP described above. Under the original plan using the ASME standard, Liberty-Keene was going to connect to the CNG supplier's 105 psig MAOP system outside the CNG skid, and regulate this pressure down and into a 60 psig MAOP system. In this configuration, the only higher pressure piping was going to be a small section of pipe prior to Liberty's gas regulators operating with a 105 psig MAOP. The Liberty regulation set-up for the 105 to 60 psig MAOP consists of a typical redundant-run monitor control regulator set-up and downstream relief valve to protect the 60 psig MAOP system. This relief valve is an additional safety feature not required under 49 CFR Part 192 when a monitor control regulator set-up is used.

Once the Safety Division moved the custody transfer point from the outlet of the CNG decompression skid to where the hose from CNG skid connects to the CNG trailer, Liberty-Keene had to take control over the high pressure systems located within the CNG decompression skid referenced above. Each of these pressure systems are equipped with their own relief valves to prevent over pressurization of their individual system. Neither of these pressure systems serve any customers in Keene.

Fifth, the Safety Division's interpretation of 49 CFR 192.5, titled "class locations," extended the class location unit beyond the pressure system length of pipe associated with a specific pressure system, which has its own over-protection devices in compliance with 49 CFR Part 192. The Safety Division mandated that a complete mile of additional pipe, over and above the pipe actually operating at the specific pressure, had be included in the class location study. This resulted in changing the CNG skid from being a Class 2 location to a Class 3 location. This change of class location required thicker wall pipe on the back of the CNG skid in order to operate in compliance with a Class 3 location.

Liberty-Keene complied with the Safety Division's interpretation, replaced the pipe, and treated the CNG decompression skid site as a Class 3 location. This resulted in an even safer decompression skid then would actually be required under federal pipeline code. In addition to the Safety Division's requirements (and outside its jurisdiction), the CNG trailers each have their own relief valve that release gas if pressures in the trailers exceed 4500 psig.

Last, Liberty-Keene operates the CNG decompression skid similarly to existing gas regulation stations on the EnergyNorth system where the Company takes custody of natural gas from the interstate pipeline operator. The safety systems located on the Keene CNG site and its operations are no different than the custody transfer points and their operation throughout the EnergyNorth system. Thus, the safety of the Keene CNG

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decompression skid is on par with all other sites operated by Liberty Utilities, which are routinely audited by the Safety Division.

Given the above, there are no additional dangers to the public in Keene, Keene customers, Liberty-Keene employees, and Safety Division staff as a result of converting the Marketplace to CNG. Indeed, given the substantial safety gains arising from retiring the blower systems, the CNG conversion has increased overall safety in Keene.