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P R O C E E D I N G

CHAIRWOMAN MARTIN: We're here this morning in Docket DG 21-130 for a prehearing conference regarding the Liberty Winter 2021/2022 cost of gas and Summer 2022 cost of gas.

Let's take appearances, starting with Mr. Sheehan.

MR. SHEEHAN: Good morning. I'm Mike Sheehan, for Liberty Utilities (EnergyNorth Natural Gas).

CHAIRWOMAN MARTIN: Okay. Thank you. And Mr. Kreis.

MR. KREIS: Good morning, Chairwoman Martin, Commissioner Goldner, fellow practitioners. I am Donald Kreis, the Consumer Advocate, here on behalf of residential ratepayers. And with me is our new Director of Rates & Markets, Maureen Reno.

CHAIRWOMAN MARTIN: All right. Thank you. And Ms. Schwarzer.

MS. SCHWARZER: Good morning. I am Mary Schwarzer, Staff attorney from the Department of Energy, representing the Division of Regulatory Support.

1 CHAIRWOMAN MARTIN: All right. Thank
2 you. And before we take initial positions, are
3 there any preliminary matters we need to address
4 in this case?

5 MS. SCHWARZER: Madam Chairwoman?

6 CHAIRWOMAN MARTIN: Yes.

7 MS. SCHWARZER: I just wanted to note
8 I'll be refileing the appearance that I filed
9 yesterday. There's an error in an email address.
10 And the remaining information in that letter
11 remains accurate as of today. The Department of
12 Energy has not assigned an analyst as yet.

13 CHAIRWOMAN MARTIN: Okay. Thank you.
14 I think I noticed Mr. Frantz's name was spelled
15 wrong.

16 MS. SCHWARZER: Exactly. Thank you.

17 CHAIRWOMAN MARTIN: Okay. Anyone else?

18 MR. SHEEHAN: We have -- the only
19 preliminary is the usual confidentiality
20 assertion for some of the data in the filing.
21 But I don't expect that to come up at all in this
22 morning's hearing.

23 CHAIRWOMAN MARTIN: Okay. That was
24 noted. And, Mr. Sheehan, if you could speak up

1 as well. You are, as we have discussed before,
2 soft spoken, as am I, usually.

3 Mr. Kreis, anything?

4 MR. KREIS: Nothing from me.

5 CHAIRWOMAN MARTIN: All right. Then,
6 why don't we take initial positions, starting
7 with Mr. Sheehan.

8 MR. SHEEHAN: Thank you. And good
9 morning.

10 My initial position is a bit longer
11 than it would normally be in a cost of gas
12 hearing, because there are several items at play
13 here, and a couple one-offs, if you will. So,
14 bear with me, this will take ten minutes or so.

15 First, this hearing proposes cost of
16 gas rates for the winter that are substantially
17 higher than last year, and it proposes an LDAC
18 charge that is substantially higher than last
19 year. And I would like to highlight for the
20 Commission the drivers of those increases.

21 First, the cost of gas itself, which
22 is, of course, the fuel that we buy from others,
23 and the associated costs, is substantially higher
24 because of the overall market for fuel. We buy

1 fuel, all of our purchases of fuel are based on a
2 market price, plus whatever it takes to get the
3 gas to New Hampshire. There are no Fixed Price
4 contracts for fuel in this industry. So, if the
5 market price is X, we buy X plus Y.

6 This winter, market prices around the
7 world have gone up dramatically. Some of the
8 factors include utilities generally have low
9 supply -- low storage levels. There has not been
10 all of the gas injected into storage as an
11 industry, as is normally the case. And this is
12 due, interestingly, because of hot weather in the
13 Midwest all summer, which required the utilities
14 burning gas to generate electricity to keep them
15 cool. So, it's been a little slow uptake on the
16 storage.

17 Second, LNG is now being exported from
18 the U.S. all over the world. Other parts of the
19 world are having gas storages. American LNG is
20 cheap. And, so, the LNG producers are selling it
21 at higher prices all over the world, primarily in
22 Europe, but in other places.

23 And, third, Hurricane Ida affected
24 production in the Gulf area.

1 Those three factors have driven prices
2 up dramatically, and that's reflected in our
3 filing.

4 Also, prices continue to rise since our
5 filing a couple weeks ago. And we will be making
6 a supplemental filing close to the hearing date
7 to reflect the up-to-the-minute pricing as best
8 we can.

9 Second driver in the increase is the
10 inclusion of about \$1.9 million in indirect
11 costs. That is a result of the recently
12 completed rate case, where those costs were
13 previously in distribution rates, and, by
14 agreement, and approved by the Commission, those
15 costs have been taken out of distribution rates
16 and put into cost of gas rates. These are the
17 costs generally associated with running our
18 propane and LNG facilities. So, it's not an
19 overall increase, it's a reallocation of those
20 dollars.

21 As an aside, the EnergyNorth filing
22 includes 1.9 million of these indirect costs.
23 Two hundred (200) of that should have been taken
24 out, because that is included in the Keene cost

1 of gas filing. So, as part of the update, when
2 we update prices, we will also remove that
3 200,000 of these indirect costs.

4 Third, and this is really part of
5 the -- so, those are the two primary drivers for
6 the cost of gas rate increase. The LDAC, which,
7 as you know, is the portion of the gas bill that
8 has an associated -- or, assorted items in it,
9 ways to collect them, such as the manufactured
10 gas plant cleanup costs, the low income program,
11 and the like. There are a few issues there that
12 are driving an increase in the LDAC.

13 First, and this one requires the
14 longest explanation, is related to the decoupling
15 mechanism. As you know, Liberty's decoupling
16 mechanism requires a calculation of rates based
17 on an allowed revenue per customer, per class.
18 So, for example, we're allowed \$100 per year for
19 a residential customer, an R-3 customer. The
20 annual reconciliation of this decoupling
21 mechanism compares that allowed revenue to the
22 actual revenue we receive. So, if the actual
23 revenue is higher, say we got \$110 per
24 residential customer, we would give \$10 back in

1 the following year. If actual revenue is lower,
2 say \$95, we would recover that \$5.00 difference
3 in the next period.

4 Decoupling was brand new when we
5 implemented it in November of '18 as a resolution
6 of the 2017 rate case. Everyone acknowledged
7 that it would require adjustments and fixes in
8 the next rate case. And, indeed, the order
9 approving decoupling in 2018 said so.

10 In the first two years of decoupling,
11 the Company was returning to customers a lot of
12 money; \$7 million returned as a result of the
13 first reconciliation, which was the '18-'19
14 decoupling year, recovered over the '19 -- or,
15 returned over the '19-'20 period, and then
16 another \$5 million that we returned the next
17 year, which we're completing now, the '20-'21
18 period.

19 This suggested that something was not
20 right with the mechanism. The Company began
21 investigating the possible causes. And, when the
22 answers became apparent, we immediately shared
23 those findings with Staff and OCA. As a result
24 of these investigations and conversations,

1 several fixes have been made.

2 First, when we reset the revenue per
3 customers as part of the temporary rate
4 proceedings a year ago, effective October 1 of
5 2020, we based the new allowed revenue targets
6 and actual revenue on 2019 billing determinants.
7 This was fixing some changes made from 2016
8 billing determinants initially used to update
9 them all to accommodate some unrelated changes
10 the Company made that had some impact on
11 decoupling.

12 The second fix was also discussed at
13 length prior to and during the recently concluded
14 rate case. This fix involved low income
15 customers. Low income customers, we call them
16 "R-4 customers", are charged a discount from
17 regular residential rates, the R-3 customers.
18 Using my example above, if you have two identical
19 customers, the R-3 customer gets a \$100 bill, the
20 R-4 customer gets a \$55 bill. There's a flat
21 45 percent decrease for the low income customers.
22 And the Company recovers that \$45 through the low
23 income factor in the LDAC.

24 The discrepancy was that the decoupling

1 mechanism calculated the allowed revenue using
2 the discount rate, saying we should get \$55 from
3 those customers, but looked at the revenue of the
4 non-discounted R-3 rates. So, we actually got
5 \$100. So, we were returning that \$45 difference.

6 The discrepancy was not seen by anyone
7 as we designed and implemented the decoupling
8 mechanism in 2018, nor during the first
9 reconciliation in '19. The Company began
10 investigating this and the other issues during
11 2019 as the agreed and the approved calculations
12 told us to return an unexpected amount of money.
13 We discovered this in advance of the 2020
14 reconciliation a year ago, discussed it with
15 Staff and OCA, who suggested it be dealt with in
16 the rate case.

17 The solution was to treat R-4 customers
18 as regular R-3 customers for purposes of
19 decoupling, basically treat them all as allowed
20 revenue of \$100, and separately calculate the
21 discount and the recovery of the low income
22 discount. Staff and OCA agreed with this revised
23 calculation. Indeed, Ms. Shute and Mr. Iqbal,
24 then at the OCA, championed this approach as part

1 of the effort to clean up the decoupling tariff.
2 And the Settlement Agreement and order approved
3 this approach, allowing the Company to retain
4 approximately \$2 million a year that was
5 previously being returned under that improper RPC
6 calculation.

7 So, that's a long way of saying today,
8 in the LDAC that we've requested, we are seeking
9 recovery of that money that was improperly
10 returned to customers over the first two years,
11 first two decoupling years, and that amounts to
12 about \$4 million.

13 Note that this correction did not
14 require a change in the decoupling mechanism. It
15 required a change to the calculations, so that
16 the mechanism worked as it was originally
17 intended.

18 Some other items of less dollar impact,
19 but that are at issue in this cost of gas
20 hearing. For the summer cost of gas, as you all
21 know, we combined the summer and winter cost of
22 gas a few years ago. Instead of having two
23 proceedings, we combined them into one, largely
24 for administrative efficiency. It seemed like we

1 were always having a cost of gas hearing.

2 However, one issue that's arisen for
3 which we're now seeking a solution. The monthly
4 triggers that we have allow us to adjust the cost
5 of gas each month to reflect market prices so we
6 can minimize any over-collection or
7 under-collection following an approval. The
8 triggers have a cap on them. We cannot increase
9 those prices more than 25 percent in any -- over
10 the course of the winter. And we can go down as
11 far as we need to to help avoid an
12 over-collection.

13 For summer cost of gas, this has not
14 worked out well. Since we're projecting summer
15 gas nine months ahead, actual prices can easily
16 be higher than predicted. In that case, the 25
17 percent cap is easily met. Since summer prices
18 are so low to begin with, it's easier to reach a
19 25 percent cap. Say we have \$4.00 gas in the
20 summer, but we need to go to \$5.00, and we're up
21 against the cap. And, since we can't raise
22 prices any further, we end with an
23 under-collection that must be addressed the
24 following year.

1 It turns out that this happens most of
2 the time in the summer. This past summer we were
3 at the max 25 percent cap every month, and about
4 three-quarters of the months over the prior
5 summers have been at the maximum cap, and this is
6 reflected in Mr. Simek's testimony. Again, the
7 result of this is an under-collection we will
8 under-collect by almost \$5 million this summer,
9 which is included in next summer's rates.

10 There are two possible solutions to
11 this problem. First, we could make an interim
12 filing for permission to exceed the 25 percent
13 cap. The problem is that there is a substantial
14 time lag in (1) having the data to support such a
15 filing; (2) making the filing; (3) going through
16 whatever process until hearing, even if
17 abbreviated; and (4) obtaining an order approving
18 that step. Even a streamlined process will not
19 allow quick enough response to alleviate this
20 problem. Plus, the parties and the Commission
21 hoped to end such proceedings by combining the
22 cost of gas.

23 The second possible solution, and what
24 we propose here, is to increase the cap

1 percentage. Since summer rates are much lower
2 than winter, a higher percentage cap will still
3 have a modest bill/rate impact, but will better
4 address the issue of avoiding a substantial over
5 recovery. The testimony we filed demonstrates
6 that, over the past four summer seasons, the cap
7 necessary, if we artificially retroactively
8 calculate a cap high enough to avoid any over
9 recovery, it would have been about 45 percent
10 above the approved rate. The Company is
11 proposing here a 40 percent cap on the summer
12 rates as a reasonable approach.

13 This does not affect the winter, where
14 we will happily live within the 25 percent cap,
15 as has been the custom, as that has worked well
16 for the winter. This is a "summer only"
17 proposal.

18 A few other LDAC items. It includes
19 recoupment from the rate case, and these are also
20 things that have contributed to the increase,
21 recoupment of the rate case rate increase, of
22 course, picks up the difference in temporary
23 rates -- let me start over. It picks up the
24 difference between the temporary rate and

1 permanent rates for the period October 1 through
2 August 1, and that will be recovered over the
3 course of a year.

4 Second, it includes the rate case
5 expenses. As approved in the order, the number
6 in our proposal here includes the actual rate
7 case expenses, plus estimates of the final bills
8 to be coming in. That is also recovered over one
9 year.

10 And the last two other were
11 administrative/procedural items. One is a real
12 one-off. As everyone is aware, Liberty owns the
13 gas holder house in Concord. It's a site that
14 was used for the production of manufactured gas.
15 It's been in the Company's ownership since the
16 1800s. It has been out of use since about 1952
17 or '53.

18 Right now, it is a contaminated site
19 that we have been cleaning up. That has
20 progressed well. It's an item in Ms. Casey's
21 testimony every year, and that's all the same.
22 What's different is, there are people who would
23 prefer to keep the gas holder building up, as
24 would the Company, and it -- which, of course, is

1 a costly thing to do. And Liberty is not in the
2 business of restoring historical properties.

3 So, Liberty and the New Hampshire
4 Preservation Alliance have reached an agreement
5 to "Save the Gas Holder", as the signs say, at a
6 cost -- at no extra cost to our customers. The
7 concept is this. The holder house itself, the
8 88-foot diameter circle, serves as a cap over
9 that portion of the land. The environmental
10 remedy that we are going to install to the entire
11 site is to cap the entire site. That is a
12 membrane that will be two or three feet below the
13 surface, and prevents groundwater from going all
14 the way through the soils below. What's left in
15 the site, the contamination that's left, is
16 relatively stable globs of tar. And, as long as
17 water isn't flowing through them, the approved
18 DES remedy is to leave them there, and just put
19 the cap above it to keep the groundwater from
20 running through.

21 So, right now, it's the gas holder
22 that's serving as the cap for that circle. The
23 gas holder is in tough condition. It's reached
24 the point where we have decided it would need to

1 be demolished in order to properly cap that site.
2 Plus, it's becoming a safety issue to have this
3 old building standing. What we would do absent
4 this agreement is we would demolish the building,
5 and then install a cap over that circle, as well
6 as the rest of the site.

7 The Preservation Alliance has
8 approached us to say "what if you contributed the
9 dollars you would have spent on demolition
10 towards stabilization of the building, and the
11 Preservation Alliance will contribute and carry
12 the extra cost to do whatever, you know,
13 fine-tune preservation they wish to do." And
14 that's the agreement we reached, is that we will
15 calculate the cost it would have been to demolish
16 and remediate underneath the building, say, a
17 thousand dollars, and contribute no more than
18 that thousand dollars toward the stabilization of
19 the facility.

20 The Preservation Alliance has a large
21 commitment to share half of those stabilization
22 costs. And that's what we propose to do. This
23 is not before the Commission officially now. We
24 have not started construction. And, hopefully,

1 it will be done in the next few months. And, so,
2 there are no dollars that we have spent that we
3 would seek recovery for, it would likely be in
4 next fall's.

5 I thought I would give the Commission a
6 sort of heads up of what's happening, and you
7 will probably read about it in the newspaper,
8 too.

9 And the last procedural item I had is
10 the Granite Bridge costs. We proposed to recover
11 those costs, if approved, in the LDAC. As we all
12 know, we had the hearing in June. There's not an
13 order yet. But, should the Commission decide to
14 approve some or all of those costs, we realize
15 this week that it's not clear how to implement
16 the recovery. And, so, what we propose is the
17 following: Assuming an order comes out before
18 November 1, the order would say something like
19 "We approve X dollars to be recovered for the
20 Granite Bridge costs, to be recovered in the LDAC
21 as the Company proposed." That would give us
22 authority to include those dollars in the LDAC.

23 What's missing is our tariff describing
24 the LDAC does not include a bucket to hold such

1 costs. The tariff -- it specifies all the other
2 elements of the LDAC, the environmental charges,
3 the low income charges, *etcetera*. But it does
4 not include a bucket in which we could put
5 Granite Bridge costs.

6 So, what we will do is file a proposed
7 change to our tariff to add that bucket. And
8 it's literally probably adding a few words to the
9 existing tariff language. And we will do that
10 shortly. I wanted to give you a preview for why
11 you had received that filing.

12 And, again, if the Commission were to
13 approve some or all of those costs, it can also
14 approve the tariff language change, so then we
15 would have the bucket in which to put those
16 costs.

17 So, I apologize for the long diatribe
18 here. But there are quite a few issues in this
19 particular cost of gas.

20 Thank you.

21 CHAIRWOMAN MARTIN: Thank you, Mr.
22 Sheehan. And please don't apologize. We
23 appreciate all of the information you can give us
24 at any time you're here.

1 Okay. Mr. Kreis.

2 MR. KREIS: Thank you, Chairwoman
3 Martin. Thanks to Mr. Sheehan for his thoughtful
4 overview of what the Company is proposing.

5 Obviously, when any utility proposes
6 such a whopping, big increase to the parts of its
7 rates that relate to fuels, that has to attract
8 the Office of the Consumer Advocate into the
9 process, so that we can assure ourselves that an
10 increase of that magnitude is appropriate.

11 And I have to say that the reasons that
12 Mr. Sheehan gave for the increase, while
13 unpleasant to listen to, do seem reasonable to
14 me. And, so, for us, it's a matter of just
15 scrutinizing the filing and making sure that the
16 Company has done all the things that it's
17 supposed to do in a proper and appropriate
18 fashion, given the regrettable conditions that
19 prevail in the world natural gas markets.

20 Just taking some of the issues that
21 Mr. Sheehan raised, there are three that jump off
22 the page for me. I guess I'll mention them in
23 reverse order.

24 The Commission having not yet acted on

1 the Company's request for recovery of Granite
2 Bridge costs, I don't think it's appropriate for
3 the Company to start filing tariffs with the
4 Commission that assume that the Company is going
5 to prevail on a subject that I don't think it is
6 going to prevail about, particularly given the
7 distinct possibility of appellate proceedings, in
8 the event that the Company does prevail. So,
9 really, that's premature.

10 Second, going to the questions around
11 preservation of the gas holder here in Concord, I
12 noticed, from the Company's prefiled testimony,
13 that that plan had been vetted with what used to
14 be the PUC Staff, and is now the Regulatory
15 Support Division of the Department of Energy. We
16 haven't had a chance to look at that whole plan.
17 And I might have some concerns about it.

18 I worry that allowing the Company to
19 enter into a partnership with the Preservation
20 Alliance could expose customers in the future to
21 additional costs having to do with remediation
22 that they might not otherwise have to be
23 responsible for. And I guess, from my
24 perspective, it's simply not having had the

1 opportunity that the DOE apparently has to vet
2 that proposal, and make sure that it is not
3 something that will leave customers worse off
4 financially than they otherwise would be.

5 I certainly don't have any objection to
6 preserving the gas holder, if the preservation
7 community is willing to step forward and cover
8 the costs, and customers of the utility are held
9 harmless.

10 And then, finally, with respect to the
11 request for recovery of \$4 million and change in
12 costs that were improperly refunded to
13 residential customers over the past two years, I
14 know that, when we first implemented decoupling
15 at Liberty Utilities for its gas customers, the
16 question of retroactive ratemaking came up and
17 was addressed and resolved. And I'm quite
18 certain, and I believe the Commission agreed with
19 us, that a decoupling mechanism does not give
20 rise to concerns about retroactive ratemaking.
21 But telling customers that "oops, our company
22 collected \$4 million from you by mistake, and now
23 you have to pay that back", that does look a lot
24 like retroactive ratemaking to me. And, in order

1 for me to go along with a proposal like that, the
2 OCA will need to be convinced that we are not
3 being asked, and our constituency is not being
4 asked, to be subject to a incident or an
5 incidence of retroactive ratemaking.

6 So, those are the concerns that I want
7 to highlight at the outset. I look forward to
8 working with the Company and with the DOE on
9 resolving those concerns, and hopefully
10 presenting to you some kind of agreement that
11 suggests that you can readily approve the
12 Company's cost of gas filing.

13 CHAIRWOMAN MARTIN: Thank you, Mr.
14 Kreis. Ms. Schwarzer.

15 MS. SCHWARZER: Thank you, Madam
16 Chairwoman.

17 The Department of Energy does not have
18 substantive positions on the issues raised this
19 morning, with a few exceptions with regard to
20 past events and procedural practice. Certainly,
21 we look forward to participating in the process.
22 As the OCA has noted, there are substantial
23 costs. And we look forward to learning more
24 about the details in the tech session to follow.

1 I do want to comment on any
2 representation that PUC Staff have vetted the gas
3 holder project. There was an informal meeting,
4 with Steve Frink and Amanda Noonan and myself and
5 the Company, in which we were asked informally to
6 listen to the proposal, and perhaps ask questions
7 or raise informally individual concerns. It was
8 made clear at that meeting that there was no
9 formal opinion, and certainly no power by any
10 individual PUC Staff member to make an opinion on
11 behalf of the Staff or the PUC. Interested in
12 that project, it's very -- it certainly will be
13 given attention in what follows.

14 I did want to raise a question about
15 the schedule, and perhaps that's going to be
16 addressed going forward. There's, obviously,
17 been a change with the PUC and the Division of
18 Energy. As in the past, the hearing has been
19 held very close to the November 1st
20 implementation date. Although, assignment of
21 responsibilities have changed, it's not clear to
22 me, and I apologize if it should be, what role
23 record requests might play in this docket. And,
24 if it's advantageous to move the hearing

1 substantially forward, perhaps we're going to
2 discuss that today.

3 With that inquiry and those comments, I
4 look forward to working with Liberty and with the
5 Office of Consumer Advocate in my role as an
6 attorney for the Department of Energy.

7 Thank you.

8 CHAIRWOMAN MARTIN: Thank you,
9 Ms. Schwarzer. I do believe we have scheduled
10 this for a hearing on Monday, October 25th. And
11 I'm certainly happy to discuss scheduling,
12 although there is a very limited amount of open
13 time between now and then. So, I believe we have
14 filled it up in the way that we can make it work.
15 And we have two more of these we also have to put
16 in.

17 So, I think you raise a good issue,
18 because that hearing is, obviously, only days
19 before when an order would need to come out. On
20 balance, we wanted to make sure that the parties
21 have time to do the work that they need to do
22 before the hearing is actually held. And, so,
23 that is primarily the reason for that date.

24 I do believe that the Commission, to

1 the extent it needs information, could issue
2 record requests in advance, in order to account
3 for the issue that you are raising.

4 MS. SCHWARZER: I have no opinion. I
5 just wanted to raise that issue for the parties
6 as a group.

7 Thank you, Madam Chairwoman.

8 CHAIRWOMAN MARTIN: Okay. And,
9 Commissioner Goldner, do you have questions on
10 anything you've heard?

11 COMMISSIONER GOLDNER: I have no
12 questions. I would like to thank Mr. Sheehan for
13 an excellent history and perspective. So, thank
14 you very much, Mr. Sheehan. No questions.

15 CHAIRWOMAN MARTIN: I do have a
16 couple --

17 MR. SHEEHAN: You're welcome -- I'm
18 sorry. You're welcome. But I noticed I was
19 saying "over-collection" about the summer cost of
20 gas, I meant "under-collection". We would not
21 collect enough money from customers over the
22 summer, and therefore would have to add that to
23 the next year's. So, pardon that.

24 COMMISSIONER GOLDNER: Thank you.

1 CHAIRWOMAN MARTIN: Thank you.

2 I had a question, and some of this,
3 obviously, predates both of the Commissioners
4 that you currently have, related to the cost of
5 gas, and why it is consolidated? I understand it
6 was for efficiency.

7 I'd love to hear from the parties,
8 since one of the proposals on the table is to
9 increase that cap, whether or not this single
10 cost of gas makes sense, in light of the issues
11 that are being raised here?

12 Because it seems to me that the
13 suggestion is that predicting the costs that far
14 in advance is leading to the problem. And, so,
15 you could ameliorate that by going back to two
16 cost of gas proceedings.

17 MR. SHEEHAN: Right. I can speak to
18 that first.

19 The feeling with the summer cost of gas
20 proceedings we used to have was, these are
21 straightforward, simple, no issue, low cost, I
22 don't want to say "rubber-stamp" hearings, but
23 they had that feel to them. Because summer gases
24 are typically low, there wasn't volatility. It's

1 a time when, you know, the capacity of those
2 pipelines are at 10 percent.

3 So, it became a -- again, not a waste
4 of time, but an unnecessary expenditure of
5 hearing time and discovery time, and that's why
6 it was consolidated. I believe Northern has
7 consolidated the cost of gas as well. So, it was
8 that kind of thinking that combined them.

9 The issue we raise now, it does ask --
10 suggest asking the question you just asked, "Do
11 we go back to the two hearings?" And our thought
12 is, with the change we are requesting did not --
13 the problem we're trying to solve isn't bad
14 enough to warrant going back to two proceedings.

15 The cap is now 25 percent. Going to
16 40, it seems like a big number. But, again,
17 summer cost of gas are so low, it would not be as
18 noticeable as it seems. Again, if we got \$3.00
19 or \$4.00 gas, it's simply allowing the Company to
20 bump that up to \$4.00 or \$5.00 over the course of
21 the summer to avoid that under-collection. And,
22 as you know, we file those every month with the
23 Commission, notifying you of whether we're going
24 to change the price each month or not.

1 All other parts of the proceeding are
2 fine; the process of getting the gas, the
3 forecast, *etcetera*. So, it does seem to us to be
4 a relatively modest change to the existing
5 process, and we do not have to go back to the two
6 hearings we used to have.

7 CHAIRWOMAN MARTIN: Okay. Thank you,
8 Mr. Sheehan.

9 Does anyone else want to be heard on
10 that?

11 MR. KREIS: I would just say, I think
12 I'm inclined to agree with Mr. Sheehan with
13 respect to the desirability of returning to two
14 cost of gas proceedings annually. I do want to
15 think about it, though, because I haven't up
16 until Chairwoman Martin just raised it. But it
17 sounded to me like the logic that Mr. Sheehan
18 just laid out is pretty sound.

19 CHAIRWOMAN MARTIN: Ms. Schwarzer.

20 MS. SCHWARZER: Thank you, Madam
21 Chairwoman.

22 I look forward to discussing this
23 further. However, I believe, as originally
24 conceived, the cost of gas mechanism anticipated

1 that there might be infrequent, sporadic reasons
2 for a request to exceed the cap. And that, in
3 those instances, it was preferable to have a
4 hearing to address what might be larger systemic
5 changes perhaps, or to gain clarification about
6 the reason for the scope of the increase, both
7 whether it was appropriate, and whether it had
8 other consequences.

9 And, so, while, certainly, I am not a
10 fan of increasing the number of expedited cost of
11 gas hearings, I believe, in this particular year,
12 as Liberty has said, the cap had been reached as
13 of perhaps the last month of the winter period,
14 which would have been April. And, in that
15 instance, I think that, given resources and time,
16 the Company could have asked for an increase in
17 the cap in May, there could have been a hearing,
18 an expedited hearing perhaps in June, and then
19 costs, if found merited, would have been
20 increased over the period of July, August,
21 September, and October, which would have been
22 four months.

23 Whether that is something the
24 Department, the parties here and the Commission

1 want to change, certainly, obviously something
2 we'll discuss. But it seems to me more not
3 something the cost of gas mechanism failed to
4 anticipate, but something that is already
5 structured to resolve in a particular way, and
6 perhaps it is appropriate to change it, which
7 we'll discuss clearly in this proceeding.

8 CHAIRWOMAN MARTIN: Okay. Thank you.
9 That was my other thought, was was it ever
10 contemplated that, before such a large under
11 recovery would be incurred, that there would be a
12 hearing related to the cap?

13 MS. SCHWARZER: Madam Chairwoman, I
14 think that's the structure of the existing cost
15 of gas hearing, and why the cap is not an
16 absolute. And it's described in cost of gas
17 orders as something the Company may return and
18 seek to exceed at hearing.

19 CHAIRWOMAN MARTIN: Okay. Thank you.
20 So, Mr. Sheehan, in response to that,
21 do you have an explanation for why that didn't
22 happen here? Or, do you disagree with that
23 characterization of the process?

24 MR. SHEEHAN: No. I think that tool

1 was available to us to come back for a hearing to
2 exceed the cap. It's just it's a tool that
3 doesn't solve the problem simply because of the
4 timelines involved. We get data at some point
5 into a month, and it just -- it's such a short
6 season, by the time it's clear that the price is
7 high and not coming down, we're already halfway
8 through the month -- through the summer, and by
9 the time we get it processed, the process would
10 affect the last month. And then, you know, and
11 then that, being able to go up to forty percent
12 for that last month, would not really solve the
13 problem.

14 So, you know, I think the -- well,
15 that's where we are. And there are -- I'm sure
16 that this group can come up with -- think of
17 other solutions other than raising it to 40
18 percent. So, now, that we haven't proposed or
19 thought through as much, and we're happy to
20 listen to those, maybe there is another way to
21 skin the cat, as they say.

22 CHAIRWOMAN MARTIN: Okay. Thank you.

23 Question for Mr. Sheehan on the -- you
24 described sort of the resolution of a problem

1 related to decoupling. And I'm wondering why
2 this issue is being addressed now and in this
3 proceeding? If it was discovered in a different
4 proceeding, why was it not addressed there?

5 MR. SHEEHAN: It was addressed in the
6 rate case. And the fix was implemented in the
7 rate case, and that fix being how we look at the
8 two customer classes for the reconciliation.
9 The fix is in place now, and it's fine going
10 forward.

11 And, so, we did raise it prior to last
12 year's cost of gas, or it was part of last year's
13 cost of gas. And, at the time, the parties
14 recommended not addressing it then, and
15 addressing it in what was then an ongoing rate
16 case. So, it was raised earlier, and it was put
17 over to that other docket.

18 So, now, we are applying the resolution
19 of that other docket here. And, to Mr. Kreis's
20 comment about "retroactive ratemaking", we are
21 not changing rates. We are simply correctly
22 applying the rates under decoupling that was
23 approved.

24 And, I'm sure, if this discrepancy went

1 the other way, and we did not -- we
2 over-collected from customers, and had not given
3 it back, that Mr. Kreis would say "You've got to
4 give the money back, because the mechanism was
5 not applied correctly." So, it's not retroactive
6 ratemaking, it's correcting a discrepancy that
7 was discovered after it was implemented.

8 So, I'm not sure if I got lost in your
9 question by that answer.

10 CHAIRWOMAN MARTIN: Well, I understood
11 from your earlier presentation that the problem
12 was resolved in the rate case, the larger
13 problem. And it sounds like this \$4 million
14 resulted from that larger problem that you fixed
15 going forward.

16 What I'm trying to get is why was that
17 not -- that \$4 million not addressed at the time?

18 MR. SHEEHAN: "At the time of resolving
19 the rate case", I assume you're asking. I don't
20 know. I mean, as you know, there are 14,
21 sometimes seems like 14,000 things being resolved
22 in a rate case, and this wasn't one of them. I
23 can't recall if it was discussed or not, or
24 explicitly put off again to the cost of gas back

1 from the rate case. But it certainly could have
2 been a line item in the Settlement, it just
3 wasn't.

4 And it is a -- the decoupling
5 reconciliation is a piece of the LDAC, it is the
6 appropriate place to make those -- to make the
7 dollar mixes, and that's why we included it here.

8 CHAIRWOMAN MARTIN: Does anyone else
9 want to respond on that?

10 MR. KREIS: Madam Chairwoman, I would
11 like to think about that. Obviously, my -- well,
12 on the question of refunds versus retroactive
13 ratemaking, I mean, yes, I have to admit that, if
14 I knew that any utility had over-collected \$4
15 million from its customers, I would be here
16 asking for at least the share of that that
17 belongs to residential customers. But that
18 doesn't necessarily -- the principle isn't as
19 symmetrical as Mr. Sheehan made it out to be.
20 Just because utilities, I mean, because the
21 utilities are in control of all of this stuff,
22 their rates, their books and records. And it's
23 incumbent upon them to operate the Company in a
24 manner that is correct. And it's their job, not

1 my job, not the OCA's job, not the DOE's job, not
2 the PUC's job, to make sure that they have the
3 revenue stream they need in order to provide a
4 return on investment to their shareholders.

5 So, when a company pops up and
6 basically says "Oopsie. We should have charged
7 \$4 million that we didn't", you know, that
8 problem, in my view, is between the management of
9 the company and its shareholders. It's not a
10 problem for the PUC to resolve.

11 But I will think about it.

12 CHAIRWOMAN MARTIN: Okay. Thank you.
13 But does the OCA agree that \$4 million is
14 actually due?

15 MR. KREIS: I would have to investigate
16 that further as well. I haven't had a chance to
17 do that yet. We, as the Commission knows, are in
18 the process of rebuilding our analytical team.

19 CHAIRWOMAN MARTIN: Okay. Thank you.
20 Ms. Schwarzer, anything?

21 MS. SCHWARZER: No. I share the OCA's
22 interest in investigating it further. And the
23 Department of Energy is not in a position to give
24 an analysis at this time.

1 CHAIRWOMAN MARTIN: Okay. Thank you.

2 A couple questions on the gas holder.

3 And I know that was a preliminary, sort of

4 informational statements that you made for us.

5 But background for me, was the plan to remediate

6 established before the agreement was entered

7 into? And was the estimate of those costs

8 established prior to the agreement with the New

9 Hampshire Preservation Alliance?

10 MR. SHEEHAN: The remedial plan for the

11 site has been in place for a few years. I think

12 DES approved it in 2015 or 2016. And, over the

13 course of the years, we've been taking steps on

14 that plan. And, at a very high level, it was to

15 remove what they call "hot spots", that is

16 portions of soil that needed to be removed from

17 the site, lots of testing, and then, ultimately,

18 a cap on the site, as I described.

19 A few reasons it's taken a while is,

20 there have -- we've been trying to find someone

21 who would develop the site to keep the building

22 up. And we didn't want to put a cap on the site

23 that would then have to be disturbed if someone

24 actually developed it. If you had someone

1 interested in putting a restaurant there, they
2 would have to contour the site to accommodate
3 parking, for example.

4 So, we've been waiting, doing the small
5 steps, and DES has been cooperative. And also,
6 it is not their policy position to keep
7 buildings up, but they're sympathetic to trying
8 to keep the building up. So, it has been on
9 that slow-motion, waiting for a developer to
10 step in.

11 About a year ago, the Company made the
12 decision, for a number of reasons, that the time
13 has come that we need to take it down. It's
14 become a liability to have it there. So, we
15 announced that, and that prompted the
16 preservation effort, as I mentioned.

17 So, to your question, the plan, DES
18 approved plan is in place, and the plan is to
19 cap. And DES has specifically said "the holder
20 can stand up as part of that plan provided it is
21 a sound cap." So, you know, keeping the holder
22 up and stabilizing it is part of the plan, or can
23 be part of the plan. DES is agnostic officially
24 whether it stays up or comes down, either would

1 satisfy the plan.

2 As far as the estimated cost to demo,
3 the estimate, that is something we have worked
4 on, we started working on it, as we announced the
5 intentions to demolish it. And it has -- we have
6 continued to work on it through the conversations
7 with the Preservation Alliance. So, that has
8 been joint, because that estimate, from the
9 Preservation Alliance's point of view, that
10 estimate will be in the dollars available to them
11 for the stabilization effort, of up to that
12 amount. And we're not quite done yet. We have
13 an order of magnitude number. And the engineers
14 working on that have been the folks working on
15 this site for many years. So, that is the last
16 piece of the work between us and the Preservation
17 Alliance, is to come to agreement on it, well,
18 not to come to an agreement, but to determine
19 that number of what the demo and remediation
20 would be.

21 Of course, some of those costs are easy
22 to determine. We can get bids from contractors
23 for the demo. Some of the numbers are estimates,
24 because we don't know exactly what's underneath

1 the gas holder. If we took the building down, we
2 would do an investigation of what's underneath,
3 and maybe find nothing, maybe we find something,
4 so that portion of the estimate is going to be,
5 you know, educated estimates, rather than finding
6 the number for the actual demo.

7 I can tell you that the Preservation
8 Alliance is the -- the basic agreement is, we
9 will give the Preservation Alliance authority to
10 enter the property to do the work. Liberty will
11 not be doing the work. They, luckily, have a
12 very well-respected local contractor on their
13 board. He has been leading those efforts, Frank
14 Lemay. Mr. Lemay has located a contractor to do
15 the work. And they have engineering, and this is
16 all separate, but just so you know, the
17 engineering is pretty advanced, and they're
18 expecting work starting, again, completed by the
19 end of the year, and things are on track for
20 that.

21 But, anyway, Liberty is simply allowing
22 them to come on-site to do the work, and
23 contribute -- agreement to contribute up to the
24 demo cost towards the project, with the

1 understanding that that work would serve the DES
2 goal of having the gas holder be a long-term cap
3 to the site.

4 CHAIRWOMAN MARTIN: Okay. Thank you,
5 Mr. Sheehan.

6 And I just wanted to respond to Mr.
7 Kreis's comment and Ms. Schwarzer's
8 clarification. That, to the extent there were
9 any conversations with Staff, formerly of the
10 Commission, now with the Department of Energy,
11 obviously, those are not binding on the
12 Commission, and the Commissioners did not
13 participate in those.

14 MR. SHEEHAN: Of course. And we did
15 that out of sort of the normal course of events,
16 to try to keep the Staff informed. I can't
17 remember why OCA was not included. There was
18 certainly no intent to exclude them. And, if
19 there was an omission, then I apologize. If it
20 was a scheduling problem, we should have followed
21 up with them. But the purpose was to basically
22 take their temperature, and, as stated in
23 testimony, and this is not binding, but the
24 response was, if the costs were equal or less to

1 customers, and the goal was achieved, that makes
2 sense to us. And, so, that at least, if we had
3 received bright, flashing red lights at that
4 meeting, we may have reconsidered. And we
5 understand there's some risk on our part to go
6 forward as we have proposed. But we at least had
7 that conversation, and got some sense that it
8 wasn't a crazy idea to pursue.

9 MS. SCHWARZER: Madam Chairwoman, if I
10 might?

11 CHAIRWOMAN MARTIN: I just want to
12 respond to that. And I know you're well aware of
13 this, Mr. Sheehan, but any response by Staff
14 would not be binding on the Commission. And, so,
15 obviously, that decision will be completely
16 within the purview of the Commission.

17 MR. SHEEHAN: Correct.

18 CHAIRWOMAN MARTIN: Ms. Schwarzer.

19 MS. SCHWARZER: Thank you, Madam
20 Chairwoman. The meeting, as I recall it, was
21 also focused on some of the choices that were
22 being made to remediate, and the standards that
23 Liberty and the New Hampshire Preservation
24 Society was looking towards. And, so, although

1 it was many months ago, and my memory is that the
2 informal input was more an indication of leaning
3 towards more stringent, rather than less.
4 Although, certainly, Staff was interested in this
5 idea.

6 And I believe Mr. Sheehan is accurate,
7 that Staff shared that it certainly wasn't a
8 crazy idea, we did repeatedly emphasize that we
9 had no power to make a decision or to authorize
10 choices, that the meeting was informal. And,
11 certainly, depending on the choices the New
12 Hampshire Preservation Society made or that
13 Liberty made, or participated in, with regard to
14 the standards met in remediation, one can only
15 hope that they -- those certainly are open for
16 discussion and criticism. I just -- I don't want
17 to leave this as if Staff inappropriately, you
18 know, wink and a nod, that all was well. That it
19 certainly was just an informal meeting to
20 entertain an interesting idea, and to discuss a
21 range of decisions being made informally.

22 Thank you.

23 CHAIRWOMAN MARTIN: Thank you,
24 Ms. Schwarzer. And I'll add, too, the current

1 structure ameliorates any concerns at any rate,
2 because the Department of Energy will have its
3 own information separate from the Commission's.

4 Mr. Kreis, you look like you have
5 something to say?

6 MR. KREIS: I do. I just wanted to
7 apologize to the Commission, to the DOE, and the
8 Company for causing what feels to me like a bit
9 of a tempest in a teapot. I was relying on the
10 characterization of the meeting between what used
11 to be the PUC Staff and the Company about the gas
12 holder in the Company's testimony.

13 I didn't mean to suggest that anything
14 inappropriate had happened. I certainly didn't
15 understand that meeting to have bound anybody,
16 because even before the statutory changes on
17 July 1st, a meeting like that would never have
18 bound the Commission. It certainly doesn't bind
19 the Commission now.

20 We, like the former Staff of the PUC
21 and the current Staff of the DOE, are interested
22 in that plan to remediate at the gas holder in a
23 manner that allows it to be preserved as a
24 historically significant site here in Concord.

1 Our only concern is that we want to
2 make sure that ratepayers are no worse off than
3 they otherwise would have been. It sounds like
4 the Company has been mindful of that
5 imperative. I just want to make sure that all
6 the t's and all the -- all the t's are crossed
7 and all the i's are dotted on that angle. If so,
8 I am, as a citizen of Concord, going to be among
9 the first to be excited about preserving the gas
10 holder.

11 CHAIRWOMAN MARTIN: Thank you, Mr.
12 Kreis.

13 I don't have any other questions.
14 Commissioner Goldner, did you have anything
15 else?

16 COMMISSIONER GOLDNER: No.

17 CHAIRWOMAN MARTIN: Okay. We will let
18 you get off to what I presume will be a technical
19 session following this. And we are adjourned for
20 the day. Thank you, everyone, for answering all
21 the questions.

22 ***(Whereupon the prehearing conference***
23 ***was adjourned at 10:03 a.m., and a***
24 ***technical session was held thereafter.)***