

1                                   **STATE OF NEW HAMPSHIRE**  
2                                   **PUBLIC UTILITIES COMMISSION**

3  
4   **November 2, 2020 - 10:06 a.m.**                                   **DAY 2**

5                                   **{REDACTED-For PUBLIC Use}**

6  
7                                   *[Remote Hearing conducted via Webex]*

8                                   **RE: LIBERTY UTILITIES (ENERGYNORTH**  
9                                   **NATURAL GAS) CORP. d/b/a LIBERTY**  
10                                   **UTILITIES - KEENE DIVISION:**  
                                  **Winter 2020-2021 Cost of Gas.**

11   **PRESENT:**           Chairwoman Dianne Martin, Presiding  
                                  Cmsr. Kathryn M. Bailey

12  
13                                   Jody Carmody, Clerk  
                                  Eric Wind, PUC Remote Hearing Host

14  
15   **APPEARANCES:**   **Reptg. Liberty Utilities (EnergyNorth**  
16                                   **Natural Gas) Corp. d/b/a Liberty**  
                                  **Utilities - Keene Division:**  
                                  Michael J. Sheehan, Esq.

17                                   **Reptg. Residential Ratepayers:**  
18                                   Christa Shute, Esq.  
                                  Office of Consumer Advocate

19                                   **Reptg. PUC Staff:**  
20                                   Mary Schwarzer, Esq.

21  
22  
23   Court Reporter:       Steven E. Patnaude, LCR No. 52

24   **[REDACTED - For PUBLIC Use]**

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**I N D E X**

**PAGE NO.**

**WITNESS PANEL:           STEPHEN P. FRINK  
                                  RANDALL S. KNEPPER**

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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
10	Testimony of Randall S. Knepper, with attachments	<i>premarked</i>

**P R O C E E D I N G**

1  
2 CHAIRWOMAN MARTIN: We're here this  
3 morning in Docket DG 20-152, to continue the  
4 hearing regarding the Liberty Utilities  
5 Corporation's Keene Winter 2020-2021 Cost of Gas  
6 filing.

7 We already made the necessary findings  
8 to hold this remote hearing at the last day of  
9 hearings. I will remind everyone that, if you  
10 have a problem during today's hearing, please  
11 call (603)271-2431. In the event the public is  
12 unable to access the hearing, this hearing will  
13 be adjourned and rescheduled.

14 Okay. Let's take roll call attendance  
15 of the Commission.

16 My name is Dianne Martin. I am the  
17 Chairwoman at the Public Utilities Commission.  
18 And I am alone.

19 Commissioner Bailey.

20 CMSR. BAILEY: Good morning, everyone.  
21 Kathryn Bailey, Commissioner at the PUC. And my  
22 mother, Sheila Mosher, is with me today.

23 CHAIRWOMAN MARTIN: Okay. Thank you.  
24 And let's take appearances, starting with

1 Mr. Sheehan.

2 MR. SHEEHAN: Good morning, everyone.  
3 Mike Sheehan, for Liberty Utilities (Energy  
4 Natural Gas) Keene Division.

5 CHAIRWOMAN MARTIN: Okay. Good  
6 morning. Ms. Shute.

7 MS. SHUTE: Good morning, Commissioners  
8 and parties. Christa Shute, Staff Attorney for  
9 the Office of the Consumer Advocate, on behalf of  
10 residential customers.

11 Thank you.

12 CHAIRWOMAN MARTIN: Good morning. And  
13 Ms. Schwarzer.

14 MS. SCHWARZER: Good morning, Madam  
15 Chairwoman, Commissioner Bailey. I'm Mary  
16 Schwarzer, Staff Attorney with the Public  
17 Utilities Commission.

18 CHAIRWOMAN MARTIN: All right. Good  
19 morning, everyone.

20 So, we are resuming where we left off.  
21 At the last hearing, we did admit some of the  
22 exhibits, 1 through 5, 7 through 9, and 11  
23 through 21 were admitted as full exhibits.  
24 Exhibits 6 and 10 remain premarked for

1 identification.

2 Ms. Schwarzer.

3 MS. SCHWARZER: Thank you, Madam  
4 Chairwoman. There's a procedural matter that I  
5 wanted to address before we start, resume  
6 testimony.

7 CHAIRWOMAN MARTIN: Okay.

8 MS. SCHWARZER: There is an exhibit,  
9 Exhibit 9, that I will be asking Mr. Frink to  
10 address. Because the Bates numbers were double  
11 imprinted on what was initially filed, Staff has  
12 filed replacement Exhibit 9 this morning, with  
13 clearer Bates numbers, that includes the rates  
14 that Mr. Frink testified to orally on October  
15 23rd, and that changes one date from "2012",  
16 which was a typing error, to "2021".

17 So, that's the procedural matter that I  
18 wanted to bring to your attention.

19 CHAIRWOMAN MARTIN: Where does that  
20 change occur?

21 MS. SCHWARZER: On Page 3, Bates 3.  
22 But that change has been made in the new  
23 Exhibit 9.

24 CHAIRWOMAN MARTIN: Okay. I just want

1 to make sure we're clear for the record what  
2 change happened. So, at Page 3, it changed from  
3 "2020" to "2021"?

4 MS. SCHWARZER: It changed "2020 to  
5 2012", the increment that was just wrong, to  
6 "2020 to 2021".

7 CHAIRWOMAN MARTIN: Okay. Thank you.

8 MS. SCHWARZER: Sure. And counsel also  
9 for the parties and Staff had a very brief  
10 discussion this morning. A concern was raised  
11 about whether administrative notice needed to be  
12 taken of other exhibits, testimony, or orders in  
13 other dockets. And staff for Liberty and OCA and  
14 I all agree that that was not necessary. That we  
15 would just proceed. It would be very  
16 time-consuming to do that at this point.

17 So, with your permission, the counsels'  
18 view is that exhibits and testimony, as well as  
19 orders in other dockets, need not be identified  
20 for administrative notice at this time.

21 CHAIRWOMAN MARTIN: So, will you be  
22 referencing those in your testimony or how will  
23 they come up?

24 MS. SCHWARZER: They would come up in

1 testimony or in answers to responses that have  
2 been marked as exhibits. That's how we envision.  
3 And several of them have already been mentioned  
4 or referenced.

5 CHAIRWOMAN MARTIN: Okay. I do believe  
6 we can take administrative notice of those  
7 references when they occur.

8 MS. SCHWARZER: Thank you.

9 CHAIRWOMAN MARTIN: Ms. Carmody?

10 MS. CARMODY: Yes. I'm just wondering,  
11 what do I do with the replacement exhibit? Am I  
12 truly replacing the original one that was filed,  
13 because they now have the same number? How am I  
14 going to handle that?

15 CHAIRWOMAN MARTIN: What makes it  
16 easier for you? I mean, I think we can accept it  
17 as a replacement exhibit for Exhibit 9.

18 MS. CARMODY: That would be easier.  
19 So, remove the original that was filed and  
20 replace it with the new one?

21 CHAIRWOMAN MARTIN: Yes.

22 MS. CARMODY: Thank you.

23 CHAIRWOMAN MARTIN: No objection? I  
24 assume that's agreed to by everybody? Mr.

1 Sheehan.

2 MR. SHEEHAN: That's correct. I will  
3 note that the original had a "Table of Contents",  
4 the revised does not. So, to the extent you took  
5 notes before, every page number will change by  
6 one.

7 CHAIRWOMAN MARTIN: Oh, that's a good  
8 point. Ms. Schwarzer, you have a response to  
9 that?

10 MS. SCHWARZER: I was unaware of that.  
11 I apologize, Your Honor. I don't know how or why  
12 that happened.

13 CHAIRWOMAN MARTIN: Does it make sense  
14 to file a new replacement Exhibit 9 that has a  
15 Table of Contents, so that the page numbers line  
16 up?

17 MS. SCHWARZER: If you would be willing  
18 to entertain our doing that at the conclusion of  
19 the hearing, we will do that.

20 CHAIRWOMAN MARTIN: I will leave the  
21 record open for you to file a new replacement  
22 that contains a Table of Contents page.

23 Anything else, before we go to the  
24 witnesses?

[WITNESS PANEL: Frink|Knepper]

1                    *[No verbal response.]*

2                    CHAIRWOMAN MARTIN: And we left off  
3 with Staff conducting direct. Are we putting on  
4 all the Staff witnesses together or how are we  
5 proceeding?

6                    MS. SCHWARZER: Yes. Thank you. I  
7 would like to include Mr. Knepper in the Staff  
8 panel.

9                    CHAIRWOMAN MARTIN: Okay.  
10 Mr. Patnaude, could you please swear in the  
11 witnesses.

12                    (Whereupon **Stephen P. Frink** and  
13 **Randall S. Knepper** were duly sworn by  
14 the Court Reporter.)

15                    CHAIRWOMAN MARTIN: Ms. Schwarzer, go  
16 ahead.

17                    MS. SCHWARZER: Thank you, Madam  
18 Chairwoman.

19                    **STEPHEN P. FRINK, SWORN**

20                    **RANDALL S. KNEPPER, SWORN**

21                    **DIRECT EXAMINATION (resumed)**

22 BY MS. SCHWARZER:

23 Q I'm going to start with Mr. Frink. Just to ask  
24 you, Mr. Frink, to identify the changes made in

[WITNESS PANEL: Frink|Knepper]

1 replacement Exhibit 9 please?

2 A (Frink) Yes. So, the current Exhibit 9 has, as  
3 you mentioned, the Bates Pages are now clear.  
4 And the rates reflect the updated rates that I  
5 cited last week, based on Liberty data that came  
6 in after my testimony. And, on Page 3, Line 8,  
7 the year "2012" is now "2021".

8 Q And is it your understanding that an exhibit will  
9 be filed with the Table of Contents, which is not  
10 present in this replacement Exhibit 9?

11 A (Frink) That's my understanding, yes.

12 Q And is there anything in the testimony, Exhibit 9  
13 that's now marked, that you wish to change or  
14 update?

15 A (Frink) No.

16 Q And do you adopt this testimony as it is?

17 A (Frink) I do.

18 Q Thank you. Mr. Knepper, would you please --

19 MS. SCHWARZER: I'm sorry. I believe  
20 Ms. Shute has -- Attorney Shute has her hand up.

21 CHAIRWOMAN MARTIN: Ms. Shute, I  
22 apologize. I was trying to get my mouse over  
23 there. Go ahead.

24 MS. SHUTE: Okay. I'm concerned about

[WITNESS PANEL: Frink|Knepper]

1 the filing, and what Bates page numbers we're  
2 going to be referencing. So, are we referencing  
3 the page numbers of the exhibit as it was  
4 originally filed? Just want to -- which -- so,  
5 here's the problem. The one that you filed has  
6 Bates numbers that are all off by one, and we've  
7 agreed that we're going to put a Table of  
8 Contents in so that Bates pages aren't off by  
9 one.

10 But the exhibit that we have, where we  
11 can read the Bates numbers, is not -- are not the  
12 right Bates numbers. And the exhibit that we  
13 have with the right Bates numbers, the Bates  
14 numbers aren't legible.

15 So, I'm just wondering if it makes  
16 sense to just take ten minutes, and maybe it  
17 doesn't take ten minutes. I'm just concerned.  
18 And I want to make sure that I understand how to  
19 refer to the Bates numbers.

20 CHAIRWOMAN MARTIN: That's a fair  
21 concern. Ms. Schwarzer, do you have a response?

22 MS. SCHWARZER: I think we could do one  
23 of two things. We can take a few minutes, and I  
24 can ask that it be refiled, and I can resubmit

[WITNESS PANEL: Frink|Knepper]

1           it.  Or, I can -- we can make the original  
2           Exhibit 9 I guess "9A", we can make the  
3           replacement "9B".  And that will -- that will  
4           keep the page numbers the same.  I would -- I can  
5           put the Table of Contents to the end of the  
6           updated Exhibit 9, to keep the Bates numbers the  
7           same as referenced today.

8                         But that is -- that's the concern.  I  
9           mean, I was not --

10                        MS. SHUTE:  So, that doesn't really  
11           help the issue.  The Table of Contents needs to  
12           go back in the same place that it was, so that  
13           the Bates numbers are the same.

14                        And it just, if I'm looking at a  
15           document and trying to refer to it, --

16                        CHAIRWOMAN MARTIN:  Ms. Shute --  
17           Ms. Shute, I understand your concern, and I think  
18           it's a legitimate one.  Let's take ten minutes.

19                        Ms. Schwarzer, can you please file  
20           that, because I think that it's a fair concern,  
21           where the prior Bates numbers were not legible, I  
22           think that creates an issue you need to address.

23                        So, if you could do that and distribute  
24           it, so that it can be used during this hearing as

[WITNESS PANEL: Frink|Knepper]

1 well, that would be helpful.

2 Oh. Ms. Schwarzer, you're on mute.

3 MS. SCHWARZER: Thank you very much. I  
4 will have that done. And my apologies to the  
5 whole group.

6 CHAIRWOMAN MARTIN: Okay. We will  
7 recess until 10:30.

8 *(Recess taken at 10:17 a.m. and the*  
9 *hearing resumed at 10:52 a.m.)*

10 CHAIRWOMAN MARTIN: Let's go back on  
11 the record. And back to you, Ms. Schwarzer.

12 MS. SCHWARZER: Thank you, Madam  
13 Chairwoman.

14 BY MS. SCHWARZER:

15 Q Mr. Frink, we have created a second Exhibit 9 as  
16 a replacement, is that correct?

17 A (Frink) That is correct.

18 Q And can you explain what changes were -- what the  
19 new Exhibit 9 has?

20 A (Frink) The new Exhibit 9 has corrected Bates  
21 pages. It's got rates that reflect updated  
22 Liberty data. And, on Page 3, what it doesn't  
23 have is "2012" hasn't been changed to "2021".  
24 Also, on Line 8, where it says "incremental CNG

[WITNESS PANEL: Frink|Knepper]

1 costs from last winter at this time; and not  
2 allow recovery of projected 2020-2012 winter CNG  
3 costs in setting 2020-2021 [rates]", that should  
4 be worded, the recommendation is "to allow  
5 recovery of projected 2020-2021 winter CNG  
6 costs". So, on Line 8, it should be --

7 Q Mr. Frink, I'm sorry. You've lost -- you've lost  
8 me.

9 A (Frink) Okay.

10 Q So, let's just establish, before you make the  
11 correction, that the new Exhibit 9 has a Table of  
12 Contents, is that correct, and clearer Bates  
13 numbers?

14 A (Frink) That is correct.

15 Q Okay. And are there corrections you would like  
16 to make to the new Exhibit 9?

17 A (Frink) Yes, there is.

18 Q Okay. Can you give us the Bates Page please?

19 A (Frink) Bates Page 004.

20 Q And what line?

21 A (Frink) Line 7.

22 Q And what correction would you like it to be?

23 A (Frink) Starting from the end of Line 7, to the  
24 right, come back one, two, three, four words, and

[WITNESS PANEL: Frink|Knepper]

1 take out the "not". So, delete "not" in that  
2 Line 7.

3 On Line -- I'm sorry. That isn't  
4 right. That should be on Line 8, delete the  
5 "not".

6 Q So, may I read the correct -- the text to you for  
7 Line 7 and 8? Line 7 says "demand costs incurred  
8 prior to commencing CNG service; do not allow  
9 recovery of incremental CNG costs from last  
10 winter at this time; and allow" -- should be  
11 "allow recovery of projected 2020-20" -- it says  
12 "12", "winter CNG costs in setting the 2020-2021  
13 Winter Liberty-Keene Cost of Gas and Fixed Price  
14 Option."

15 Is there another date correction to  
16 make in that phrase?

17 A (Frink) The "2020-2012" should be "2020-2021".

18 Q Okay.

19 CHAIRWOMAN MARTIN: Mr. Frink, I'm  
20 sorry to interrupt. Can you please read the  
21 beginning of the A, for your answer, can you read  
22 that entire sentence as corrected?

23 WITNESS FRINK: Okay. Starting at --  
24 so, the sentence starts on Line 6: "Staff

[WITNESS PANEL: Frink|Knepper]

1 recommends that the Commission: Disallow  
2 recovery of compressed natural gas demand costs  
3 incurred prior to commencing CNG service; do not  
4 allow recovery of incremental CNG costs from last  
5 winter at this time; and allow recovery of  
6 projected 2020-2021 winter CNG costs in setting  
7 the 2020-2021 Winter Liberty-Keene COG and Fixed  
8 Price Option."

9 CHAIRWOMAN MARTIN: Okay. Thank you.

10 BY MS. SCHWARZER:

11 Q Mr. Frink, does that now match the  
12 recommendations that you again summarize on Bates  
13 Page 022?

14 A (Frink) Yes, it does.

15 MS. SCHWARZER: Thank you. I don't  
16 know the format to do this, but I just want to  
17 reference to all assembled that I checked the  
18 first lines of those pages, so the pages should  
19 be consistent with the prior Exhibit 9 as well.

20 CHAIRWOMAN MARTIN: Let me just  
21 interject for a second, and make sure all  
22 counsels are comfortable with the newly filed and  
23 revised version. Ms. Shute or Mr. Sheehan, any  
24 issues?

[WITNESS PANEL: Frink|Knepper]

1 MR. SHEEHAN: We're all set. Thank  
2 you.

3 MS. SHUTE: All set. Thank you.

4 CHAIRWOMAN MARTIN: Okay. Thank you,  
5 Ms. Schwarzer, go ahead.

6 MS. SCHWARZER: Thank you.

7 BY MS. SCHWARZER:

8 Q Mr. Knepper, would you please state your name for  
9 the record?

10 A (Knepper) Randall Knepper.

11 Q And where are you employed?

12 A (Knepper) The Public Utilities Commission.

13 Q And what is your position?

14 A (Knepper) I'm the Director of Safety.

15 Q And have you submitted prefiled testimony in this  
16 docket?

17 A (Knepper) Yes.

18 Q And has that been marked as "Exhibit 10"?

19 A (Knepper) Yes.

20 Q Do you have any correctioners or revisions to  
21 that testimony?

22 A (Knepper) Not that I'm aware of.

23 Q And, if you were asked the same questions today,  
24 would you give the same answers?

[WITNESS PANEL: Frink|Knepper]

1 A (Knepper) Yes.

2 Q Thank you. I'm going to direct the questions  
3 generally to the panel, and whichever one of you  
4 would like to respond, please do, or add, if you  
5 would like to add. I'll start with Mr. Frink.

6 Did the Commission Audit Staff issue  
7 its final report on its review of the 2019-2020  
8 Keene winter cost of gas reconciliation?

9 A (Frink) The Audit Staff issued a final report,  
10 and it found that Liberty hadn't calculated the  
11 incremental CNG costs as had been required in the  
12 last cost of gas order applicable to the  
13 2019-2020 COG.

14 The Company since then has done that  
15 analysis, and that the incremental costs are  
16 reflected in my testimony.

17 Q Are the 2019-2020 incremental costs the same  
18 costs that Staff is recommending be deferred and  
19 not recovered by the Company at this time,  
20 subject to a future finding on whether the Keene  
21 conversion was prudent?

22 A (Frink) That's correct.

23 Q So, Staff is recommending that the actual  
24 incremental costs for 2019 to 2020 not be paid at

[WITNESS PANEL: Frink|Knepper]

1           this time, and yet projected -- recommending that  
2           the projected incremental costs be included in  
3           the 2021 rates, is that correct?

4    A       (Frink) That's correct.

5    Q       And that seems inconsistent. Is that  
6           inconsistent or contradictory?

7    A       (Frink) No. Because the 2000 -- the 2019-20  
8           costs, incremental costs, were calculated using  
9           actual propane costs that were the CNG costs for  
10          that period. So, those are actual costs that  
11          have been incurred by the Company, and we know  
12          what that is, based on the way it was calculated.

13                   For 2020-21, those are projected costs,  
14          projected propane prices and CNG prices. We  
15          don't know if there will be any incremental  
16          costs. So, we're not suggesting that should be  
17          included in rates at this time. We are suggest  
18          -- recommending that those costs be tracked, and  
19          we'll address them, if there are incremental  
20          costs, in a future proceeding.

21   Q       So, when Staff is including those prospective --  
22          projected incremental costs, you're basically  
23          giving the Company the benefit of the doubt that  
24          there may not be incremental costs, there might

[WITNESS PANEL: Frink|Knepper]

1 be incremental savings. You're deferring that  
2 until the next reconciliation, is that correct?

3 A (Frink) That is correct.

4 Q Would you please briefly explain how the FPO  
5 Program works?

6 A (Frink) So, the FPO Program gives customers the  
7 option of locking in a rate. It gives them rate  
8 certainty. And that's to protect against  
9 fluctuations in the energy markets. And it's a  
10 two-cent premium. And if, even after it's filed  
11 and the letter goes out, if the rates are  
12 changed, if there were a revised filing, or there  
13 are monthly changes throughout the season, a  
14 Fixed Price Option customer does not pay those  
15 changing rates. They pay whatever the rate is  
16 that the Commission approves.

17 Q So, in this instance, what is Staff recommending  
18 that FPO customers pay?

19 A (Frink) So, in this instance, in my original  
20 testimony I proposed a cost of gas rate of  
21 approximately \$1.02. I added the two-cent risk  
22 premium, and recommended that for an FPO rate.  
23 And then, the Commission approved interim rates  
24 at the Staff proposed COG rate, which had been

[WITNESS PANEL: Frink|Knepper]

1 changed to one dollar -- \$1.0253, based on  
2 updated Liberty data. And the offered FPO price  
3 that customers received in a letter that compared  
4 the FPO price, in the letter, said was \$1.23, and  
5 it compared to the \$1.21 cost of gas proposed  
6 rate, the Company proposed rate. So, the  
7 Commission's interim order actually has about a  
8 20 cent premium for a Fixed Price customer,  
9 compared to the interim cost of gas rate.

10 Q And how does Staff recommend that that be  
11 addressed with the final rates?

12 A (Frink) So, what Staff did is put that -- how  
13 much -- we looked at what a typical residential  
14 heating customer, cost of gas customer would pay  
15 over the winter period, at the Staff recommended  
16 rate in the approved interim cost of gas rate,  
17 and then we looked at what an FPO customer would  
18 pay over the six months, if there were a two-cent  
19 premium on that rate.

20 So, then, we looked at what a cost of  
21 gas customer -- a Fixed Price customer paid in  
22 November, and basically lowered the rate so that,  
23 over the entire six-month period, there would be  
24 a two-cent risk premium.

[WITNESS PANEL: Frink|Knepper]

1           So, if you look at the -- under our  
2           analysis, a typical residential heating customer  
3           paying the FPO rate would have an FPO rate of  
4           \$1.23 in November, and we're recommending an FPO  
5           rate of 1.0277 for the remaining five months.  
6           So, effective December 1, if the Commission  
7           approves the Staff proposed cost of gas, we're  
8           recommending that the Commission approve a 1.0277  
9           per therm FPO rate. That combination of one  
10          month's at a buck 23 (\$1.23), and one month's at  
11          this proposed rate will result in those  
12          customers, if the rates weren't to change, it  
13          would charge them the two-cent premium that's  
14          typically what's done.

15    Q       So, you've taken steps to make it roughly  
16          mathematically equivalent to the situation in  
17          which the Commission had initially followed  
18          Staff's recommendation of the FPO, at two cents  
19          higher than the interim rate approved for  
20          residential customers?

21    A       (Frink) That is correct. And that's based, like  
22          I said, on a typical residential heating  
23          customer, a typical residential heating  
24          customer's November usage is a little less than

[WITNESS PANEL: Frink|Knepper]

1 nine percent of total winter usage. So, even  
2 though individual customers will have a different  
3 usage, and won't be the exact same impact, it  
4 really shouldn't be a material impact. So,  
5 rather than try to calculate every individual  
6 customer, I'm guessing there's probably about 200  
7 FPO customers, this seems like a fair and a  
8 reasonable way to address this.

9 Q What prudence issue is Staff asking the  
10 Commission to decide at this time?

11 A (Frink) Staff is saying that the question is  
12 whether it was prudent for Liberty to enter a CNG  
13 supply contract that required Liberty to pay  
14 demand for over two years prior to being able to  
15 deliver CNG. And, whether it was a temporary  
16 facility or whether or not the Keene conversion  
17 was prudent isn't the issue today. The issue is,  
18 "was it imprudent of Liberty to contract for  
19 supplies as they did?"

20 Q Thank you. And, assuming for the sake of  
21 argument that the Commission were to find that it  
22 was prudent of Liberty execute the contracts at  
23 issue when it did, should the historic demand  
24 charges then be included in the Winter Keene cost

[WITNESS PANEL: Frink|Knepper]

1 of gas?

2 A (Frink) No. Because you'd still have the issue  
3 that, in this rate case that's pending before the  
4 Commission for a change in delivery rates, the  
5 Commission could find that the conversion was  
6 imprudent, in which case that contract would be  
7 imprudent. So, it still doesn't resolve the  
8 issue, if it's not found to be imprudent at this  
9 time. If it's found to be imprudent at this  
10 time, then that issue goes away in the rate case.

11 Q Why was entering into a CNG supply contract, with  
12 the required payment of monthly demand charges  
13 for 26 months prior to being able to use CNG,  
14 imprudent?

15 A (Frink) Because a reasonable executive of a New  
16 Hampshire natural gas utility should have known  
17 the safety codes and requirements that needed to  
18 be met in order to provide utility CNG service.  
19 A reasonable executive would have reached --  
20 would have researched what regulatory approvals  
21 might be necessary in order to begin serving CNG,  
22 especially since this was the first time the  
23 utility would have been providing customers using  
24 CNG. Also, the fact that Keene had never used

[WITNESS PANEL: Frink|Knepper]

1 natural gas before. So, those are important  
2 considerations that should have been taken into  
3 account.

4 A reasonable executive would have  
5 realized what a significant undertaking it was,  
6 and taken the time to identify and address the  
7 many issues the conversion would entail,  
8 contracting for CNG supply with significant  
9 monthly demand charges. A reasonable executive  
10 would have known all the charges required under a  
11 proposed contract before entering the contract.  
12 An economic analysis that did not include all  
13 contract costs would otherwise be flawed.

14 A reasonable executive would have  
15 considered the risks associated with an uncertain  
16 start, and how that risk could be mitigated. The  
17 first CNG contract didn't have demand charges, it  
18 was for lower quantities. The second contract  
19 included demand charges and increased quantities,  
20 even though the start date was uncertain, and  
21 future expansion was even more speculative.

22 When Liberty entered into the second  
23 contract and the amendment, it was seeking  
24 regulatory approvals. It may have been possible

[WITNESS PANEL: Frink|Knepper]

1 to negotiate a regulatory out or they could have  
2 stepped up the quantities over the period to  
3 correspond with planned expansions of CNG.

4 So, those are some of the things that a  
5 reasonable executive would have considered in  
6 that decision.

7 Q Mr. Knepper, would you please elaborate as to the  
8 regulatory requirements and other factors that  
9 Liberty should have been aware of no later than  
10 July of 2014?

11 CHAIRWOMAN MARTIN: Mr. Frink, can you  
12 please mute.

13 MR. FRINK: Sorry.

14 **BY THE WITNESS:**

15 A (Knepper) So, the factors, when you're a utility,  
16 you have requirements that an end-use customer  
17 would not have. So, that's going to be the  
18 emergency response, public awareness plans, you  
19 got to qualify your personnel, you have  
20 operational and maintenance duties. There's a  
21 whole series of activities that a regulated  
22 utility would have to undertake, that if a CNG  
23 supplier directly supplied an end-use customer  
24 with no utility involvement.

[WITNESS PANEL: Frink|Knepper]

1 BY MS. SCHWARZER:

2 Q Are there -- is there a PUC regulation that was  
3 in effect in July of 2014 that would have  
4 directed Liberty as to the standard it should  
5 use?

6 A (Knepper) Yes. Puc 506.01(a), as I've said in my  
7 testimony, has been in effect for a very, very  
8 long time. And it requires the public --  
9 requires any public utility to follow the federal  
10 code as a minimum, which is 49 CFR Part 192. So,  
11 that's been in place for a very, very long time.  
12 And they should have at least known to follow  
13 that.

14 Q Did Liberty's initial plan include safety  
15 standards that fell short of the 49 CFR 92 [192?]  
16 requirements?

17 A (Knepper) Yes.

18 Q What specific safety regulations were they -- did  
19 they attempt to meet?

20 A (Knepper) Well, in a lot of things. One was the  
21 material selection that you use. It's going to  
22 require thicker wall thicknesses than what the  
23 B31.3, which is what the CNG suppliers typically  
24 use to supply to direct end customers. So, with

[WITNESS PANEL: Frink|Knepper]

1 those thicker wall thicknesses, you have to have  
2 a different size pipe. So, it required re-piping  
3 of some of the materials. It also requires  
4 different pressure testing factors than the B31.3  
5 would use.

6 And then, it gets into, the minute you  
7 turn on the switch and start flowing gas, you now  
8 have all these responsibilities as to how you  
9 shut down customers, who's qualified to do  
10 maintenance activities, how often you do those  
11 maintenance activities, who's going to take care  
12 of the operations of the regulators? Where's the  
13 flow of information going? Is it going to go to  
14 your feeder system? Is it going to go to XNG's?

15 So, all of those things became factors  
16 that we ended up having to do a thorough review.

17 Q Does the difference between the regulations and  
18 the requirements for an end-user versus a utility  
19 change timing and cost?

20 A (Knepper) It did in this case. Because they had  
21 already ordered it under -- or, at least signed  
22 an agreement that hadn't addressed those issues.

23 Q In your work on the Liberty-Keene CNG  
24 distribution, did you come across a New York -- a

[WITNESS PANEL: Frink|Knepper]

1 New York Public Utilities Commission order at  
2 some point?

3 A (Knepper) Yes. That's part of my testimony. And  
4 I think they had a similar situation in New York,  
5 where a utility wanted to do -- add CNG to their  
6 system. I think, for that one, it was just a  
7 "for a very short period of time", certainly not  
8 as long as the duration that CNG is going to be  
9 proposed for in Keene. And a lot of the issues  
10 were -- the same issues that we were addressing  
11 were in that order as well.

12 Q So, the information for the relevant regulation  
13 and the New York decision were available in no  
14 later than July of 2014, is that correct?

15 A (Knepper) That's correct.

16 MR. WIND: I'm sorry, Mary. Can we go  
17 off the record?

18 CMSR. BAILEY: We lost the Chairman, so  
19 we need a minute.

20 *(Off the record at 11:17 a.m. due to*  
21 *connectivity issues. At 11:33 a.m., it*  
22 *was decided to take the lunch recess at*  
23 *that time. The hearing resumed at*  
24 *12:32 p.m.)*

[WITNESS PANEL: Frink|Knepper]

1 CHAIRWOMAN MARTIN: Okay. Let's go  
2 back on the record. Ms. Schwarzer.

3 MS. SCHWARZER: Thank you, Madam Chair.

4 BY MS. SCHWARZER:

5 Q Mr. Knepper, you had just finished discussing  
6 factors in July of 2014 that the Company could  
7 have been aware of, including Puc 506.01, the New  
8 York decision, and the fact that a utility  
9 receiving CNG is different from an end-user who  
10 is taking CNG. How and when did you become aware  
11 that Liberty --

12 MS. SCHWARZER: There's some feedback  
13 there. So, I'm going to start my question again.

14 BY MS. SCHWARZER:

15 Q How and when did you become aware that  
16 Liberty-Keene intended to commence CNG service?

17 A (Knepper) I believe it was in December of 2016.

18 Q Can you describe how you became aware of that?

19 A (Knepper) We became aware through two -- well, to  
20 commence -- that they were planning on putting in  
21 CNG was when we became aware, in December of  
22 2016. We got a phone call from a contractor who  
23 was either pricing or planning on trying to do  
24 the conversion of appliances. And then, I

[WITNESS PANEL: Frink|Knepper]

1 believe, on the week of December -- the first  
2 week of December 2016, we noticed in the daily  
3 construction schedules that they send us that  
4 they were installing some valves, main line  
5 valves across Route 9, which is the entrance to  
6 the Monadnock Marketplace. And there was no need  
7 to do that unless there was going to be an  
8 extension from there. So, we kind of concluded  
9 that, that they were planning on installing CNG.

10 Q Did you meet with Liberty to discuss that or  
11 invite them to speak with you?

12 A (Knepper) We did not at that time. But, I  
13 believe, shortly thereafter, the Gas Division and  
14 the Safety Division did meet with them. We  
15 wanted to see a plan of what they were proposing  
16 before we met with them.

17 Q Do you have an approximate year and month for  
18 that?

19 A (Knepper) I think we eventually met with them in  
20 March of 2017, is when we actually sat down and  
21 met with them.

22 Q Were you aware that Liberty had already entered  
23 into CNG supply contracts at that March 2017  
24 meeting?

[WITNESS PANEL: Frink|Knepper]

1 A (Knepper) I was not.

2 Q And when did you find out?

3 A (Knepper) We found out during our assessment,  
4 Adequacy Assessment investigation of the proposal  
5 that they were doing. And we researched the  
6 discovery requests that the Gas Division had done  
7 during cost of gas hearings. So, that would have  
8 been between November of 2017 and October of  
9 2018. We might have looked at it, before we  
10 started that, when we were looking at the  
11 preliminary information that Liberty had given.

12 Q The Company has testified that the conversion was  
13 necessary to address safety concerns related to  
14 an incident involving the propane production  
15 plant blower. What is the purpose of the blower?

16 A (Knepper) So, Liberty provides propane-air to  
17 their customers. So, they get deliveries of  
18 propane, they then mix it with air, to a mixture  
19 that can be combusted at the appliances. The  
20 blowers are -- supplement their atmospheric  
21 intakes of air, right, they just take it through  
22 atmospheric, and then they use blowers for -- I  
23 think they were using them for what they called a  
24 "3 pound system", which fed the Monadnock

[WITNESS PANEL: Frink|Knepper]

1 Marketplace and others along the way, probably  
2 about a total of 100 customers.

3 Q And, as you've described it, fair to say the  
4 blowers increase the possible volume of  
5 air-propane for Monadnock Marketplace and others?

6 A (Knepper) That's correct. The blowers would  
7 supplement the atmospheric intakes that they had.

8 Q Was there a safety incident that occurred with  
9 regard to the blowers?

10 A (Knepper) Yes. On December 19th, I think it was  
11 19th, December of 2015, there was an incident  
12 where they had some electrical fluctuations  
13 coming in from the power that was supplied by  
14 Eversource, which then caused their blowers to  
15 not work. These fluctuations lasted less than a  
16 second. And they're very -- they had electrical  
17 components that were very susceptible to voltage  
18 dips, and so it caused the blowers to not  
19 function or to shut down. Actually, not -- I  
20 shouldn't say that. They didn't shut down, I  
21 believe too much air.

22 Q And how long did it take to resolve that safety  
23 problem?

24 A (Knepper) I think they had it resolved in about

[WITNESS PANEL: Frink|Knepper]

1           68 minutes, or an hour -- about an hour to an  
2           hour and ten. And that's from the time that they  
3           were notified, the time somebody actually made  
4           adjustments, arrived on scene, and got it back to  
5           what they call "normal state", was about an hour  
6           and ten minutes.

7   Q       How much did it cost to resolve the incident?

8   A       (Knepper) I believe it was -- I don't have an  
9           exact number. So, I would say it's somewhere  
10          between, I'd have to estimate, maybe 10 to  
11          \$30,000.

12   Q       And, after the system was repaired, how long did  
13          the blower system then continue to operate safely  
14          to provide the Monadnock system with additional  
15          capacity?

16   A       (Knepper) How long? It operated until they moved  
17          over to CNG. So, it was from then on.

18   Q       So, fair to say "years", between December 2015  
19          and October 2019?

20   A       (Knepper) Yes. I would say, I think they had  
21          their corrections made in less than a month, from  
22          December of 2015. So, I would say from the  
23          beginning of January 2016 forward.

24   Q       Were there any safety concerns that required the

[WITNESS PANEL: Frink|Knepper]

1 Company to convert the Monadnock Marketplace to  
2 CNG service?

3 A (Knepper) The Safety Division did not have any,  
4 because they were providing safe and adequate  
5 service prior to this. They have always provided  
6 propane-air to their customers. So, they did not  
7 have any.

8 Q Did Safety require staffing the plant 24/7?

9 A (Knepper) We did not.

10 Q To your knowledge, has the Commission --

11 *[Court reporter interruption regarding*  
12 *muting/unmuting.]*

13 CHAIRWOMAN MARTIN: Commissioner  
14 Bailey, are you on mute? It doesn't show. You  
15 may be, but it doesn't show.

16 CMSR. BAILEY: Yes, I am.

17 CHAIRWOMAN MARTIN: Okay. Go ahead.

18 BY MS. SCHWARZER:

19 Q Has the Commission issued a ruling on whether  
20 Safety required staffing the Monadnock -- after  
21 the Monadnock incident 24/7?

22 A (Knepper) I believe the Commission ordered a  
23 ruling during the last Liberty rate case that  
24 said that they did not think that those 24

[WITNESS PANEL: Frink|Knepper]

1 hours/seven days a week staffing was just and  
2 reasonable. So, I think they disallowed it.

3 Q Mr. Frink.

4 A (Frink) In Liberty's last rate case, that Order  
5 26,122, they did say didn't allow recovery of the  
6 manning the plant for 24/7 because of the  
7 blowers. I'll read from the order, it's two  
8 paragraphs related to that: "As for the Keene  
9 production costs of \$148,410, we find that  
10 Liberty failed to justify those costs in this  
11 proceeding."

12 *[Court reporter interruption.]*

13 **CONTINUED BY THE WITNESS:**

14 A (Frink) "As for the Keene production costs of  
15 \$148,410, we find that Liberty failed to justify  
16 those costs in this proceeding. Liberty made  
17 many significant enhancements to address the risk  
18 of a similar event, and did not provide evidence  
19 that the incremental costs of manning the plant  
20 were reasonable or justified. Accordingly, we  
21 deny recovery of these costs. Because we find  
22 around-the-clock staffing of the Keene production  
23 plant is not just and reasonable, we reject the  
24 Company's argument that the current cost of

[WITNESS PANEL: Frink|Knepper]

1           converting a small portion of the Keene system to  
2           CNG is necessary for reliability and safety  
3           reasons, or is economically justified on its own  
4           terms."

5   BY MS. SCHWARZER:

6   Q       To either of Mr. Knepper or Mr. Frink, do you  
7           know what Liberty spent for the CNG conversion?

8                   MR. SHEEHAN:  If I may object to that  
9           question, those costs are not before the  
10          Commission in this proceeding.  But we will seek  
11          recovery for those costs in a different  
12          proceeding.

13                   MS. SCHWARZER:  Well, Your Honor, if I  
14          may speak to that?

15                   CHAIRWOMAN MARTIN:  Go ahead.

16                   MS. SCHWARZER:  The question goes to  
17          whether, as has been argued in Mr. Mullen's  
18          rebuttal testimony, it was necessary to convert,  
19          and whether it was prudent to have a supply  
20          contract in place for CNG, as argued, because of  
21          safety issues.

22                   CHAIRWOMAN MARTIN:  Mr. Sheehan, can  
23          you respond to that?  I don't have the benefit of  
24          Mr. Mullen's testimony.

[WITNESS PANEL: Frink|Knepper]

1 MR. SHEEHAN: Sure. The motivation for  
2 the CNG -- temporary CNG facility was primarily  
3 to replace the blower system. We disagree with  
4 Staff now, frankly, we disagree with the  
5 Commission's order that it was not a safety  
6 issue. We accept the order, of course, but we  
7 disagree. So -- I just lost my train of  
8 thought.

9 The blower -- the CNG costs were  
10 motivated by a desire to get rid of the blower  
11 system. The blower system did fail subsequent to  
12 the big Keene December '15 event, and it failed  
13 several other times to a lesser degree. It cost  
14 the Company hundreds of thousands of dollars in  
15 response costs, it sent people to the hospital.  
16 And we elected to do the 24/7 to make sure it  
17 didn't get out of hand again. So, that was the  
18 motivator.

19 CHAIRWOMAN MARTIN: Mr. Sheehan, you  
20 have objected on the grounds that the costs  
21 shouldn't come in. Can you just focus on that  
22 please?

23 MR. SHEEHAN: I'm sorry. We incurred  
24 costs to actually do the conversion. We had to

[WITNESS PANEL: Frink|Knepper]

1 convert customer equipment from propane to gas  
2 over a two-week -- or, a weeklong period in  
3 October of '19. Those costs, several hundred  
4 thousand dollars, are not -- we have not sought  
5 recovery for those here in this proceeding,  
6 they're not at issue.

7 What is at issue is whether we had  
8 permission to convert. The prudence of our  
9 conversion activities will be addressed in a  
10 different proceeding, likely the rate case.

11 CHAIRWOMAN MARTIN: Ms. Schwarzer.

12 MS. SCHWARZER: Thank you. I've asked  
13 Mr. Knepper and Mr. Frink to estimate the cost of  
14 the conversion, because the argument has been  
15 made that Liberty was required to do that in  
16 order to address safety concerns associated with  
17 the blower. And the only evidence of a safety  
18 issue -- the only factual evidence of a safety  
19 issue is the 2015 event that's been testified to  
20 already.

21 It's relevant what was spent to fix the  
22 blower, as compared to what was spent for the  
23 conversion, for the very reason that the prudence  
24 of the CNG contract being entered into when it

[WITNESS PANEL: Frink|Knepper]

1 was has been linked by Mr. Mullen to safety  
2 issues associated with the blowers.

3 CHAIRWOMAN MARTIN: I'm going to  
4 overrule the objection. So, you can proceed.

5 MS. SCHWARZER: Thank you, Madam  
6 Chairwoman.

7 BY MS. SCHWARZER:

8 Q Mr. Knepper, do you know what Liberty spent for  
9 the CNG conversion?

10 A (Knepper) So, when we talk about the conversion,  
11 I want to make sure everybody -- there's  
12 different parts of the conversion. There's  
13 actually converting customers' appliances and --  
14 from propane-air to CNG, that's behind the meter  
15 or downstream of the gas meter. There are costs  
16 to change the system from propane-air, the  
17 existing distribution system to propane-air,  
18 those are distribution costs, where they had to  
19 expend capital to extend main, and they had to do  
20 purging operations and change things like that.

21 And then, there's also the cost of  
22 bringing the CNG in itself. That is part of this  
23 one, as far as the demand, they have broken that  
24 down into demand costs, as well flow costs of

[WITNESS PANEL: Frink|Knepper]

1 supply.

2 So, it's very confusing to people, when  
3 you talk about conversion costs, because there's  
4 a lot of aspects to conversion costs. But, if  
5 you were to roll all that up, I believe it's in  
6 excess of a million dollars. Some of it is part  
7 of this proceeding, some of it would be part of  
8 this ongoing rate case that they have initiated.

9 Q From a safety perspective, do you believe that  
10 spending a million dollars to eliminate the risk  
11 associated with the continued operation of the  
12 blower was economically justified?

13 A (Knepper) I do not.

14 Q Mr. Frink, if the conversion had been necessary  
15 for safety reasons, would entering the CNG supply  
16 contract, requiring monthly demand charges, when  
17 Liberty was not receiving service, have been  
18 prudent?

19 MR. SHEEHAN: Objection. Calls for  
20 speculation.

21 MS. SCHWARZER: If I may respond?

22 CHAIRWOMAN MARTIN: Ms. Schwarzer.

23 MS. SCHWARZER: -- to ask

24 hypotheticals.

[WITNESS PANEL: Frink|Knepper]

1 CHAIRWOMAN MARTIN: I'm sorry, I missed  
2 part of that, Ms. Schwarzer.

3 MS. SCHWARZER: Sorry. I just lost my  
4 place. Give me a moment.

5 Yes. The question is, "if the  
6 conversion had been necessary for safety reasons,  
7 would entering the CNG supply contract, requiring  
8 the payment of monthly demand charges two years  
9 before CNG service was available, have been  
10 prudent?" That's to Mr. Frink.

11 CHAIRWOMAN MARTIN: And what was your  
12 response to the objection? I couldn't hear it.

13 MR. SHEEHAN: Madam, I withdraw the  
14 objection.

15 CHAIRWOMAN MARTIN: Okay. Thank you.

16 BY MS. SCHWARZER:

17 Q Mr. Frink?

18 A (Frink) No. Even if they were replacing it for a  
19 valid safety reason, for the reasons Mr. Knepper  
20 already explained, they wouldn't have been able  
21 to provide CNG any earlier than they did. They  
22 were finally able to provide CNG in October of  
23 2019. So, entering in a contract for CNG back in  
24 2016 was not reasonable, given the substantial

[WITNESS PANEL: Frink|Knepper]

1 risk they were undertaking by assuming they would  
2 be using propane in either 2016 or 2017.

3 Q Thank you. Mr. Frink, could you briefly explain  
4 the cost of gas mechanism please?

5 MR. SHEEHAN: With all due respect,  
6 this is beyond of their -- I mean, it seems to be  
7 beyond the scope of what's been filed in  
8 testimony, and there's no dispute about what the  
9 cost of gas mechanism is.

10 CHAIRWOMAN MARTIN: Ms. Schwarzer.

11 MS. SCHWARZER: I think it goes to  
12 placing the CNG supply contract in context. I'm  
13 happy to move on and come back to this.

14 CHAIRWOMAN MARTIN: Okay. Thank you.

15 BY MS. SCHWARZER:

16 Q Liberty claims, Mr. Frink, Liberty claims that  
17 the Commission found the CNG supply contract to  
18 be prudent in approving the 2018 and 2019 summer  
19 cost of gas proposed rates. Do you agree?  
20 You're muted.

21 A (Frink) Absolutely not.

22 Q Would you please explain your answer?

23 A (Frink) Yes. So, in the cost of gas, the Company  
24 files a supply plan. And that supply plan is of

[WITNESS PANEL: Frink|Knepper]

1 forecasted costs, forecasted revenues, and that's  
2 what they plan to do. And, if it appears  
3 reasonable, everybody is on board with it.

4 Typically, in a cost of gas, it's  
5 pretty much the same supply that they use year to  
6 year, the same methodology. Occasionally, you'll  
7 get a new supply, as in this case, in 2018. In  
8 2018, the supply plan showed CNG for the first  
9 time, even though they had been paying CNG demand  
10 charges for quite a while. And, in their supply  
11 plan, it showed CNG as being cheaper than  
12 propane. That was incorrect. In hindsight,  
13 because, if they had used CNG, they thought it  
14 was going to cost something less than propane,  
15 but they didn't realize there was a marketer  
16 basis charge of \_\_\_\_\_ that they were going to  
17 have to pay under the contract. So, when they  
18 entered that contract, they weren't aware of what  
19 all the costs were.

20 But, anyway, so, they submitted that  
21 supply plan. And then, that's one part of the --  
22 Q Mr. Frink, hold it. Mr. Frink, I'm sorry. That  
23 dollar amount is confidential, I believe. So, I  
24 just want to --

[WITNESS PANEL: Frink|Knepper]

1 A (Frink) I don't know. I thought I saw that --  
2 maybe so. I thought I'd seen it in the last  
3 transcript.

4 Q You did, because I said it, and I should not have  
5 said it.

6 A (Frink) Okay. That's the last time I'll say it.  
7 I apologize.

8 Q Not at all. If we can turn back, I believe you  
9 were explaining that, as originally filed, the  
10 2018 Summer Cost of Gas showed propane -- showed  
11 CNG as less expensive?

12 A (Frink) That's correct. So, Staff -- so, Staff  
13 did not take exception with it. The Commission,  
14 in their order, stating Liberty's position, said  
15 Liberty is going to use -- plans to use CNG for  
16 the first time. It wasn't a prudency finding.

17 What happens in the cost of gas is,  
18 after the period, you're required to do a  
19 reconciliation of that period. So, those six  
20 months end, and then you look at the actual costs  
21 incurred, the actual revenues, and at that point  
22 in time, and calculate if there's an over or  
23 under-recovery. You review those costs from the  
24 prior year and see if they followed their supply

[WITNESS PANEL: Frink|Knepper]

1 plan, if those costs were prudent. If they --  
2 they get audited, and then, if there's a problem  
3 with that, then you bring it up at the next  
4 hearing, and that's when you allow recovery of  
5 those costs. That's when you make a prudency  
6 decision.

7 It's very similar to the special  
8 contract that was done for iNATGAS. INATGAS, the  
9 Commission approved a special contract, based on  
10 projected costs and revenues presented by the  
11 Company. In that order, when they approved the  
12 special contract, similar to approving a supply  
13 plan, the Commission said "This is not a prudency  
14 finding. That will get addressed when you seek  
15 to recover those costs."

16 In the last rate case, they reviewed  
17 those costs, and the Commission decided that they  
18 could disallow those costs based on a prudency  
19 finding. So -- and they didn't allow recovery of  
20 those costs, at least not the full amount.

21 So, this is -- this is essentially the  
22 same way it works for the cost of gas. You've  
23 got actual costs for the prior period, that are  
24 reviewed and ruled on, and those go into rates

[WITNESS PANEL: Frink|Knepper]

1 and get recovered. But you also have projected  
2 costs that, until they actually come in and get  
3 filed as part of the cost of gas, there's -- it's  
4 not a prudency finding. It's just, we're  
5 implementing these rates, and then, when you  
6 actually incur those costs, we'll see if they  
7 were prudent.

8 So, the Commission order setting those  
9 rates prior to December of 2018 only acknowledged  
10 that there was a -- it was in the supply plan,  
11 they did not find those costs were prudent.

12 Q And was any CNG served during Summer 2018 period?

13 A (Frink) It was not.

14 Q Could you explain why, in your opinion, the  
15 2018-2019 Winter Cost of Gas filing and the 2019  
16 Summer Cost of Gas filings are not prudency  
17 findings?

18 A (Frink) Yes. So, in the next cost of gas, so,  
19 that was the Summer of 2018, in the Winter 2019,  
20 they again included CNG in their supply plan,  
21 although they had yet to use any. And those  
22 costs, in that plan, were higher than propane  
23 costs. So, Staff filed testimony saying that  
24 wasn't an economic dispatch or plan, that it

[WITNESS PANEL: Frink|Knepper]

1           wasn't least cost. So, we raised an objection in  
2           that winter cost of gas. Then, the Commission  
3           set rates that didn't include any actual CNG  
4           costs from the prior year, the prior winter,  
5           because there were none. Well, none that they  
6           recorded in their cost of gas reconciliation.  
7           They were incurring demand charges, but, again,  
8           they didn't put those in the cost of gas  
9           reconciliation, because they're supply costs.

10                        So, anyway, there were no actual costs.  
11           We objected to the incremental costs, because  
12           they were higher. And the Commission set the  
13           cost of gas rate for that winter without any CNG,  
14           either actual or projected.

15                        And, in 2019, again, the Company put  
16           CNG in their forecast. There were no actual CNG  
17           costs in the reconciliation. The Commission  
18           approved the rates. But, again, a supply plan is  
19           not a prudence finding.

20                        So, the Commission never has actually  
21           approved -- hadn't actually approved CNG costs  
22           for any prior periods, and all they approved was  
23           a supply plan, with some forecasted costs in it.  
24           So, that's why it's incorrect to say that those

[WITNESS PANEL: Frink|Knepper]

1 winter cost of gas decisions was a prudence  
2 finding on providing CNG.

3 Q In the 2018-2019 Winter Cost of Gas, and then in  
4 the Summer Cost of Gas, was the Company directed  
5 to track the incremental costs or savings of CNG?

6 A (Frink) Yes, they were.

7 Q Mr. Frink, I think you've already explained why  
8 not providing for the recovery of actual winter  
9 incremental -- excuse me -- actual incremental  
10 costs, but including projected incremental costs,  
11 is not inconsistent. But could you summarize  
12 that please?

13 A (Frink) Sure. It goes back to the fact that  
14 those aren't actual costs. They aren't based on  
15 actual prices for the period. Those are  
16 projected costs. It may be that using CNG this  
17 winter could wind up being cheaper than propane,  
18 we don't know. Right now, it certainly doesn't  
19 appear to be the case. But, until they actually  
20 incur those costs, we don't know what they will  
21 be.

22 So, there will be a prudence decision  
23 again, once they file a reconciliation and we  
24 know what propane costs, we know what the CNG

[WITNESS PANEL: Frink|Knepper]

1 costs were, then we can determine if there were  
2 incremental CNG costs, and address it in setting  
3 next year's rates.

4 Q And, when you said it's an assessment of whether  
5 the costs were reasonable, based on actual  
6 expenses, is that correct?

7 A (Frink) That is correct.

8 Q And you've testified that CNG charges incurred  
9 prior to being able to use CNG was imprudent,  
10 because a reasonable executive knew or should  
11 have known that a substantial risk existed that  
12 Liberty would not be able to use CNG for all or  
13 most of that time, and therefore would have not  
14 entered into a contract. However, if the  
15 Commission determines that the terms and  
16 conditions of the CNG contract, including the  
17 historic demand charges, and incremental costs to  
18 date, were prudent, should those expenses be  
19 included in subsequent cost of gas rates?

20 A (Frink) Not at this time. It could be that the  
21 Commissioners decide that entering the contract  
22 when they did wasn't imprudent. But they could  
23 decide in the rate case that the Keene conversion  
24 was imprudent, in which case, even if it wasn't

[WITNESS PANEL: Frink|Knepper]

1           imprudent signing a CNG contract over two years  
2           before you actually took CNG service was  
3           imprudent, if you decide that the Keene  
4           conversion was imprudent, all those costs -- all  
5           those CNG costs then would be imprudent.

6                   MS. SCHWARZER: Thank you. I don't  
7           have any further direct questions.

8                   CHAIRWOMAN MARTIN: All right. Thank  
9           you. Ms. Shute, do you have questions?

10                   MS. SHUTE: I have just a couple. Most  
11           of my questions have been asked.

12                                   **CROSS-EXAMINATION**

13 BY MS. SHUTE:

14 Q       I'll start with Mr. Frink. In the Summer 2018  
15       Cost of Gas that the Company has referenced as  
16       being where they perceive the contract to have  
17       been approved, the order in that docket stated --  
18       reads that "approval of the 2018 Summer season  
19       cost of gas rate as just and reasonable", under  
20       the RSA, under the statutes. However, the next  
21       statement that the Commission -- and the next  
22       statement that the Commission said was "the rate  
23       appears to have been calculated in a manner  
24       consistent with past practice, which offers

[WITNESS PANEL: Frink|Knepper]

1 proper assurances."

2 Could you explain what "past practice"  
3 means in that circumstance?

4 A (Frink) So, "past practice" is -- again, it goes  
5 back to the COG mechanism. I can go back all the  
6 way to 2003, where Staff objected to --  
7 recommended EnergyNorth shouldn't recover over  
8 \$4 million in costs, in supply costs, because of  
9 imprudence. And that was based on, even though  
10 the Commission had approved a supply plan for  
11 that winter, when they actually got into that  
12 winter, it turned out they didn't necessarily  
13 follow their plan, or they didn't follow it the  
14 way it was intended or it had been done in the  
15 past.

16 So, the way it was treated was, once  
17 you're approved recovery -- of an  
18 over/under-recovery in the rate, to go back and  
19 disallow that would be retroactive ratemaking.  
20 But, to look at forecasted costs, and include  
21 that in a rate, you can do that and say "okay,  
22 these are just and reasonable, based on what we  
23 know at this time", what the Company is  
24 projecting, just as the Commissioners did for

[WITNESS PANEL: Frink|Knepper]

1 iNATGAS. They said "okay, these are what the  
2 costs and revenues are. Looks like a good deal."  
3 But, when you get to actually spend the money,  
4 and look at how it was spent, then that's open  
5 for review and for a prudency finding.

6 So, past practice has always been,  
7 okay, once you approve a recovery of actual  
8 costs, a reconciliation, over/under-recovery, if  
9 you haven't raised the issue there, and it gets  
10 approve for recovery in the upcoming season, then  
11 that's a prudency finding, essentially. But, if  
12 you have a supply plan with projected costs, and,  
13 after you get the results, there's an issue with  
14 that, you can raise those issues, and the  
15 Commissioners will rule on that at that point in  
16 time, when you get to your next cost of gas.

17 Q Okay. So, just to be clear, the -- there were --  
18 the Summer 2018 Cost of Gas appears to have been  
19 a fairly standard and short hearing. In fact,  
20 the OCA didn't even participate, because there  
21 didn't appear to be anything out of the ordinary  
22 in that. And the question really was going to  
23 the fact that the -- I'm just -- I'm going to  
24 withdraw this question. Sorry.

[WITNESS PANEL: Frink|Knepper]

1                   So, I have one other question for Mr.  
2                   Knepper. In relationship to the blower safety  
3                   issue that the Company identified, what dangers  
4                   were possible because of the blower incidence,  
5                   and were those -- and which -- and were those  
6                   dangers to all customers or to just a certain  
7                   subset of customers? Do you know the answer to  
8                   that?

9                   CHAIRWOMAN MARTIN: Ms. Schwarzer has  
10                  her hand up.

11                  MS. SCHWARZER: Thank you. Just to  
12                  clarify, there's only one blower incident at  
13                  issue, which was the December of 2015 incident.  
14                  That's all I'm aware of, that's all that's been  
15                  noticed.

16                  So, the question was plural. There's  
17                  only -- there's only one.

18                  CHAIRWOMAN MARTIN: Ms. Shute, I assume  
19                  that's the incident you were speaking about?

20                  MS. SHUTE: Yes, please.

21                  CHAIRWOMAN MARTIN: Okay. Go ahead,  
22                  Mr. Knepper.

23                  WITNESS KNEPPER: Could you ask it one  
24                  more time please?

[WITNESS PANEL: Frink|Knepper]

1 MS. SHUTE: Sure.

2 BY MS. SHUTE:

3 Q In you opinion, what are the dangers or safety  
4 concerns that result from the December 19th, 2015  
5 incident, with the blowers and the electrical  
6 fluctuations? And do those safety concerns  
7 pertain to all of the customers or some subset of  
8 customers?

9 A (Knepper) So, in Keene, they have kind of a  
10 distinct ratio of combustible gas that they  
11 provide. And, so, they take propane, and they  
12 mix it with air, and you can do that, and  
13 appliances will burn that combustible product  
14 properly, as long as you maintain a certain range  
15 from what you expect things to be burned at.

16 In Keene, they choose a value, a  
17 standard value that they do, but you can't  
18 differentiate too far above that. So, they set  
19 alarms, if it's too high or too low from that  
20 standard value. Because what ends up happening  
21 is, if the appliances can't burn it properly,  
22 then you're going to get some carbon monoxide and  
23 you're going to get incomplete combustion.

24 And, so, the entire Keene system is

[WITNESS PANEL: Frink|Knepper]

1 always predicated on maintaining this propane-air  
2 ratio, whether it's for one customer or all their  
3 customers, because the appliances are calibrated  
4 or geared to running at that ratio. And they're  
5 billed on that ratio, they do all their  
6 equivalents based on that. And, so, they're  
7 always trying to maintain that ratio.

8 And, so, when any piece of equipment  
9 malfunctions, in this case, the blowers tripped  
10 and malfunctioned, it changed that ratio. And,  
11 so, they correct it, and then they go on. And,  
12 so, the next, you know, the next week that same  
13 situation could happen. It could happen the  
14 following week. It could happen the following  
15 year. They have always been under that guise  
16 that the equipment that they select and run will  
17 help provide things. And, so, that's always been  
18 the situation at Keene. It's not just -- they  
19 always have to make sure it falls within a  
20 certain parameter or characteristic.

21 So, hopefully, that answers your  
22 question.

23 Q Yes. Thank you. So, your -- the opinion that  
24 you stated earlier is that the conversion was not

[WITNESS PANEL: Frink|Knepper]

1           necessary to deal with the -- with the safety  
2           issue. Was there something else that they could  
3           have done to deal with the safety issue? Or is  
4           it that, in the repair -- sorry. Is there  
5           something else that they could have done to fix  
6           the safety issue?

7    A       (Knepper) So, they did fix the safety issue.  
8           They did take actions. They took them  
9           immediately. You know, they tried to minimize  
10          the reoccurrence.

11                    The question becomes is, I think  
12           Liberty has long-term plans of trying to get away  
13           from that propane-air system, because of a  
14           variety of reasons. Siting issues that they  
15           have, lease issues they have with the plant. And  
16           long term, they would like to not rely on even  
17           having to mix this gas at all. And, if you can  
18           buy gas, and either liquefy it and inject it, or  
19           if you compress it and inject it, from their  
20           perspective, that's a lot easier.

21                    And I think, long term, that's been  
22           part of their goal. And this kind of accelerated  
23           them trying to hit that goal. But that becomes  
24           part of a bigger plan, as to how you're going to

[WITNESS PANEL: Frink|Knepper]

1           convert, when, or how much is it going to cost,  
2           and they have not yet, you know, kind of come up  
3           with a holistic view of that for us, and they  
4           have not presented that to the Commission.

5    Q       Okay. Thank you. And I wanted to clarify  
6           something you had talked about in response to an  
7           order -- a question around the costs of the  
8           conversion. You indicated that there are really  
9           sort of three types: The behind-the-meter  
10          customer conversion type of thing that's  
11          involved; the cost to change the distribution  
12          system; and then the cost of bringing the CNG in  
13          itself. And that the roll-up was in excess of a  
14          million.

15                   My question is -- and you indicated  
16                   that some of that is being dealt with here, and  
17                   some of that is being dealt with in other cases.  
18                   Would you mind identifying which parts are being  
19                   dealt with here and which parts are being dealt  
20                   with in other cases? And what very rough  
21                   proportion of that million plus dollars they  
22                   represent please?

23                   MR. SHEEHAN: I'm sorry, if I may  
24                   interject? I just got an email from Steve that

[WITNESS PANEL: Frink|Knepper]

1 he's lost power at his home, and that's probably  
2 why we don't see him anymore.

3 CHAIRWOMAN MARTIN: Okay. I was just  
4 about to ask you if he was off intentionally for  
5 video, because I haven't been able to see him for  
6 a minute or so. So, it sounds like --

7 MS. SHUTE: It looks like Eric is out,  
8 too.

9 CHAIRWOMAN MARTIN: Let's go off the  
10 record for a minute.

11 *(Off the record due to connectivity*  
12 *issues. A recess was taken at 1:15*  
13 *p.m., and the hearing resumed at*  
14 *1:26 p.m.)*

15 CHAIRWOMAN MARTIN: All right. Then,  
16 let's continue, go back on the record, and get as  
17 much as we can in.

18 Let's see. We were right -- I think,  
19 Ms. Shute, were you still asking a question?

20 MS. SHUTE: Yes. Would you like me to  
21 repeat the question or are we good to go?

22 CHAIRWOMAN MARTIN: Mr. Knepper, do you  
23 remember it? I think we had repeated it.

24 WITNESS KNEPPER: I think I got the

[WITNESS PANEL: Frink|Knepper]

1           gist of it.

2                   CHAIRWOMAN MARTIN:   Okay.   Go ahead.

3                   WITNESS KNEPPER:   Are we ready?

4   **BY THE WITNESS:**

5   A       (Knepper) So, I guess, and maybe Mr. Frink can  
6           chime in when he needs to, it's a little bit  
7           outside my swimming lane as to what the costs are  
8           and what the breakdowns are and where they're  
9           going to be.  But, you know, when you talk about,  
10          and I think that's always part of the problem  
11          here, when you talk about "conversion", there's a  
12          lot of aspects.  And there's specific things that  
13          are one-time costs, sometimes there are recurring  
14          costs, like a demand charge on a supply or  
15          flow-through costs and things like that.  There's  
16          operational costs, and then there's capital  
17          costs.

18                   So, just using that term "conversion",  
19           it's a -- it can be confusing, I think, to a lot  
20           of people.  And, so, I kind of rely on Mr. Frink  
21           to make sure that we get them in the right  
22           buckets and then they're put in the right dockets  
23           to kind of track some of those things.  But, to  
24           actually put that pie back together, you have to

[WITNESS PANEL: Frink|Knepper]

1 look at all those aspects.

2 But I don't have a -- I don't have  
3 specific numbers to be able to give you, if  
4 that's what you're looking for.

5 BY MS. SHUTE:

6 Q Mr. Frink, do you want to address the issue of  
7 which aspects of that are part of this docket and  
8 which aspects are in other dockets?

9 A (Frink) Well, so, they do, as Randy said,  
10 intermix. So, when they stopped running the  
11 blowers, there's some O&M costs associated with  
12 that. So, even though the incremental costs for  
13 CNG, just looking at the supplies, are high, it  
14 may be, if you factor in a delivery cost of not  
15 having to operate the blowers, then the  
16 incremental costs go down.

17 So, you really need to -- we'll be  
18 looking at those as part of the rate case. What  
19 we're recommending now for a -- to defer that  
20 until you can do that exercise, and develop the  
21 record you need to make that determination.

22 I did want to mention, on the whole  
23 safety aspect, the Commission opened an  
24 investigation, IR 15-517, that has -- the Safety

[WITNESS PANEL: Frink|Knepper]

1 Division filed a report in that, it was over 100  
2 pages long, that explains -- goes through  
3 everything chronologically, everything before and  
4 after, the enhancements, and whether they were --  
5 Safety Division thought they were necessary or  
6 not.

7 So, anyway, if you have interest, if  
8 anybody has interest in that, that's the docket  
9 that you'd want to go to, IR 15-517.

10 MS. SHUTE: Okay. Great. That was  
11 very helpful. Thank you.

12 Those are all the questions I have for  
13 this panel.

14 CHAIRWOMAN MARTIN: Okay. Thank you.  
15 Mr. Sheehan.

16 MR. SHEEHAN: Thank you.

17 BY MR. SHEEHAN:

18 Q I'll start with Mr. Knepper, please. Just a  
19 brief recap of the event of December 2015 in  
20 Keene.

21 I think you testified that it was a  
22 case of "too much air". But isn't it, in fact,  
23 the issue was the blowers shutdown, and the  
24 system was trying to meet a pressure without the

[WITNESS PANEL: Frink|Knepper]

1           blowers? And it dumped a huge amount of propane  
2           into the system, so that, in fact, the propane in  
3           the system was much richer, because it didn't  
4           have enough air with it. Is that correct?

5                       CHAIRWOMAN MARTIN: Mr. Knepper, you're  
6           on mute.

7   **BY THE WITNESS:**

8   A       (Knepper) So, let me read from that IR 15 docket  
9           that Steve just referred to. And it's a report  
10          that we filed on March 31st, 2016. And we give  
11          an overview of the situation. So, I'm testing my  
12          memory here. But I do say that "the compressed  
13          air supply to the system was electrically  
14          interrupted by three brief momentary voltage  
15          fluctuations. The voltage fluctuations caused  
16          the blower equipment to shut down which  
17          significantly and adversely affected the normal  
18          propane/air mixing process used for the system  
19          supplies."

20                       So, it altered the propane-air ratio,  
21          because the atmospheric now had -- was not at the  
22          right amounts. So, the other system that they  
23          have, not the blower system, the atmospheric one,  
24          wasn't responding properly.

[WITNESS PANEL: Frink|Knepper]

1 BY MR. SHEEHAN:

2 Q And the blower system was installed, because,  
3 with the added customers, the very low pressure  
4 of the atmospheric system simply wasn't enough  
5 pressure to get enough air in to serve whatever  
6 growth was at what we now call the "Monadnock  
7 Marketplace", isn't that correct?

8 A (Knepper) I don't know if it was before, during,  
9 or after, if they went through a season for that.  
10 But I believe they wanted to have enough -- they  
11 wanted to make sure they had enough capacity, and  
12 the blowers would make sure that they had enough  
13 capacity.

14 Q And on that --

15 A (Knepper) And I believe it was done by National  
16 Grid, and not Liberty.

17 Q Correct. And, on that day, when the blowers  
18 stopped working, the result was an overly rich  
19 mixture, closer to pure propane, and not enough  
20 air. That's what manifested itself?

21 A (Knepper) Yes. The Btus went up. So, that would  
22 mean more towards propane, yes.

23 Q And the result of that was people's appliances  
24 would either go out, because they couldn't burn

[WITNESS PANEL: Frink|Knepper]

1 the rich fuel, or they would burn incompletely,  
2 causing the release of carbon monoxide. Isn't  
3 that correct?

4 A (Knepper) That's what -- I believe that's what  
5 happened.

6 Q And it affected the entire system?

7 A (Knepper) Yes, because that -- the whole  
8 propane-air goes through the same plant. So, the  
9 answer is "yes".

10 Q And, reasonably or not, the Keene Fire Department  
11 called in for help, and 50 or 60 departments from  
12 surrounding towns responded to the City of Keene  
13 that weekend, is that correct?

14 A (Knepper) That's correct. I won't comment on the  
15 reasonableness of that.

16 CHAIRWOMAN MARTIN: Mr. Sheehan, you're  
17 on mute.

18 MR. SHEEHAN: I'm sorry.

19 BY MR. SHEEHAN:

20 Q The City of Keene saw or received calls from  
21 customers complaining of the smell of propane for  
22 the appliances that no longer were burning, but  
23 were just leaking propane, and carbon monoxide  
24 reports. And, again, whether they reacted

[WITNESS PANEL: Frink|Knepper]

1 reasonably or not, they reacted thinking this was  
2 a citywide, severe problem, correct?

3 MS. SCHWARZER: Objection.

4 CHAIRWOMAN MARTIN: Ms. Schwarzer.

5 MS. SCHWARZER: Thank you.

6 We are not here to discuss whether the  
7 Commission properly found that the blower  
8 shutdown was not a security risk. This is really  
9 irrelevant to what's being discussed.

10 I believe Liberty can inquire. But the  
11 Keene Fire Department's interpretation or the  
12 City of Keene's opinion is not relevant here.

13 CHAIRWOMAN MARTIN: I'm  
14 not *[indecipherable audio]* -- can you hear me?

15 MR. SHEEHAN: Yes, we can hear you.

16 MS. SCHWARZER: It was breaking up for  
17 me.

18 *[Court reporter interruption.]*

19 CHAIRWOMAN MARTIN: I wanted to have  
20 Ms. Schwarzer clarify. She said "I believe" or  
21 something along the lines of "I believe Liberty  
22 can inquire", which that leads to the question  
23 whether you were still objecting?

24 MS. SCHWARZER: Yes. I'm sorry. I am

[WITNESS PANEL: Frink|Knepper]

1           objecting. I believe that two questions back,  
2           that was fine, but we're going far afield. I  
3           object to the City of Keene's view about the  
4           blower system or a discussion of that.

5                       CHAIRWOMAN MARTIN: Mr. Sheehan, do you  
6           have a response?

7                       MR. SHEEHAN: I can move on.

8 BY MR. SHEEHAN:

9 Q       Okay. Mr. Knepper, there were people who were  
10       taken to the hospital as a result of the event on  
11       December in 2016, correct?

12                      MS. SCHWARZER: Objection.

13                      CHAIRWOMAN MARTIN: Ms. Schwarzer.

14                      MS. SCHWARZER: Thank you. I'm not  
15       sure why this is relevant to a determination of  
16       whether a CNG supply contract is appropriately  
17       entered into or not.

18                      MR. SHEEHAN: And, if I may, the  
19       question is "what was in Liberty's mind in May of  
20       2017, when it signed the contract?" And this  
21       event was very much in Liberty's mind in May of  
22       2017. Let me finish please.

23                      And, despite the Commission's  
24       subsequent finding that maybe these costs were

[WITNESS PANEL: Frink|Knepper]

1 not prudent, that finding was long after we  
2 entered into the contract. So, it is very  
3 relevant what was in Liberty's mind, whether it  
4 was reasonable, in May of '17, to sign the  
5 contract to get us off the blower system.

6 CHAIRWOMAN MARTIN: Ms. Schwarzer.

7 MS. SCHWARZER: I believe the contracts  
8 at issue are more than just the amendment in May.  
9 So, I'm a bit confused.

10 But I don't think Mr. Knepper can  
11 necessarily testify of what the Company was  
12 thinking about. And perhaps it's a better  
13 question for Mr. Mullen.

14 CHAIRWOMAN MARTIN: I'm going to  
15 overrule the objection, and allow the witness to  
16 testify, if he can.

17 **BY THE WITNESS:**

18 A (Knepper) I'm reading my report. So, I'm going  
19 back, and it's taking me a little bit to answer  
20 your question.

21 It looks like in our report they found  
22 one person go to Cheshire Medical Hospital. And  
23 then, there was three other patients that were  
24 taken for possible exposure to carbon monoxide.

[WITNESS PANEL: Frink|Knepper]

1           That's what we kind of had in our report.

2 BY MR. SHEEHAN:

3 Q       Thank you. And, as part of the Company's  
4       response to the event, with which the Safety  
5       Division was very much involved, all customers --  
6       the entire system was shutdown. All customers  
7       were checked. And then, there was a careful  
8       purging and relighting of all customers over the  
9       next day or two. Is that correct?

10 A       (Knepper) I believe 137 customers were lost. And  
11       they went through and broke the system into, I  
12       believe, going off the top of my head, I'd have  
13       to go back and look at my report, but let's say  
14       it was seven to ten segments. And what they do  
15       is they purge all of that bad gas out of the  
16       system, and then they reinject all the proper  
17       propane-air mixture. And, so, that took about, I  
18       think, about eleven -- ten or eleven hours, as I  
19       recall.

20 Q       As your report that you're referring to, filed in  
21       15-517 indicates, the Company did do a thorough  
22       review of what happened, and it came up with  
23       recommendations for what we could do to make sure  
24       it doesn't happen again. And all of that is

[WITNESS PANEL: Frink|Knepper]

1           documented in your report, either in your  
2           language, or in the appendices to the report,  
3           which is the Company's documents, is that  
4           correct?

5   A       (Knepper) That's correct.

6   Q       And, if you turn to Page 17 of your report, --

7                       CHAIRWOMAN MARTIN: Ms. Schwarzer.

8                       MS. SCHWARZER: I'm sorry. Thank you.

9           Is there an opportunity for the pages to be  
10          shared? Because this report was not included in  
11          the direct testimony, and, if we're going to  
12          follow a quote, I'd like to be able to follow  
13          along.

14                      CHAIRWOMAN MARTIN: Mr. Sheehan.

15          You're on mute.

16                      MR. SHEEHAN: I can certainly share my  
17          screen, if the technology will let me do that.  
18          Is that up?

19                      CHAIRWOMAN MARTIN: It is. But the  
20          issue I have had with that is that it blocks my  
21          ability to see everybody. Is there a way that  
22          that can simply be read? Or, Ms. Schwarzer, are  
23          you not comfortable with that?

24                      MR. SHEEHAN: I can keep the -- I'm

[WITNESS PANEL: Frink|Knepper]

1           sorry.

2                   MS. SCHWARZER: I'm sorry. I'm not  
3 comfortable, because the report -- I mean, I  
4 don't mind people referring to it, but --

5                   CHAIRWOMAN MARTIN: Well, Mr.  
6 Knepper -- Mr. Knepper has it in front of him,  
7 correct?

8                   WITNESS KNEPPER: Correct.

9                   MS. SCHWARZER: Okay.

10                  CHAIRWOMAN MARTIN: So, if Mr. Sheehan  
11 is referring to a section, and he can read that  
12 and testify to it, I think that's a fair method  
13 to use.

14                  MS. SCHWARZER: Thank you. Okay.

15                  CHAIRWOMAN MARTIN: Ms. Shute, did you  
16 have something to add?

17                  MS. SHUTE: I was just going to  
18 recommend that somebody throw it in an email to  
19 the service list.

20                  CHAIRWOMAN MARTIN: You could do that  
21 as well. I think, for my purposes, I'd like to  
22 have Mr. Knepper do it and bring it in through  
23 his testimony.

24                  Go ahead, Mr. Sheehan.

[WITNESS PANEL: Frink|Knepper]

1 MR. SHEEHAN: Thank you. And I'll stay  
2 at a high level, understanding people don't have  
3 the words in front of them.

4 BY MR. SHEEHAN:

5 Q But, in this part of your report, 15, 16, 17,  
6 includes options that the Company considered,  
7 options that the Company rejected, and options  
8 that the Company chose to go forward with. Is  
9 that a fair overview of these pages?

10 A (Knepper) Yes. I think that's what I wanted to  
11 try to capture, what you had considered as  
12 alternatives.

13 Q And Page -- and Page 17 has the options that the  
14 Company was proposing to pursue, 1 through 7,  
15 correct?

16 A (Knepper) Yes. Yup, that's correct.

17 Q And Option 6 is "Install a CNG for a portion of  
18 the hype system, including the Monadnock  
19 Marketplace, allowing for deactivation of the  
20 blower system." Is that correct?

21 A (Knepper) That's correct.

22 Q And there's a column for "Staff Comments", and  
23 the Staff comments were not against that. It was  
24 indicating the things that the Safety Division

[WITNESS PANEL: Frink|Knepper]

1 thought needed to be done in order to carry out  
2 that option. Is that a fair characterization?

3 A (Knepper) That's correct.

4 Q Okay. Turning to the CNG, what became the CNG  
5 contract that is at issue here, the Safety  
6 Division, as you testified, was aware of the  
7 Company's desire to convert the Monadnock  
8 Marketplace to CNG during the Winter of 2016-17,  
9 correct?

10 A (Knepper) Yes. I believe, in the Winter of  
11 December '16 and '17, they were looking to put it  
12 behind the Price Chopper commercial market as  
13 part of the Marketplace.

14 Q And that location is in the Marketplace itself,  
15 rather than the current location, which is, say,  
16 a half a mile away, at the end of Production  
17 Avenue, is that correct?

18 A (Knepper) That's correct.

19 Q And do you know -- did you know that -- well,  
20 strike that.

21 So, the effort to put the CNG temporary  
22 facility in the Marketplace did not get  
23 consummated during that winter, and it was put  
24 aside. And then, we head into the Spring of

[WITNESS PANEL: Frink|Knepper]

1           2017, as you indicated, with the Company's plans  
2           to ultimately put the facility on the end of  
3           Production Avenue?

4    A       (Knepper) Yes. It didn't get consummated. There  
5           was a lot of difficulties with trying to put it  
6           behind the Price Chopper. That it just wasn't  
7           going to work.

8    Q       Right. Right. And everyone came to that  
9           conclusion, and said "We can't get it done this  
10          winter. Let's stop and reset"?

11   A       (Knepper) Yes. And we definitely would not have  
12          been happy if it were behind the Price Chopper.

13   Q       Okay. And are you aware that the Company did not  
14          own the blacktop at the end of Production Avenue,  
15          where the temporary skid is now sitting, at that  
16          time?

17   A       (Knepper) In December 2016, I was not aware of  
18          what the Company owned or what they didn't own.

19   Q       Okay. Then, I'll move on. So, going into the  
20          Spring of '17, you indicated a meeting with the  
21          Company over the plans to install a CNG facility  
22          for that upcoming winter, or even fall, is that  
23          correct?

24   A       (Knepper) We first met with the Company in March,

[WITNESS PANEL: Frink|Knepper]

1 I believe, March of '17. So, I would call that  
2 the "spring period". So, we kind of got over the  
3 Winter of '16-17. And that's -- at that point in  
4 time, we wanted to see what are the plans going  
5 forward.

6 Q And at that meeting were Safety Division  
7 personnel, the Company's operational personnel,  
8 Counsel, I was there, Mr. Speidel was there for  
9 the Commission, and others. It was a pretty big  
10 group, is that fair?

11 A (Knepper) Yes. There was a lot of -- there was  
12 probably about ten, at least ten people.

13 Q And, at that time, the Company expressed an  
14 interest in getting the CNG facility up and  
15 running for no later than the '17-18 Winter. Is  
16 that your reconciliation?

17 A (Knepper) I think that was their intent, yes.

18 Q And did you know then that the plan was to put  
19 the facility at the end of Production Avenue, and  
20 run a pipe from Production Avenue into the  
21 Marketplace?

22 A (Knepper) I'd have to go and check to see what  
23 you presented in that March 2017 --

24 Q Okay.

[WITNESS PANEL: Frink|Knepper]

1 A (Knepper) -- meeting. But I recall, I'm trying  
2 to -- I'd have to go back and check.

3 Q You recall that happening. You're not sure when  
4 you became aware of it, is that fair?

5 A (Knepper) Yes.

6 Q Okay. Do you remember when the next meeting of  
7 Safety Division and the Company over the  
8 implementation of the CNG facility was?

9 A (Knepper) Let me check my notes. If you want me  
10 to check, I think we had some notes.

11 I don't have a definite date. But I  
12 know we had a lot of conversations.

13 Q I can represent that the Company's notes indicate  
14 the next big sit-down was August 21 of '17. Does  
15 that refresh your memory?

16 A (Knepper) It doesn't, because I know -- I think  
17 we had a lot of conversations, either via email  
18 or a phone call, prior to that. But it might be  
19 the first one where we had a face-to-face with  
20 all of the parties.

21 Q And just a brief explanation of the issue that  
22 we've been talking about in this docket, the  
23 application of Part 192. As I understand it,  
24 simplistically, you have a trailer on a truck

[WITNESS PANEL: Frink|Knepper]

1 with the compressed gas. That is connected to a  
2 box sitting on the ground, which is where the gas  
3 is taken from a very high pressure to a  
4 distribution level pressure, and that's what we  
5 call the "skid", and that is connected by a pipe  
6 to the Company's distribution system. Is that a  
7 fair oversimplification of the process?

8 A (Knepper) Yes. It's an oversimplification, yes.  
9 That will work.

10 Q And the issue that arose -- or, the question that  
11 arose is whether Part 192, over which you have  
12 authority, applies before the gas enters the  
13 skid, or after it leaves the skid and enters the  
14 Company's distribution system? Is that fair to  
15 say? That was the sort of high-level question?

16 A (Knepper) It was never a question in our mind.  
17 From the getgo, we expected it to fall under Part  
18 192 regulations. And I think we were pretty  
19 resolute in that.

20 Q Could you show me any communication from Safety  
21 Division to the Company saying that?

22 A (Knepper) I would have to go back and check  
23 e-mails and phone calls, if we did that. But  
24 there is no -- to me, it was never even a

[WITNESS PANEL: Frink|Knepper]

1 question. You always have to follow Part 192,  
2 period.

3 Q But the question is whether 192 starts at the  
4 inlet to the skid or the outlet of the skid,  
5 correct?

6 A (Knepper) Right. I think we said, from the very  
7 first part, that the demarcation point would be  
8 at the flange to the trailer where you hook up,  
9 i.e., we wanted the transfer, the flex hose, to  
10 be part of it.

11 Q So, Part 192 does not cover the truck itself, the  
12 trailer?

13 A (Knepper) Part 192 would not cover the truck  
14 itself, no. The statute, under the Public  
15 Utilities could, our state statues could. But  
16 Part 192 does not. It stops at that flange  
17 there.

18 Q And you're aware that other CNG skids in New  
19 Hampshire, admittedly not serving utility  
20 customers, operate under the non-192 code? For  
21 example, there's one at Cheshire Medical Center,  
22 in Keene. There's one at Dartmouth-Hitchcock, in  
23 Lebanon. Correct?

24 A (Knepper) Yes. The only time you have to apply

[WITNESS PANEL: Frink|Knepper]

1 the Part 192 is when you are a gas utility.

2 Q Your testimony does not indicate a date when it  
3 was communicated to the Company that 192 would  
4 apply to the whole skid, correct?

5 A (Knepper) I would say it was from the very first  
6 date when we first found out about it. So, I  
7 don't know if I have that date. But, to me, it's  
8 in our regulations. So, I shouldn't even need  
9 to.

10 Q So, I'll ask the next questions.

11 CHAIRWOMAN MARTIN: Mr. Sheehan?

12 MR. SHEEHAN: Yes.

13 CHAIRWOMAN MARTIN: I'm not sure if  
14 you're asking a question, but I think you're on  
15 mute.

16 MR. SHEEHAN: No. I'm looking -- yes,  
17 I'm sorry. I'm looking at some notes here. I'm  
18 sorry.

19 CHAIRWOMAN MARTIN: Mr. Sheehan, you're  
20 on mute. I think you're asking a question now.

21 MR. SHEEHAN: Yes.

22 BY MR. SHEEHAN:

23 Q Mr. Knepper, you're aware that, in October of  
24 2017, the Commission issued an order that asked

[WITNESS PANEL: Frink|Knepper]

1 the Safety Division to do a review of records and  
2 plans and issue a report back to the Commission.

3 Do you recall that?

4 A (Knepper) Yes.

5 Q And I can represent that order came out on  
6 October 20 of '17. My question is, before that  
7 order, the Company was in the process of  
8 modifying the skid to comply with 192. Do you  
9 recall that?

10 A (Knepper) I believe they were. Because, you  
11 know, as soon as I think we brought -- we said  
12 "here's where the" -- you know, "this is where  
13 the jurisdiction starts, and basically stops", I  
14 think that's what you mean by "demarcation  
15 points", you know, that brings up a whole host of  
16 responsibilities for the utility. And I think we  
17 were pretty clear about that from the getgo.  
18 Because we're always concerned about emergency  
19 response, who's going to do it, who's going to be  
20 in charge of it, who's going to, you know, is an  
21 outside entity going to shut down the entire  
22 system? They don't have that authority to do  
23 that. What kind of qualifications do you have?  
24 All the things that Part 192 makes, that we

[WITNESS PANEL: Frink|Knepper]

1 normally deal with the Company on, are  
2 applicable.

3 Q My question was, did you recall that the Company  
4 was actually doing the modification to the  
5 trailer, the skid, during the months of August,  
6 September, October of 2017? Mr. Mostone was in  
7 there actually doing the modifications himself.  
8 Do you recall that?

9 A (Knepper) I believe so.

10 Q Okay. And that was to modify the -- and, again,  
11 it's XNG that actually owns the skid. So, the  
12 Company is modifying its vendor's equipment to  
13 comply with 192. Do you recall that?

14 A (Knepper) Yes.

15 Q And, if I were to represent to you that that work  
16 began in August of 2017, does that sound right to  
17 you or wrong to you or do you not know?

18 A (Knepper) I don't know. A lot of time has  
19 transpired since that time, so --

20 Q Fair enough.

21 A (Knepper) But I think somewhere in that, plus or  
22 minus three months, somewhere probably in there,  
23 not that I couldn't figure that out.

24 Q And then the order that required or asked for the

[WITNESS PANEL: Frink|Knepper]

1 Safety Division review came out in October, and  
2 then the docket has a sequence of events after  
3 that, you issued a report, the Company responded,  
4 then you issued your final recommendation in the  
5 Spring of 2019. And then, the Commission acted  
6 on that in July of '19. Does that sound about  
7 right?

8 A (Knepper) That sounds about right, yes. I think  
9 April of 2019. We issued a report in October,  
10 the Company responded in February of 2019. I'm  
11 going from memory. And then, we issued and  
12 said -- we looked over that, it took us about 30  
13 to 45 days, we issued that, and then the  
14 Commission came out with July. So, I think I  
15 agree with most of your statement.

16 MR. SHEEHAN: Okay. And, for the  
17 parties' benefits, those are the events in  
18 17-068, the so-called "declaratory ruling"  
19 docket, had all those filings.

20 BY MR. SHEEHAN:

21 Q Those are all the questions I have for you, Mr.  
22 Knepper. If I could turn to Mr. Frink.

23 Mr. Frink, if I could propose a simple  
24 way to look at the two issues here, to see if you

[WITNESS PANEL: Frink|Knepper]

1           agree, to maybe help everyone. The Staff is  
2           recommending that we -- that the Company does not  
3           recover the demand charges for the period of I  
4           think it's September or August of '17 through  
5           October of '19. It's roughly a two-year period,  
6           is that correct?

7   A       (Frink) Yes. That's correct.

8   Q       And is it fair to say that the resolution of that  
9           issue turns on whether it was prudent for the  
10          Company to sign the contract, the CNG contract,  
11          in May of 2017?

12   A       (Frink) Well, that's part of it.

13                       CHAIRWOMAN MARTIN: Ms. Schwarzer.  
14           Ms. Schwarzer, are you making an objection or --  
15           if you need to make an objection, please just  
16           speak it out, so that it doesn't get lost on me.

17                       MS. SCHWARZER: Thank you. I believe  
18           there are three contracts at issue here. And  
19           that's the October 2016, the November 2016, and a  
20           May amendment in 2017. So, I think we need to  
21           consider all three contracts.

22                       MR. SHEEHAN: I'm happy to walk through  
23           those and clarify that with Mr. Frink. And, if  
24           he doesn't know, we'll do it with Mr. Mullen.

[WITNESS PANEL: Frink|Knepper]

1 MS. SCHWARZER: Thank you.

2 BY MR. SHEEHAN:

3 Q So, why don't we do that right now, Mr. Frink.

4 Are you aware of the four documents? There's the

5 six-month contract entered in the Fall of '16;

6 the three-year contract entered in the Fall of

7 '16; a document canceling the six-month contract

8 that was signed in May; and a document amending

9 the three-year contract, also in May. Are you

10 aware of those four documents?

11 A (Frink) Yes, I am.

12 Q So, two of them, the signing of the six-month

13 contract and the termination of that contract,

14 would you agree are not relevant here?

15 A (Frink) The Company is not seeking recovery of

16 any of the expenses, if there were any, under

17 that first contract. So, I agree with that.

18 Q And I can say, the reason for that is no expenses

19 were incurred, because we never took service

20 under that contract, and they never delivered the

21 skid, because that was for the Winter of '16-17,

22 which, as we just heard, didn't happen. Does

23 that make sense?

24 A (Frink) Well, if there had been demand charges,

[WITNESS PANEL: Frink|Knepper]

1           you would have paid something, regardless of  
2           whether you got the skid or not.  So, I don't  
3           know all the details of the 2016.

4   Q       Okay.

5   A       (Frink) I just know you haven't asked for  
6           recovery.

7   Q       Okay.  Fair enough.  And, so, that leaves the two  
8           documents, being the original three-year CNG  
9           contract that was signed in late '16, that  
10          initially had a start date of May '17.  Does that  
11          sound familiar?

12  A       (Frink) Yes.

13  Q       And, then, in May of 2017, that document was  
14          amended to add another year, and to, I think you  
15          said, increase the demand charges and lower the  
16          per use charge, correct?

17  A       (Frink) I don't know if it lowered their per use  
18          charge.  But it did include that extra year, and  
19          included the demand charges.

20  Q       And that was an amendment.  So, it's probably  
21          fair that the two documents, the Fall of '16  
22          original document, with the May 22 amendment,  
23          those are the documents that give rise to the  
24          demand charges that we're talking about today?

[WITNESS PANEL: Frink|Knepper]

1 A (Frink) Yes.

2 Q Okay. So, I can represent, as you know, that we  
3 are not seeking any costs for those contracts  
4 prior to May 2017, and those contracts could have  
5 been canceled in May of '17, if the Company  
6 decided not to go forward with CNG. You don't  
7 have to agree with that or not, but I can  
8 represent that.

9 And, so, where we are now is, in May of  
10 '17, we are at the point of signing that  
11 amendment for a new start date, a four-year term,  
12 and some slightly different financial terms.  
13 That's your understanding?

14 A (Frink) I'll accept your representation.

15 Q Okay. And, so, it comes back to what was -- was  
16 that decision, made in May of '17, to go forward  
17 with the CNG under the amended terms, is really  
18 what is at issue in deciding whether the demand  
19 charges should be recovered or not?

20 A (Frink) Well, there's that, and the structure of  
21 the contract. So, the 2016 contract had no  
22 demand charges. I mean, you could have -- you  
23 could have structured it differently. You could  
24 have had a regulatory out. There are different

[WITNESS PANEL: Frink|Knepper]

1 things. It's not just that you signed that  
2 contract that far in advance being able to use  
3 it. It's also the way it was structured, not to  
4 mitigate some of the risk that you faced by not  
5 knowing when you might be able to provide it.

6 Q You're not suggesting that the Company signed the  
7 contract in May of '17 knowing it wouldn't start  
8 use for two and a half years, are you?

9 A (Frink) I'm suggesting the Company should have  
10 known that they weren't going to be providing --  
11 wouldn't be able to provide CNG for some amount  
12 of time. That there were safety requirements,  
13 reviews. And, at that point, you were seeking  
14 regulatory approval. So, there were hurdles  
15 there that you had to face, or, basically,  
16 requirements that you're required to meet.

17 So, again, I don't know, at that time,  
18 that you could have guessed it was going to be  
19 October. But you should have known it might not  
20 be as early as you were told when you signed that  
21 contract.

22 Q Would you agree with me that, if the Commission  
23 finds that the Company was prudent in signing  
24 that contract in May of '17, then we should be

[WITNESS PANEL: Frink|Knepper]

1           able to recover the demand charges that followed  
2           under that contract?

3                       I understand you don't agree with that  
4           finding of prudence. But, if the Commission were  
5           to disagree with you, and say "the contract was  
6           prudent", when we signed it in May of '17?

7   A       (Frink) Well, it might make that finding, and  
8           might eventually find that the Keene conversion  
9           was imprudent, in which case that contract, even  
10          if signing it 26 months before you could use it,  
11          would all be imprudent.

12   Q       You agree with me that, once there's a finding of  
13          prudence, the Commission can't go back and undo  
14          that finding? The Company has the right to rely  
15          on a finding of prudence as it goes forward and  
16          not be penalized for that, correct?

17   A       (Frink) What I'm saying is, I'm asking for a  
18          finding of imprudence, not a finding of prudence.  
19          So, I don't think the Commission is in a position  
20          to make a prudence finding in this cost of gas.

21                       So, if they find it's prudent, then I  
22          guess it can't go back later and say "it's  
23          imprudent". So, I wouldn't expect them to make  
24          that decision in this cost of gas.

[WITNESS PANEL: Frink|Knepper]

1 Q As to the contract itself, and the resulting  
2 demand charges, when -- where do you think is the  
3 right place for the Commission to make that  
4 finding?

5 A (Frink) I think the right place is in this docket  
6 to find it was imprudent. If they're not going  
7 to do that, then I think they need to wait until  
8 the rate case, when they have all of the facts,  
9 and then decide the issue.

10 So, until they decide the -- whether  
11 the Keene conversion was prudent or not, I don't  
12 think you can find this contract prudent. You  
13 could find it imprudent, to the extent you  
14 shouldn't have entered it, regardless of the  
15 reasons for doing it, without knowing when you  
16 could start taking CNG service, or structured it  
17 such that you wouldn't incur significant costs  
18 prior to being able to take CNG service.

19 Q The other topic in this case is what we call the  
20 "incremental costs", and Staff's recommendation  
21 that the Company not recover the difference  
22 between lower propane costs and higher CNG costs  
23 for the last twelve-month period, correct?

24 A (Frink) Yes.

[WITNESS PANEL: Frink|Knepper]

1 Q And, if the Commission were to find -- let me  
2 back up. And that's based on Staff's position  
3 that the conversion of the Monadnock Marketplace  
4 a year ago was not prudent, or at least that  
5 hasn't been determined yet?

6 A (Frink) Correct. That hasn't been determined  
7 yet.

8 Q If the Commission decides that the conversion of  
9 the Monadnock Marketplace a year ago was prudent,  
10 would Staff agree that the incremental cost  
11 argument goes away?

12 A (Frink) So, we're just talking about the  
13 Monadnock conversion?

14 Q Correct. Because those are the only customers  
15 that have received CNG, --

16 A (Frink) Right.

17 Q -- and the only customers that --

18 A (Frink) Yes. Okay. I would agree with you.

19 Q And, certainly, any other customers that we may  
20 convert in the future are subject to all of the  
21 requirements, pre-approval requirements that the  
22 Commission laid out in its rate case orders,  
23 correct?

24 A (Frink) Correct.

[WITNESS PANEL: Frink|Knepper]

1 Q And we'd agree that none of those costs are  
2 before us today, and, in fact, none of that  
3 conversion has happened yet?

4 A (Frink) Correct.

5 Q Okay. So, again, trying to simplify the issues,  
6 the incremental cost issue turns on whether the  
7 Commission -- whether the conversion of the  
8 Monadnock Marketplace a year ago was prudent or  
9 not. And one way or the other, the costs are in  
10 or the costs are out?

11 A (Frink) Yes.

12 Q And you think, as to the contract, if the  
13 contract was prudently entered, if it -- you want  
14 to say it was imprudently entered, therefore, the  
15 demand charges are not recoverable. Of course,  
16 the Company wants to find that it was prudent to  
17 enter the contract in May of '17 and, therefore,  
18 we should recover the demand charges that are  
19 proposed in this filing. That's sort of, in the  
20 simplest form, the dispute that's before us?

21 A (Frink) I agree.

22 Q Okay. And, in making that decision, again, it's  
23 the information available to the Company at the  
24 time it signed the contract, that is what the

[WITNESS PANEL: Frink|Knepper]

1 Commission looks at?

2 A (Frink) That is the standard, yes.

3 Q Okay.

4 MS. SCHWARZER: Objection.

5 CHAIRWOMAN MARTIN: Go ahead.

6 MS. SCHWARZER: Thank you. It's a  
7 legal question. And the standard is not what the  
8 Company knew, but what they should have known.

9 CHAIRWOMAN MARTIN: Mr. Sheehan.

10 MR. SHEEHAN: I'll accept that. Thank  
11 you.

12 CHAIRWOMAN MARTIN: Go ahead.

13 BY MR. SHEEHAN:

14 Q The Staff also had the opportunity to raise the  
15 prudence of the CNG contract, and the resulting  
16 demand charges, on a couple occasions since May  
17 of '17 through the cost of gas filings. Is that  
18 fair?

19 A (Frink) So, you've been incurring -- the Company  
20 has been incurring those demand charges since  
21 2017. And you have not included them in the cost  
22 of gas reconciliations as a cost. Until that  
23 occurred, there wasn't a reason, we didn't ever  
24 look at it from a prudency perspective.

[WITNESS PANEL: Frink|Knepper]

1 Q So, when Staff was in support of cost of gas  
2 rates that included the CNG demand charges,  
3 you're saying that wasn't an indication that  
4 Staff was okay with the CNG contract? That was  
5 an awkward question, but if you understand it.

6 A (Frink) Well, what I'm saying is, the first time  
7 you put in a supply plan with forecasted costs  
8 that were in excess of propane, the average cost  
9 of propane, Staff filed testimony saying "you  
10 shouldn't get to recover that incremental cost."  
11 Now, that cost includes demand charges and  
12 commodity charges and adders. We're not saying  
13 you shouldn't get anything. To the extent you  
14 would have spent that money on propane, Staff has  
15 no objection to your recovering that.

16 But the incremental costs, actual  
17 incremental costs, that supply costs that we're  
18 aware of, we're saying you should not be  
19 recovering that until there's a ruling on the  
20 prudence of the conversion.

21 Q I'd like to walk you through the argument that  
22 that the Commission approved the -- the Company's  
23 argument that the Commission approved the CNG  
24 contract through the May '18 cost of gas order.

[WITNESS PANEL: Frink|Knepper]

1 First, in your testimony, you make the  
2 statement that a finding of prudence is --

3 MS. SCHWARZER: Excuse me. Excuse me,  
4 just which order is that specifically? Is that  
5 the Summer Cost of Gas order for 2018?

6 MR. SHEEHAN: Yes.

7 MS. SCHWARZER: Okay. Thank you.

8 BY MR. SHEEHAN:

9 Q Mr. Frink, in your testimony, you said "a finding  
10 of prudence is never implicit." Do you recall  
11 that?

12 CHAIRWOMAN MARTIN: Mr. Frink, you're  
13 on mute.

14 **BY THE WITNESS:**

15 A (Frink) Yes.

16 BY MR. SHEEHAN:

17 Q And I'd like to walk through, I think you know  
18 the analogy I'm walking through, the Commission's  
19 recent order in the Granite Bridge docket. In  
20 Granite Bridge, 17-198, the Company proposed  
21 requested approval of two contracts for  
22 EnergyNorth: The PNGTS contract for supply on a  
23 new pipeline upgrade, and an ENGIE contract for  
24 supply. ENGIE has since become Constellation.

[WITNESS PANEL: Frink|Knepper]

1 Those two contracts we specifically sought  
2 approval for in 17-198. Are you aware of that?

3 A (Frink) Yes, I am.

4 Q First of all, let me -- never mind. In the  
5 motion that the Company filed this summer, we  
6 asked the Commission to do three things in the  
7 Granite Bridge docket. One was to let us  
8 withdraw the original Granite Bridge proposal;  
9 two, was to add a request to approve the new  
10 Tennessee contract; and three, was to add a  
11 request to recover the Granite Bridge costs,  
12 leaving the two contracts in the docket. So, the  
13 new Granite Bridge docket would be Tennessee  
14 Contract, Granite Bridge costs, and those two  
15 contracts that have been sitting around for three  
16 years. Do you understand that to be the case?

17 A (Frink) Yes, I do.

18 Q The order that the Commission issued, 26,409,  
19 just a few weeks ago, accepted the withdrawal of  
20 Granite Bridge, elected not to add those other  
21 two issues to the Granite Bridge docket,  
22 suggesting the Company take them elsewhere, and  
23 then which left the only thing in the docket  
24 being those two contracts. And then, the

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1 Commission said the following: "We note that the  
2 two contracts that Liberty sought approval for in  
3 this docket were discussed and approved in  
4 Liberty's 2018 Cost of Gas docket, DG 18-137."

5 Do you recall that?

6 A (Frink) Yes. I recall that.

7 Q Okay. And, if you look at DG 18-137, the  
8 Company's testimony in that case describes the  
9 new contracts. It says "this upcoming cost of  
10 gas year we have a new contract with PNGTS and we  
11 have a new contract with ENGIE." There are some  
12 discussion in the transcript, but very little, of  
13 those contracts. And then, the order that comes  
14 out does not mention the contracts at all. It  
15 simply says, I have quotes here somewhere, but it  
16 simply says "we find the rates to be just and  
17 reasonable."

18 And, so, why isn't it the case that  
19 that cost of gas order, which did not  
20 specifically approve any contract, but which the  
21 Commission later said "did approve those  
22 contracts", why doesn't that analogy apply here?  
23 Because, in the May '18 Keene Cost of Gas, the  
24 Commission did approve a cost of gas that

[WITNESS PANEL: Frink|Knepper]

1 included those contracts -- or, included the  
2 contract, I'm sorry.

3 A (Frink) Okay. So, again, this is a cost of gas  
4 proceeding. Those contracts were part of the  
5 supply plan. The Commission approved the supply  
6 plan with those contracts. But, until you  
7 actually incurred the costs, they weren't found  
8 prudent.

9 It's no different from the iNATGAS  
10 proceeding, where the Commission approved a  
11 special contract. And, when you sought recovery,  
12 when you actually spent that money and started  
13 providing that service, and getting the revenues  
14 from that customer, then the Commission, when you  
15 sought recovery, said that wasn't prudent.

16 This is no different than the other  
17 cost of gas. Yes, they approved the contracts as  
18 part of the supply plan, but that's just  
19 forecasted costs. And I would say it's  
20 significantly different than what the CNG  
21 contract did, because, on these cost of gas for  
22 taking extra capacity on an interstate pipeline,  
23 you're already connected to that system, you can  
24 take those supplies. There's no uncertainty

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1           regarding the start date.

2                       So, that's -- but, even if it was, even  
3           under those circumstances, we could go back, when  
4           you file a reconciliation the next year and  
5           included those costs, if we thought they were  
6           imprudent, or the Commissioners thought they were  
7           imprudent, they could have ruled those imprudent  
8           in the next cost of gas hearing.

9                       So, yes, when you approve a supply  
10          plan, you're saying "this is reasonable based on  
11          the forecast." But the prudence issue doesn't  
12          arise until you actually incur the costs. And,  
13          for those contracts, you incurred the costs,  
14          Staff had no problem with that. You got  
15          recovery. It was the actual costs were reflected  
16          and recovered through the rates in the following  
17          cost of gas. To the extent there was any over or  
18          under-recovery of those costs, you have to make  
19          it up in the next cost of gas through approval of  
20          an under-recovery, or, if you're over-recovered,  
21          you have to return part of it. But that's when  
22          the prudence was determined on those.

23                       So, the order says "We approve those  
24          contracts" as part of that. I agree. Just like

[WITNESS PANEL: Frink|Knepper]

1           they approved the iNATGAS contract in that  
2           docket. But that wasn't a prudency finding, that  
3           was just signing off on the contracts at that  
4           time, and the results were subject to review  
5           subsequently.

6    Q       Mr. Frink, you're aware that the PNGTS contract  
7           is a 20-year contract, right?

8    A       (Frink) Yes.

9    Q       Is it Staff's position that, in year 14, for  
10           example, if, for some reason, that contract  
11           became uneconomic, that the Commission could deny  
12           recovery of the demand charges related to that  
13           contract?

14   A       (Frink) I certainly would not expect that.

15   Q       But, under your analogy, you're saying the  
16           Commission could do that. Because you're, in  
17           effect, saying the prudency review comes after we  
18           incur the costs?

19   A       (Frink) When -- let's go back to iNATGAS. So,  
20           the Commission approved the contract, disapproved  
21           full recovery, if the Commission, in the next  
22           rate case had said "approved full recovery of  
23           those costs", they would not have gone back at  
24           some point later on and said "you can't recover

[WITNESS PANEL: Frink|Knepper]

1           those costs." It's just, Staff would never do  
2           that, the Commission wouldn't do that.

3                         That is not what I'm suggesting or  
4           proposing here. I'm saying, once you enter a  
5           contract, and once you start recovering costs  
6           under those contracts, and those costs are found  
7           to be prudent, I don't see how, at a subsequent  
8           date, you can say "well, it was okay back then,  
9           but now it's not." So, I don't see that. So,  
10          you know, that's just my position on it.

11                        The first time around, if we have an  
12          issue with -- if there's a concern with the way  
13          you dispatched your supplies with the contracts,  
14          once you actually have done them, if there's not  
15          an issue, I just -- I don't ever recall that  
16          occurring, and I can't imagine would occur. So,  
17          that's just -- is it possible? I don't know. I  
18          don't think so.

19    Q          Just to push back a bit on the -- comparing us to  
20          iNATGAS. The reason for the iNATGAS disallowance  
21          was we spent a lot more on the project than we  
22          had told the Commission it would cost, because we  
23          built a bigger project. And the Commission said  
24          "You shouldn't have done a bigger project. You

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1           should have stuck to what you initially  
2           proposed." That was the reason for imprudence,  
3           correct?

4    A       (Frink) No. That's part of the reason. If you  
5           had gotten the revenues you were expecting, and  
6           you had built a bigger project and generated the  
7           revenues to pay for that project, that wouldn't  
8           have been an issue. So, the revenues were a huge  
9           part of that, too.

10   Q       We don't need to go down my iNATGAS hole further,  
11           we'll leave that to the lawyers. But iNATGAS was  
12           not a supply contract, correct?

13   A       (Frink) That is correct.

14   Q       Okay. There's a comment in your testimony  
15           about --

16                       CHAIRWOMAN MARTIN: Just a minute.  
17           Just a minute, I'm sorry. Ms. Shute, you have  
18           your hand up?

19                       MS. SHUTE: I realize that this  
20           objection is maybe a little late. But I'd like  
21           to ask, Attorney Sheehan brought up a quote about  
22           "two contracts that", from the Granite Bridge,  
23           "sought approval for in this docket were  
24           discussed and approved in Liberty's 2018 Cost of

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1 Gas docket."

2 And I just looked that up, and that's  
3 not the Liberty-Keene cost of gas docket. So, I  
4 don't understand the relevance of those  
5 contracts?

6 MR. SHEEHAN: I'm happy to respond.

7 CHAIRWOMAN MARTIN: Go ahead.

8 MR. SHEEHAN: The purpose of the  
9 reference, Ms. Shute, was to say, in the  
10 EnergyNorth cost of gas, those two contracts were  
11 approved without any comment. The EnergyNorth  
12 2018 cost of gas, the testimony said "We've  
13 entered these two new contracts. They're part of  
14 the rates that we are asking the Commission to  
15 approve." The Commission approved those rates  
16 without any discussion of the contracts.

17 Fast-forward two years, the Commission  
18 said "Approval in that context, in that way in  
19 the cost of gas proceeding, constituted the  
20 approval of those contracts." Period.

21 New paragraph. I want to apply the  
22 same logic here. That the Commission's approval  
23 of rates for Keene, in the Summer of 2018, which  
24 rates included the CNG demand charges and costs

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1 as part of those rates, constitutes approval of  
2 the contract in the same fashion. So, it's  
3 admittedly not the same company, but we think  
4 it's an analogy, a precedent, that the 2018 cost  
5 of gas approval equals approval of the CNG  
6 contract.

7 CHAIRWOMAN MARTIN: Ms. Shute, do you  
8 have a response?

9 MS. SHUTE: I don't at this time. I  
10 did not participate in that cost of gas. And,  
11 while I have reviewed the Keene material, I did  
12 not review the EnergyNorth material. So,  
13 identifying whether or not there is an  
14 appropriate parallel is not something I can  
15 respond to. But, thank you. That's it.

16 CHAIRWOMAN MARTIN: Okay. I'm going to  
17 overrule the objection, given the timing. And I  
18 think that Mr. Frink was able to provide his  
19 answer related to this docket.

20 I will say, though, that the order  
21 speaks for itself. And I think what I heard  
22 Mr. Sheehan represent may be slightly different  
23 from the quote I just heard. So, I just want to  
24 make the note that the order speaks for itself.

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1 BY MR. SHEEHAN:

2 Q The last topic for you, Mr. Frink, is the  
3 incremental costs, as we discussed at the outset.  
4 I think we agreed that this turns on whether the  
5 conversion of the Marketplace was prudent or not.  
6 And what I'd like to point you to is the order of  
7 July '19, July 26, 2019, Order 26,274. And that  
8 is the order where the Commission essentially  
9 accepted the Safety Division's recommendation --

10 MS. SCHWARZER: Excuse me. Is this the  
11 declaratory judgment docket?

12 MR. SHEEHAN: Yes. I was just about to  
13 say that.

14 BY MR. SHEEHAN:

15 Q It's the order where the Commission is accepting  
16 the Safety Division's recommendation, after  
17 review of the Company's plans, that we could go  
18 forward with the conversion. And it says, at  
19 Page 14, "Accordingly, we grant Liberty the  
20 permission and approval to undertake the  
21 conversion of the Keene system, subject to the  
22 conditions set forth herein."

23 MS. SCHWARZER: Excuse me. If we might  
24 just pause for a moment, so that I can open the

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1 order and just follow along, because I just would  
2 like to be able to do that.

3 CHAIRWOMAN MARTIN: Let's pause while  
4 everyone is bringing up that order.

5 *[Short pause.]*

6 MS. SCHWARZER: Mr. Sheehan, is it  
7 2016? It was July 26, 2016?

8 MR. SHEEHAN: Nineteen. 2019.

9 MS. SCHWARZER: Okay. And what page  
10 are we on?

11 MR. SHEEHAN: Fourteen.

12 CHAIRWOMAN MARTIN: And, Mr. Sheehan,  
13 when you begin, will you just start at the  
14 beginning with the quote again.

15 BY MR. SHEEHAN:

16 Q "Accordingly, we grant Liberty the permission and  
17 approval to undertake the conversion of the Keene  
18 system, subject to the conditions set forth  
19 herein."

20 MS. SCHWARZER: I do apologize, but I'm  
21 on Page 14, but I don't see a sentence that  
22 starts "accordingly".

23 MR. SHEEHAN: Page 15 or 14?

24 MS. SCHWARZER: I think you said "14".

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1 Is it on 15?

2 MR. SHEEHAN: No, I said "14".

3 MS. SCHWARZER: Is it near the top? Is  
4 it --

5 MS. SHUTE: It's the very last  
6 sentence, before the "Ordered" --

7 MS. SCHWARZER: Got it. Thank you.

8 CHAIRWOMAN MARTIN: Okay. Well, I was  
9 at "conversion". Mr. Sheehan, I'm not sure where  
10 you left off. "To undertake conversion".

11 BY MR. SHEEHAN:

12 Q "Undertake conversion" -- "undertake the  
13 conversion of the Keene system, subject to the  
14 conditions set forth herein."

15 My question for Mr. Frink is, why  
16 didn't that grant the Company permission to  
17 undertake the conversion of the Marketplace?

18 MS. SCHWARZER: Would you please repeat  
19 your question?

20 CHAIRWOMAN MARTIN: And, Mr. Sheehan,  
21 you're on mute.

22 BY MR. SHEEHAN:

23 Q Why did that not grant the Company permission to  
24 convert the Marketplace to CNG?

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1 A (Frink) So, there were three orders in that  
2 docket, and it all had to do with whether it was  
3 safe to provide service. So, that -- well, the  
4 first order said, by your tariff, that you could  
5 provide gas under the existing tariff. And then  
6 the other clarifying orders were about you can --  
7 it's safe -- you met the requirements to do it  
8 safely. None of those orders say that doing so  
9 is prudent. And, in fact, in other, the rate  
10 case and other places, it has been raised  
11 repeatedly that that has not been determined,  
12 that that conversion is prudent.

13 So, the fact that you have three orders  
14 in that declaratory ruling request has nothing to  
15 do with prudence as regarding cost recovery. It  
16 has everything to do with "is it safe to provide  
17 service in Keene at this point in time?" So,  
18 there were concerns that you went forward with  
19 this, with plans to provide CNG that were not  
20 adequate, didn't meet the safety requirements,  
21 didn't meet the codes, and didn't -- and you  
22 didn't -- you hadn't necessarily decided the  
23 issue whether you even had the authority.

24 So, that's -- all that relates to that.

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1 It has, again, nothing to do with was it a  
2 prudent decision to set, you can -- your plans  
3 now are adequate to where we feel it's safe to  
4 do, doesn't mean it was prudent to do.

5 Q Those words don't appear in the order -- in the  
6 language I just read, does it? It doesn't say  
7 "It's safe to do it. Now, come back and tell us  
8 when you do it." It says you have --

9 MS. SCHWARZER: Objection.

10 CHAIRWOMAN MARTIN: Ms. Schwarzer.  
11 Let's hear the objection, Mr. Sheehan.

12 MS. SCHWARZER: Thank you. There is a  
13 portion of the order that Attorney Sheehan has  
14 referred to that specifically says that "The  
15 order is not to be construed as a prudence  
16 finding."

17 And, if I could direct everybody's  
18 attention to that portion, I would like to do  
19 that.

20 CHAIRWOMAN MARTIN: Ms. Schwarzer, why  
21 don't you do that on your redirect.

22 MS. SCHWARZER: I will. Thank you.

23 CHAIRWOMAN MARTIN: Mr. Sheehan.

24 BY MR. SHEEHAN:

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1 Q The qualifications, Mr. Frink, the qualifications  
2 that you put on this order, about what the  
3 Commission meant was, we've checked the "safety"  
4 box, those are my words, obviously, don't appear  
5 in the language I just read, is that correct?

6 A (Frink) That is not in the language that you just  
7 read, yes.

8 Q Okay. The next sentence is the ordering clause  
9 itself. "The Safety Division's recommendation  
10 that Liberty be permitted to initiate the  
11 conversion of the Keene propane-air distribution  
12 system to compressed natural gas to customers in  
13 the Keene Division for Phase I is approved."  
14 That's what the ordering clause says, correct?

15 A (Frink) Unfortunately, I don't have that order in  
16 front of me. Give me just a minute.

17 Are we talking about 26,274, that  
18 order? Or is it the 26,294?

19 Q 274, the first order --

20 A (Frink) 274, okay. So, I have that. And we're  
21 on what page?

22 Q At the end, the ordering clause.

23 A (Frink) Commission analysis -- oh, the ordering  
24 clause, okay.

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1 Q The second one.

2 A (Frink) The second one says "Further Ordered, the  
3 Commission's Safety Division's recommendation  
4 that Liberty be permitted to initiate the  
5 conversion of the Keene propane-air distribution  
6 system to compressed natural gas to customers in  
7 the Keene Division for Phase I is approved."  
8 Okay.

9 Q And Phase I is the Monadnock Marketplace,  
10 correct?

11 A (Frink) That was the first step, first conversion  
12 step.

13 Q So, is your answer "yes", that "Phase I" equals  
14 the "Monadnock Marketplace"? You agree?

15 A (Frink) Yes.

16 Q The next paragraph talks about the remaining  
17 phases, the conversion of the entire Keene  
18 system, and it says we can't do so until we've  
19 met future requirements, correct?

20 A (Frink) That is correct.

21 Q So, again, my question is, having received this  
22 order in July of '19, why did the -- why should  
23 the Company not believe "it was now okay to  
24 convert the Keene" -- "the Monadnock

[WITNESS PANEL: Frink|Knepper]

1 Marketplace"?

2 A (Frink) The Monadnock Marketplace conversion  
3 started well before this order was issued. So,  
4 what -- what's the date on this order?

5 Q I can represent to you, Mr. Frink, that this  
6 order is July '19, and that we actually did the  
7 conversion in October of '19, and turned the gas  
8 on in late October of '19. So, this was the  
9 order that said, we thought, "You're good to go,  
10 convert the Marketplace", and we did. And you're  
11 trying to say that --

12 CHAIRWOMAN MARTIN: Ms. Schwarzer, are  
13 you making an objection?

14 MS. SCHWARZER: I'm asking that a  
15 document that Mr. Frink has not had a chance to  
16 read recently, which is being focused on in one  
17 tiny portion, really ought to be seen in the  
18 larger picture. And I think it's unfair to ask  
19 Mr. Frink to answer about the last two pages,  
20 when there's relevant testimony in the rest of  
21 that document -- there's relevant -- there's  
22 relevant findings in the rest of that document.

23 And, so, it's never been the habit of  
24 any lawyer to focus on one sentence out of

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1 context, or the ordering clause out of context.  
2 The ordering clauses flow from the analysis above  
3 them.

4 CHAIRWOMAN MARTIN: Mr. Sheehan.

5 MR. SHEEHAN: I've asked the witness to  
6 tell me why I'm wrong with my interpretation of  
7 that. He can answer with whatever is in that  
8 order, whatever in his knowledge to contradict  
9 what we think is a very reasonable interpretation  
10 of an ordering clause.

11 MS. SCHWARZER: But part of that is a  
12 legal argument and legal analysis. And the  
13 person who is supposed to be providing that for  
14 Staff is Staff counsel. And I'd be happy to read  
15 the relevant portions of the document into the  
16 record.

17 MR. SHEEHAN: But Mr. Frink made  
18 testimony that it was imprudent for us to convert  
19 the Marketplace, or I should say "it has not been  
20 determined yet". And that's a legal conclusion,  
21 too. So, he's taken a step in that direction,  
22 frankly, like all witnesses do in PUC  
23 proceedings. And, if he has an answer for why,  
24 if he can answer my question, great, I'd like to

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1           hear it.  If he doesn't, if he considers it a  
2           legal argument, save it for others, he can  
3           certainly answer that way.

4                         CHAIRWOMAN MARTIN:  Mr. Frink, you can  
5           answer to the extent that you are comfortable  
6           answering, based upon your own recollection or  
7           opinion.

8                         And, Ms. Schwarzer, you can certainly  
9           bring up all of those points on your direct -- on  
10          your redirect.

11                        MS. SCHWARZER:  Thank you.

12   **BY THE WITNESS:**

13   A       (Frink) And, so, I am looking at my testimony, on  
14           Bates Page 11, I speak to that.  And I quote from  
15           the order that, in that order it says "This  
16           docket was a proceeding to examine the safety of  
17           the CNG facility limited to service in the  
18           Monadnock Marketplace.  Adequate plans are not  
19           equivalent to prudent plans."

20                        So, let me see what else it says.  
21           Okay.  Well, my testimony on that issue speaks  
22           for itself.  The order speaks for itself.  It  
23           was -- I've stated my understanding of what those  
24           contracts -- what those orders did.

[WITNESS PANEL: Frink|Knepper]

1 BY MR. SHEEHAN:

2 Q Okay. Thank you. Last couple questions, Mr.  
3 Frink.

4 Once the Monadnock Marketplace was  
5 converted to CNG, the Company physically cannot  
6 supply it with propane. Do you agree with that?

7 A (Frink) Yes. Absolutely.

8 Q And, if the Commission were to find it was  
9 appropriate for us to convert the Marketplace,  
10 the question is not a comparison of propane to  
11 CNG, the question would be simply "is the CNG,  
12 that that's a reasonable cost for those  
13 customers?"

14 A (Frink) I agree.

15 Q And Staff has raised no issues with the way that  
16 we obtained, you know, the RFP to get this  
17 pricing. Staff has not raised any objection to  
18 the CNG pricing, as compared to other CNG pricing  
19 we may have obtained. Is that right?

20 A (Frink) Well, again, we haven't done a prudence  
21 review of the -- so, you're in the process of  
22 entering a new contract. As I have already  
23 suggested, this existing contract could have been  
24 structured differently. But the fact that you

[WITNESS PANEL: Frink|Knepper]

1 never, until this point, sought recovery of all  
2 those demand charges that were incurred prior to  
3 taking service, and the fact that we have said  
4 don't provide for recovery of incremental costs  
5 until the conversion issue is decided, means we  
6 haven't really taken a position on whether the  
7 terms of the contract are reasonable or are the  
8 best terms you could have gotten.

9 Q One difference, Mr. Frink, between future supply  
10 costs and future demand costs is that, although  
11 the supply costs may be estimated, the demand  
12 costs are fixed and known. Fair enough?

13 A (Frink) Yes. That's correct.

14 Q So, the Commission -- the Staff could take a  
15 position on demand costs the first time the  
16 contract comes up for inclusion in cost of gas  
17 rates? You could say "This is a bad contract.  
18 The demand charges are too high"?

19 A (Frink) Yes. Absolutely, we could do that.

20 Q And Staff didn't?

21 A (Frink) Well, we haven't to date. Again, this is  
22 the first time that you've sought recovery of  
23 actual costs incurred under that contract. So,  
24 in 2018, when you showed a supply plan with

[WITNESS PANEL: Frink|Knepper]

1 significantly higher costs for CNG, and they have  
2 only gotten more out-of-whack since then, then it  
3 became an issue.

4 We've been bringing it up at every cost  
5 of gas hearing. We certainly hope to resolve it  
6 in the pending distribution rate case that's  
7 before the Commission. But it's -- demand costs  
8 are a feature in gas supply for EnergyNorth, not  
9 as much for Keene, because you have limited  
10 options. But, generally, peaking supplies, you  
11 want the lowest demand costs possible, because  
12 you don't know if you're going to use them. And  
13 you had entered a contract here with -- when you  
14 didn't know you were going to use it with high  
15 demand costs. So, that's -- our position is  
16 maybe that was an imprudent contract.

17 But you're right, we have not, to date,  
18 argued that point.

19 Q Mr. Frink, do you agree that the Company is going  
20 to have to leave the propane-air facility in the  
21 coming years?

22 A (Frink) No. I don't agree with that.

23 Q Okay. Mr. Frink, the demand costs that are part  
24 of this contract, was there a portion of those

[WITNESS PANEL: Frink|Knepper]

1 that were approved in the summer cost of gas?

2 A (Frink) Which summer cost of gas?

3 Q We had a portion of the -- the CNG went live in  
4 October, which is the summer period. So, those  
5 costs were included in the next Summer of 2020  
6 cost of gas filing.

7 A (Frink) So, we did talk about that in the cost of  
8 gas. It represented 3.5 percent of the sales.  
9 That -- so, we have been arguing, as I've said  
10 all along, that incremental costs shouldn't be  
11 recovered. Incremental costs, CNG costs, are  
12 made up of demand costs and commodity costs and  
13 adders, etcetera. So, to the extent that's part  
14 of their total bill, we did not specifically say  
15 "you shouldn't be allowed to recover the demand  
16 costs." When it is -- we'll be looking at the  
17 incremental costs as a whole. But we did not --  
18 yes, there were demand costs -- there would have  
19 been actual demand costs from October 4th through  
20 October 30th for the Summer of 2019.

21 Q And those rates, including whatever  
22 reconciliation, that was again approved by the  
23 Commission with the Summer 2020 Cost of Gas rate?

24 A (Frink) Right. So, we're not going to go back

[WITNESS PANEL: Frink|Knepper]

1 and say "you can't recover that small piece of  
2 demand charge for that small piece of period", to  
3 the extent it didn't exceed the total bill for  
4 CNG over the cost of propane.

5 MR. SHEEHAN: Okay. That's all I have.  
6 Thank you.

7 CHAIRWOMAN MARTIN: Okay. I think  
8 we'll take a fifteen minute break at this time,  
9 and return at three o'clock. Thank you.

10 *(Recess taken at 2:45 p.m. and the*  
11 *hearing resumed at 3:03 p.m.)*

12 CHAIRWOMAN MARTIN: Okay. Let's go  
13 back on the record then. Commissioner Bailey.

14 CMSR. BAILEY: Thank you.

15 BY CMSR. BAILEY:

16 Q Can we look at Mr. Mullen's testimony,  
17 Exhibit 6? And I'd like to look at the timeline  
18 on Page 39.

19 Can we -- well, can you help me fill in  
20 some of the things we were just talking about?  
21 Mr. Frink or Mr. Knepper, do you agree with this  
22 timeline? And do you think that it's a complete  
23 timeline?

24 A (Knepper) Could you say what Bates Page that's

[WITNESS PANEL: Frink|Knepper]

1 on?

2 Q Page 39, I believe.

3 A (Frink) I believe it's accurate. I think it's a  
4 very handy timeline, and it fits with my  
5 understanding.

6 Q It's consistent with your understanding, is that  
7 what you said?

8 A (Frink) Yes.

9 Q Mr. Knepper?

10 A (Knepper) I didn't really analyze it. I'm  
11 squinting now to try to read it. I don't have  
12 any comments on it. So, --

13 Q Okay. Hold on one second. Mr. Knepper, I don't  
14 have in front of me the recommendations that you  
15 made in the safety report that you discussed with  
16 Mr. Sheehan. But you said that there were  
17 several options on Page 17, do you remember that?

18 A (Knepper) I do remember that.

19 Q Can you tell me what other options were available  
20 to the Company to address the blower problem?

21 A (Knepper) Yes. When we wrote that report, the  
22 Company submitted different options that they  
23 considered along the way. And they put them into  
24 buckets of whether they were "short term",

[WITNESS PANEL: Frink|Knepper]

1 "medium term", or "long term". And, so, at the  
2 time, we were focused on short term, when we  
3 wrote this report, because it was within 90 days  
4 after the event occurred in December. And, so,  
5 we had been ordered by the Governor to write a  
6 report.

7 But I do remember they had gone through  
8 those alternatives. And one of them, the  
9 long-term one, they had talked about installing  
10 LNG, and they had also -- another option was to  
11 install CNG.

12 Q And do you believe that that was the only --  
13 those were the only options to address the  
14 problem with the propane system and the blowers?

15 A (Knepper) No. I think the options that they had,  
16 where I think there was one of seventeen or so  
17 that I recall. But the immediate ones had  
18 already been taken care of, as far as  
19 replacing -- they had a fuse that had gone bad,  
20 and they had done some rewiring. They had  
21 brought some people over. They had done some  
22 certain things that they could do immediately.  
23 And those were the ones that they implemented.  
24 And then, it became part of a long-term, I guess,

[WITNESS PANEL: Frink|Knepper]

1 strategy that they were talking about doing.

2 But our report wasn't really focused on  
3 the long term. It was the report was focused on  
4 what was their response to the event.

5 Q Okay. And do both of you or, Mr. Frink, do you  
6 have a copy of Order 26,274 handy?

7 A (Frink) I have it open, yes.

8 Q All right. Now, I have to get back to it. Hang  
9 on one second.

10 All right. I'm just going to ask you,  
11 did that order have anything to say about whether  
12 the conversion to Monadnock Marketplace was  
13 prudent?

14 A (Frink) There was no -- nothing in that order  
15 that said the Monadnock Marketplace conversion  
16 was prudent.

17 Q Were there words in the order that -- to the  
18 effect that we were not making a prudency  
19 finding?

20 A (Frink) I believe so. I'm looking at the order.  
21 And I'm looking at Page 10, the bottom of Page  
22 10. It says "the conversion of the Keene system  
23 will also include the replacement of much of the  
24 existing system pipelines that currently provide

[WITNESS PANEL: Frink|Knepper]

1 propane-air gas to customers. Liberty provided  
2 only limited testimony in its general rate case  
3 as to how the proposed conversion might be  
4 economically just and reasonable."

5 "In Order 26,065," that was the first  
6 order in that docket, "we cautioned that the  
7 declaratory ruling did not include any finding of  
8 prudence. In this order, we clarify that Order",  
9 again, the prior order, "26,065 should not be  
10 construed to constitute pre-approval of as yet  
11 undefined proposals for future capital projects  
12 within Liberty's Keene system. The Company  
13 stated in the acquisition proceeding that it  
14 would pursue conversion to CNG or LNG if it's  
15 economical to do so, and results in lower cost to  
16 customers."

17 And, then, there's one more sentence  
18 after that. "As Staff testified in Liberty's  
19 most recent rate case, the Company has not  
20 provided a comprehensive business plan for the  
21 Keene system conversion and has provided little  
22 or no economic analysis or justification of the  
23 costs of the proposed system to ratepayers."

24 To me, that clearly says there hasn't

[WITNESS PANEL: Frink|Knepper]

1           been a prudency finding to date, and the Company  
2           hasn't demonstrated it. So, it's open.

3   Q       Okay.

4                       CHAIRWOMAN MARTIN: Commissioner  
5           Bailey, you were on mute for that last little  
6           bit.

7                       CMSR. BAILEY: I said "Okay. Thank  
8           you. That's all I have of this panel."

9                       CHAIRWOMAN MARTIN: Thank you. Okay.  
10          I just have a few questions, probably for Mr.  
11          Knepper.

12   BY CHAIRWOMAN MARTIN:

13   Q       How long, prior to the -- we'll call it the  
14           "safety incident" with the blowers that we've  
15           heard testimony about today, how long had the  
16           Company or its predecessors provided propane-air  
17           prior to that incident? If you know.

18   A       (Knepper) Decades.

19   Q       Okay. And are you aware of whether an incident  
20           like that had ever happened in the past?

21   A       (Knepper) When we did our investigation, we had  
22           asked for ones that, you know, anything similar,  
23           we had asked that as part of our discovery  
24           questions to them. And they had given us some

[WITNESS PANEL: Frink|Knepper]

1 things, but nothing to the extent that happened  
2 in September -- or, December of 2015.

3 They have had blips before on their  
4 system. They have always been able to, even when  
5 it got out of the range of the propane-air ratio,  
6 they were always able to get it back in line very  
7 quickly.

8 And, so, you know, we didn't think, in  
9 my opinion, it wasn't like the very first time,  
10 that this had never ever happened before. They  
11 had to different degrees and to different  
12 situations, they have had malfunctions of their  
13 propane-air system in the past.

14 Q Can you, I guess, clarify for me then whether it  
15 was it a -- it sounded like it came from a power  
16 failure. But was there also a related equipment  
17 failure?

18 A (Knepper) Yes.

19 Q Could you walk through that?

20 A (Knepper) So, the power failure instigated the  
21 equipment not responding the way it normally  
22 would. So, you know, the root cause is probably  
23 the power failure from the electrical provider.  
24 But all customers have to have equipment that

[WITNESS PANEL: Frink|Knepper]

1 can, you know, the utilities, just like today,  
2 don't have to be able to provide service all the  
3 time. And, so, they had, for those situations  
4 where they have power outages, they had backup  
5 generators.

6 But they had installed equipment that  
7 was very sensitive to voltage dips. And, so,  
8 they had a brief voltage dip. It lasted, I  
9 think, less than a second. But it was enough to  
10 trip and trigger the equipment to not respond  
11 like it normally would.

12 Q Okay. Thank you. You testified earlier, and I'm  
13 not quoting but summarizing, that the Company  
14 needed to meet a number of safety requirements in  
15 order to convert to CNG, and you walked through  
16 some of those.

17 Is there an estimate as to how long  
18 that meeting those outstanding requirements  
19 should have taken? Are you able to give an  
20 opinion on that?

21 A (Knepper) So, you know, the minute you start to  
22 flow gas, you have to be prepared for all the  
23 situations that are now your responsibility. So,  
24 you have to have preparations for "how am I going

[WITNESS PANEL: Frink|Knepper]

1 to be able to shut this down in an emergency?"  
2 You know, "Is it going to be a matter of minutes?  
3 How long is it going to take people to get  
4 there?" "When I do maintenance on things, are  
5 people qualified to work on compressed natural  
6 gas, whereas before they may not have been?"  
7 "Have they informed the public?" "Do the  
8 plumbing and heating contractors know that this  
9 customer is on natural gas, whereas another  
10 customer on another street is still on  
11 propane-air?" And, so, they should expect these  
12 type of things.

13 These all become what we call "safety  
14 requirements" that Liberty is used to on a  
15 day-to-day basis throughout their regular  
16 systems. And, now that you introduced a new  
17 element to Keene, natural gas, you've got to be  
18 prepared for it. I mean, the pressures are  
19 higher. So, you've got to be prepared for those  
20 kind of things. And those are what we call the  
21 "safety requirements" that are associated with  
22 it.

23 Q In your opinion, could those safety requirements  
24 have been completed, assuming a contract were

[WITNESS PANEL: Frink|Knepper]

1 entered into May, by November of the same year?

2 A (Knepper) It wasn't really dependent upon when a  
3 contract's signed. It's dependent upon when  
4 you're going to flow gas. The minute you flip  
5 the switch, and you turn it on, you now have to  
6 be prepared to be able to respond.

7 So, whenever that is, whether -- if you  
8 sign a contract, and a month later you're going  
9 to start to flow gas, then the answer is "that's  
10 when you have to be prepared to do it." If it  
11 ends up being six months later, you have to be  
12 prepared.

13 Those are the kind of things that we  
14 pointed out to the Company that you need to think  
15 through, because you are a regulated utility.  
16 You're not just an end-user for a CNG supplier.

17 Q Okay. So, assuming that, I think it was Section  
18 192 that we heard testimony about earlier,  
19 assuming that applies, could the Company have met  
20 the requirements, the safety requirements related  
21 to that, within six months?

22 A (Knepper) Could they have met the requirements of  
23 that within six months? The answer was, I don't  
24 know whether they -- they could have, if they had

[WITNESS PANEL: Frink|Knepper]

1 properly prepared and done those type of things,  
2 but they did not. And, so, every time we asked a  
3 question, they kind of responded to our question.  
4 They hadn't really pre-thought it out, they  
5 hadn't, you know, they really hadn't had an  
6 answer to some of those things. And, so, that's  
7 when it became quite apparent that they had to  
8 put a plan together, a comprehensive plan, and  
9 that you couldn't just do this piecemeal.

10 Q So, it wasn't that it was impossible to have met  
11 the safety requirements. It was just that the  
12 Company didn't, in your opinion, plan to and work  
13 toward meeting those, in that timeframe?

14 A (Knepper) That's correct. They certainly could  
15 have; they did not. And, so, that's when we --  
16 the Commission, you know, we kind of said to the  
17 Commission "they need to file a plan here, and we  
18 need to review what's going on." And within  
19 that, that's when we, you know, came back with a  
20 set of 180 some recommendations and comments of  
21 where they needed to improve things.

22 You can't safely run a system, if the  
23 drawings say one thing, and the part that's  
24 installed is something else. You have to have --

[WITNESS PANEL: Frink|Knepper]

1           you have to have knowledge and intimate knowledge  
2           of the system, what you have. So that, when you  
3           have an emergency, you've got it all. You're not  
4           scrambling and trying to look it up.

5                         And, you know, introducing a third  
6           party, XNG, to operate equipment on -- that's  
7           traditionally owned by a regulated utility just  
8           raised a lot of concerns for the Commission. And  
9           that's when we, you know, we started asking a lot  
10          of questions.

11   Q       We heard about a dispute over the applicability  
12           of Part 192. When and how was that resolved?

13   A       (Knepper) Well, I guess the dispute -- I guess  
14           the Company might have thought there was a  
15           dispute. There was never a question in my mind  
16           from day one. It was they were always subject to  
17           192. That's what our regulations, our Puc 500  
18           rules say. And, so, it was applicable in this  
19           case, just like any other case that they supply  
20           gas to. Except for, when they do LNG, they have  
21           to follow Part 193, and that's written in our  
22           rules as well.

23   Q       Okay. I understand that the Commission's  
24           position, Staff's position was that that Part

[WITNESS PANEL: Frink|Knepper]

1 always applied. I was wondering if there was a  
2 point in time at which the Company indicated to  
3 you or other Staff that it was no longer  
4 disputing the applicability of Part 192?

5 A (Knepper) I think it became pretty clear, and we  
6 were pretty adamant that it falls under that,  
7 because it just raised a whole host of other  
8 questions that they wouldn't be able to, you  
9 know, answer. You can't have a third party to be  
10 able to shut down an entire gas distribution  
11 system remotely, from afar, because, you know,  
12 some alarm goes off. That's clearly the  
13 utility's responsibility. We don't allow fire  
14 departments to do that. Only the utility, who  
15 has the information and knows the impact and what  
16 it's going to be, can do those kind of things.

17 CHAIRWOMAN MARTIN: Okay. Thank you.  
18 I have no other questions.

19 Ms. Schwarzer.

20 MS. SCHWARZER: Thank you very much. I  
21 just have two follow-up questions for Mr.  
22 Knepper.

23 **REDIRECT EXAMINATION**

24 BY MS. SCHWARZER:

[WITNESS PANEL: Frink|Knepper]

1 Q Mr. Knepper, did the Safety Division's Adequacy  
2 Assessment Report, in DG 17-068, regarding the  
3 safety issues associated with CNG conversion in  
4 Keene, recommend to the Commission that any or  
5 all costs incurred by Liberty, including the  
6 demand costs associated with the XNG CNG supply  
7 contract, for the Keene conversion be considered  
8 prudent?

9 And this question is in your prefiled  
10 testimony, at Bates 004, at Lines 10 through 13.

11 A (Knepper) And, so, my answer is the same as it  
12 was in the prefiled testimony, on Line 15, that  
13 says "no".

14 Q Okay. So, did the Safety Division's report  
15 constitute any sort of statement about the  
16 advisability or the reasonableness of the costs  
17 or the economics for the conversion, other than  
18 safety?

19 A (Knepper) No. We didn't. We purposefully tried  
20 to stay away from that, because that wasn't part  
21 of the Commission's order for us to investigate.  
22 It was not part of the scope of the work. And,  
23 to do that, we would then have to probably bring  
24 in the Gas Division, and it would become a -- not

[WITNESS PANEL: Frink|Knepper]

1 a Safety Division report, it would become an  
2 entire Gas and Safety Division effort. And, so,  
3 that's not part of it.

4 Q So, Mr. Knepper, I don't know if you have  
5 decision -- excuse me -- Order 27 -- the one Mr.  
6 Frink was reading from. It's the Order, DG  
7 17-068, Order 26,274?

8 A (Knepper) I'm looking at it from the Commission  
9 website, yes.

10 Q Okay. So, if you go to the bottom of Page 14?

11 A (Knepper) I'm on Page 14.

12 Q Okay. And there are two "further ordered"  
13 clauses at the bottom. "Further ordered, that  
14 the Commission's Safety Division's recommendation  
15 that Liberty be permitted to initiate the  
16 conversion of the Keene propane-air distribution  
17 system to compressed natural gas to customers in  
18 the Keene Division for Phase I is approved."

19 In your opinion, is that "further  
20 ordered" clause commenting on prudence?

21 A (Knepper) No. I believe it only is talking about  
22 the safety measures employed to do the initial  
23 conversion of Phase I.

24 Q And, in that clause, it specifically references

[WITNESS PANEL: Frink|Knepper]

1 the "Commission's Safety Division's  
2 recommendation", correct?

3 A (Knepper) That's correct.

4 Q Then, the next one is "that Liberty shall not  
5 flow any gas through Phases II through V of  
6 CNG/LNG installations in Keene until the Director  
7 of the Commission's Safety Division has found the  
8 required plans and reports to be adequate and has  
9 completed its physical inspection of the  
10 facilities."

11 Does that go to safety or prudence?

12 A (Knepper) That goes to safety. And it's very  
13 similar to the phrasing that the Commission  
14 ordered in the first phase. That you can't flow  
15 gas until you submit some plans and we do some  
16 inspections.

17 MS. SCHWARZER: Thank you. I don't  
18 have any further questions.

19 CHAIRWOMAN MARTIN: Okay. Thank you.  
20 Mr. Sheehan, how is Mr. Mullen doing at this  
21 point?

22 MR. SHEEHAN: I think he's doing fine.  
23 I chatted with him. He still does not have  
24 power. And the report from Eversource is

1 "there's many outages", and no projection on when  
2 he'll be turned back on.

3 He is here. He can probably speak, if  
4 there's been any update.

5 MR. MULLEN: I just checked on my  
6 phone. And, again, there's no estimated  
7 restoration time. So, I have no other  
8 information, other than I'm out of power, and  
9 they know about it.

10 CHAIRWOMAN MARTIN: Okay. So, it  
11 sounds like we may need to continue this hearing  
12 for the testimony of Mr. Mullen.

13 Okay. Is there anything else we need  
14 to do, before we do that?

15 Ms. Schwarzer.

16 MS. SCHWARZER: Thank you. I would  
17 move Exhibit 10 into evidence, which is Mr.  
18 Knepper's prefiled direct testimony.

19 CHAIRWOMAN MARTIN: I think we can  
20 probably do the remainder of the exhibits at  
21 once, because we don't have an interim pending  
22 order.

23 MS. SCHWARZER: Okay.

24 CHAIRWOMAN MARTIN: Okay. So, why

1 don't we then continue this hearing to another  
2 for the testimony of Mr. Mullen. And the  
3 Executive Director will have to look at our  
4 schedules and work with the parties to come up  
5 with a date. And I know that the parties are  
6 pretty business right now. But I also know that  
7 this needs a quick turnaround.

8 So, with that, I think we will close  
9 the hearing for the day, continue it to a future  
10 date that will be determined. And we are  
11 adjourned. Thank you, everyone.

12 ***(Whereupon the hearing was adjourned***  
13 ***at 3:28 p.m. Continuation of the***  
14 ***hearing (Day 3) will be held on a date***  
15 ***to be determined.)***