

In The Matter Of:

DG 11-040 NATIONAL GRID USA, ET AL

HEARING RE: SETTLEMENT AGREEMENT

April 16, 2012

SUSAN J. ROBIDAS, LCR

(603) 622-0068 shortrptr@comcast.net



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<p>STATE OF NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION</p> <p>April 16, 2012 - 1:20 p.m. DAY 1 Concord, New Hampshire AFTERNOON SESSION ONLY</p> <p>RE: DG 11-040 NATIONAL GRID USA, ET AL: Joint Petition for Authority to Transfer Ownership of Granite State Electric and EnergyNorth Natural Gas, Inc. to Liberty Energy Utilities Corp.</p> <p>PRESENT: Chairman Amy L. Ignatius, Presiding Commissioner Michael D. Harrington Commissioner Robert R. Scott Sandy Deno - Clerk</p> <p>APPEARANCES: Reptg. National Grid, USA, et al: Steven V. Camerino, Esq. (McLane...) Patrick Taylor, Esq. (McLane, Graf...) Celia O'Brien, Esq. (National Grid)</p> <p>Reptg. Liberty Energy Utilities Corp.: Shannon Coleman, Esq. (Asst. Gen. Counsel)</p> <p>COURT REPORTER: SUSAN J. ROBIDAS, N.H. LCR NO. 44</p> <p>{DG 11-040}[04-16-2012/AFTERNOON SESSION ONLY]</p>	<p>Page 3</p> <p>1 I N D E X 2 WITNESS: SCOTT J. RUBIN 3 4 EXAMINATION PAGE 5 Direct Examination by Ms. Hollenberg 5 6 Interrogatories: 7 By Cmsr. Harrington 13 8 By Cmsr. Scott 19 9 By Chairman Ignatius 23 10 Cross-examination by Mr. Camerino 31 11 * * * * * 12 WITNESS PANEL: GREGORY L. MANN 13 TIMOTHY M. CONNOLLY 14 Direct Examination by Ms. Fabrizio 32 15 Interrogatories: 16 Cmsr. Harrington 65, 92 17 Cmsr. Scott 72 18 Chairman Ignatius 78 19 Redirect Examination by Ms. Fabrizio 94 20 * * * * * 21 WITNESS PANEL: PETER EICHLER 22 RICHARD BURLINGAME, JR. 23 STEVEN E. MULLEN 24 STEPHEN P. FRINK 25 Direct Examination of Messrs. Eichler 97 26 and Burlingame by Mr. Camerino 27 Direct Examination of Messrs. Mullen 100 28 and Frink by Ms. Fabrizio 29 Cross-Examination by Mr. Camerino 120 30 Cross-Examination by Ms. Hollenberg 126 31 * * * * *</p>
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<p>1 PROCEEDINGS</p> <p>2 CHAIRMAN IGNATIUS: So it looks</p> <p>3 as though we may be switching order of</p> <p>4 witnesses to accommodate Mr. Rubin's schedule,</p> <p>5 which is great. Is that where we are?</p> <p>6 MS. HOLLENBERG: Yes, it is.</p> <p>7 Thank you.</p> <p>8 CHAIRMAN IGNATIUS: And that's</p> <p>9 agreeable with everyone?</p> <p>10 (No verbal response)</p> <p>11 CHAIRMAN IGNATIUS: All right.</p> <p>12 Ms. Hollenberg.</p> <p>13 MS. HOLLENBERG: Thank you very</p> <p>14 much. The Office of Consumer Advocate calls</p> <p>15 Scott Rubin to the stand, please.</p> <p>16 (WHEREUPON, SCOTT J. RUBIN was duly</p> <p>17 sworn and cautioned by the Court</p> <p>18 Reporter.)</p> <p>19 SCOTT J. RUBIN, SWORN</p> <p>20 DIRECT EXAMINATION</p> <p>21 BY MS. HOLLENBERG:</p> <p>22 Q. Good afternoon, Mr. Rubin. Could you please</p> <p>23 state your name for the record.</p> <p>24 A. Scott Rubin, R-U-B-I-N.</p>	<p>1 technical and managerial fitness. The</p> <p>2 settlement addresses those concerns, as I</p> <p>3 think we'll get into a little later. But</p> <p>4 the level of Staff involvement contemplated</p> <p>5 in the settlement does not make Liberty any</p> <p>6 more fit to own and operate these utilities,</p> <p>7 but it does provide some limited protection</p> <p>8 for the public against the consequences of</p> <p>9 an inexperienced company taking over these</p> <p>10 utilities.</p> <p>11 On the financing terms and conditions,</p> <p>12 we have now received information from</p> <p>13 Liberty about the expected terms, conditions</p> <p>14 and covenants in that financing. I have</p> <p>15 reviewed them with a particular focus on the</p> <p>16 special covenants the lenders will impose on</p> <p>17 Liberty and the New Hampshire utility. I do</p> <p>18 not object to the Commission's approval of</p> <p>19 that financing, assuming that the terms,</p> <p>20 conditions and covenants are as they were</p> <p>21 provided to us on March 7th of this year in</p> <p>22 a supplemental response to Staff, TS-2-22.</p> <p>23 On the service quality issues, there's</p> <p>24 no change in my testimony. I don't see a</p>
[WITNESS: RUBIN] Page 6	[WITNESS: RUBIN] Page 8
<p>1 Q. And in what capacity are you participating</p> <p>2 in this proceeding?</p> <p>3 A. I am a consultant for the Office of Consumer</p> <p>4 Advocate.</p> <p>5 Q. Are your -- is your experience and</p> <p>6 qualifications summarized for the Commission</p> <p>7 as part of prefiled testimony which you</p> <p>8 filed on October 7, 2011?</p> <p>9 A. Yes.</p> <p>10 Q. And do you have any corrections or changes</p> <p>11 that you would like to make to that</p> <p>12 testimony at this time?</p> <p>13 A. No corrections or changes, though some of</p> <p>14 the information probably should be updated.</p> <p>15 Q. Okay. Thank you. So your testimony was</p> <p>16 prepared about six months ago. Have you</p> <p>17 received any information in the last six</p> <p>18 months that changes any of your conclusions</p> <p>19 or recommendations?</p> <p>20 A. Yes. My conclusions and recommendations</p> <p>21 were summarized on Page 4 of the testimony.</p> <p>22 The first dealt with the financial,</p> <p>23 technical and managerial fitness of Liberty.</p> <p>24 I still have concerns with Liberty's</p>	<p>1 benefit or a harm to the public in terms of</p> <p>2 service quality.</p> <p>3 So I think that updates where I am</p> <p>4 based on additional information other than</p> <p>5 the settlement.</p> <p>6 Q. And turning to the proposed settlement</p> <p>7 agreement, have you reviewed that?</p> <p>8 A. Yes, I have.</p> <p>9 Q. And does the proposed settlement agreement</p> <p>10 affect any of your conclusions or</p> <p>11 recommendations?</p> <p>12 A. Yes, it does. The settlement provides an</p> <p>13 extraordinary level of Staff oversight and</p> <p>14 National Grid's continued involvement for</p> <p>15 the next two or three years. And those</p> <p>16 provisions combined address most of my</p> <p>17 concerns about service quality and the</p> <p>18 transition process.</p> <p>19 In addition, there are several</p> <p>20 ratemaking provisions in the settlement.</p> <p>21 These include the EnergyNorth staff, the</p> <p>22 transition period caps on information</p> <p>23 technology-related investment and</p> <p>24 unaccounted-for gas, the provision</p>

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<p>[WITNESS: RUBIN] Page 9</p> <p>1 preventing any change in accumulated 2 deferred tax balances as a result of the tax 3 treatment of the transaction, and limits on 4 rate case expenses in each of the companies' 5 first base rate cases under Liberty's 6 ownership. Taken together, those provisions 7 provide further protection for customers 8 against what otherwise would have been a 9 significant risk of higher rates under 10 Liberty's ownership than under National 11 Grid's ownership. 12 When I read all of the settlement 13 provisions together, I have reached the 14 conclusion that the settlement -- if the 15 settlement provisions are approved, 16 implemented and vigorously enforced, then I 17 believe it is likely that the public would 18 not suffer a net harm from the proposed 19 transaction. 20 Q. Thank you. This morning, Commissioner 21 Harrington asked about the potential loss of 22 economies of scale under Liberty ownership. 23 Do you have any information about that 24 issue?</p>	<p>[WITNESS: RUBIN] Page 11</p> <p>1 having an extended stay-out for EnergyNorth 2 and by limiting rate case expenses for the 3 first rate case for each of the utilities. 4 So, in my opinion, these and the other 5 ratemaking provisions in the settlement are 6 designed to mitigate and essentially offset 7 Liberty's higher operating costs, at least 8 in the first few years. 9 Q. Thank you. Also this morning, Commissioner 10 Scott asked, basically, what's in it for 11 ratepayers. How would you answer this 12 question? 13 A. I mean, with all respect to the Joint 14 Petitioners here, my answer to that question 15 is: Nothing. I don't believe there's 16 anything in the settlement or in the 17 transaction that provides a net benefit to 18 ratepayers. The settlement provides 19 reasonable assurances, but no guaranty, that 20 customers will not be harmed as a result of 21 the transaction. But I do not find a net 22 benefit or any compelling reason from the 23 customer's perspective why the transaction 24 should occur. I do recognize, though, that</p>
<p>[WITNESS: RUBIN] Page 10</p> <p>1 A. Yes. I address this issue on Pages 13 2 through 15 of my testimony. And that 3 testimony largely remains true, based on 4 what we know today, except that we now have 5 a cap on IT investment of \$8.1 million. 6 When I prepared the testimony last fall, 7 Liberty's estimate was that the IT 8 investment would be \$6.3 million. So that 9 results in additional depreciation expense 10 and a higher return on investment. So the 11 net detriment now would be closer to 12 \$3 million, where in my testimony last fall 13 it was at about \$2.5 million. That is 14 offset somewhat, probably about a million to 15 a million and a half dollars, by a lower 16 cost of debt. 17 So, based on the information that I 18 have available, in my opinion, there's no 19 question that Liberty will not be capturing 20 some of the economies of scale that National 21 Grid provides today. That's especially a 22 concern in the early years, before the new 23 investment has depreciated. And we have 24 addressed that concern in the settlement by</p>	<p>[WITNESS: RUBIN] Page 12</p> <p>1 the current owner wants to get out of the 2 retail business in New Hampshire; and thus, 3 there is also a risk to forcing that owner 4 to remain in the business. Considering all 5 of these factors, I have concluded that the 6 transaction is in the public interest, as 7 long as the settlement provisions are fully 8 implemented and vigorously enforced. 9 Q. Thank you. 10 MS. HOLLENBERG: I don't have 11 any other questions. The witness is available 12 for cross-examination. 13 CHAIRMAN IGNATIUS: Ms. 14 Hollenberg, are you planning to introduce Mr. 15 Rubin's testimony? 16 MS. HOLLENBERG: Yes, I am. 17 Actually, if I could ask that that be marked 18 for identification as Exhibit 10. I've 19 already distributed a copy to the clerk and to 20 the stenographer. 21 CHAIRMAN IGNATIUS: Thank you. 22 So marked for identification. That was 23 prefiled testimony on October 7, 2011? 24 MS. HOLLENBERG: Yes, ma'am.</p>

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<p>[WITNESS: RUBIN] Page 13</p> <p>1 (Exhibit 10 marked for identification.)</p> <p>2 CHAIRMAN IGNATIUS: In order of</p> <p>3 cross-examination, the Joint Petitioners,</p> <p>4 Legal Assistance, Mr. Sullivan and</p> <p>5 Ms. Fabrizio. Does that work? Mr. Camerino.</p> <p>6 MR. CAMERINO: The Joint</p> <p>7 Petitioners have no questions for Mr. Rubin.</p> <p>8 CHAIRMAN IGNATIUS: Mr.</p> <p>9 Sullivan.</p> <p>10 MR. SULLIVAN: No questions from</p> <p>11 us. Thank you.</p> <p>12 CHAIRMAN IGNATIUS: Ms.</p> <p>13 Fabrizio.</p> <p>14 MS. FABRIZIO: No, thank you,</p> <p>15 Madam Chairman. I have no questions. Staff</p> <p>16 has no questions.</p> <p>17 CHAIRMAN IGNATIUS: All right.</p> <p>18 Commissioner Harrington.</p> <p>19 CMSR. HARRINGTON: Yeah.</p> <p>20 INTERROGATORIES BY CMSR. HARRINGTON:</p> <p>21 Q. Just referring to Page 13 of your</p> <p>22 testimony -- and I think this time there's</p> <p>23 only one number on the page, so it won't</p> <p>24 confuse me -- at the very bottom of that it</p>	<p>[WITNESS: RUBIN] Page 15</p> <p>1 this morning as the economies of scale.</p> <p>2 In terms of percentage, I don't know if</p> <p>3 I have those numbers, off the top of my</p> <p>4 head. If you could give me one moment,</p> <p>5 maybe we do.</p> <p>6 Q. Sure.</p> <p>7 A. In Attachment SJR 3, on Page 3 -- and I</p> <p>8 apologize for the tiny print -- that is a</p> <p>9 summary of Granite State's operating and</p> <p>10 maintenance costs for 2011. And the total</p> <p>11 cost for Granite State in 2011 is...</p> <p>12 Q. You got me.</p> <p>13 CHAIRMAN IGNATIUS: Yeah.</p> <p>14 A. Yeah, this is not an exhibit I prepared.</p> <p>15 This is something that was provided by the</p> <p>16 Petitioner. I believe what this is showing</p> <p>17 is -- yes, the very bottom line says "O & M</p> <p>18 Expenses Plus Labor." And the budget</p> <p>19 figure -- sorry. The National Grid figure</p> <p>20 is the third number from the left on the</p> <p>21 bottom. I think that's \$16,181,000. And</p> <p>22 the figure to the right of that is Liberty's</p> <p>23 budget, or the equivalent number for 2011,</p> <p>24 which would have been \$17,070,000. And then</p>
<p>[WITNESS: RUBIN] Page 14</p> <p>1 says, Liberty's analysis shows that it would</p> <p>2 require more employees and a higher level of</p> <p>3 expenses to provide the same service that</p> <p>4 National Grid is providing today.</p> <p>5 Specifically, Slides 22 to 23 from Liberty</p> <p>6 show the cost of service would be \$889,000</p> <p>7 more than National Grid's cost of service.</p> <p>8 First, over what period of time is that</p> <p>9 referring to?</p> <p>10 A. That's an annual number.</p> <p>11 Q. That's an annual number. Okay. And could</p> <p>12 you expand on exactly why that's going to be</p> <p>13 that much more, and what does it break down</p> <p>14 to as a rough percentage? I mean, is this</p> <p>15 1 percent or 50 percent or --</p> <p>16 A. I cannot explain why, other than that</p> <p>17 National Grid is providing, let's call them</p> <p>18 "back-office" types of services for a much</p> <p>19 larger group of customers. When we think</p> <p>20 about billing, customer service, accounting,</p> <p>21 issues of that nature, they're able to</p> <p>22 spread those costs over a much larger</p> <p>23 customer base than Liberty will be able to.</p> <p>24 That's, I think, what you were referring to</p>	<p>[WITNESS: RUBIN] Page 16</p> <p>1 to the right of that I think is inflating</p> <p>2 that number into 2012. That's probably a</p> <p>3 little less relevant because we don't know</p> <p>4 what National Grid's numbers would be for</p> <p>5 2012. But for 2011, that's that \$889,000</p> <p>6 difference. So that's 889,000 out of</p> <p>7 16 million is, in round numbers, about 4 or</p> <p>8 5 percent, and that's for Granite State.</p> <p>9 The next page has the same type of analysis</p> <p>10 for EnergyNorth.</p> <p>11 Q. But we can read this page.</p> <p>12 A. Yeah, this one's a little easier to read.</p> <p>13 And that shows the \$876,000 difference out</p> <p>14 of about \$28 million in 2011. That's</p> <p>15 probably about around 3 percent higher,</p> <p>16 something in that range. Again, this is</p> <p>17 just looking at operating and maintenance</p> <p>18 expenses and labor. It doesn't include the</p> <p>19 rate base side of the equation. But I think</p> <p>20 that puts it in some perspective for you.</p> <p>21 Q. Yeah, that's very helpful. Thank you.</p> <p>22 And you mentioned that the debt costs</p> <p>23 were going to be lower. And that's just</p> <p>24 because of Granite State, they're</p>

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<p>[WITNESS: RUBIN] Page 17</p> <p>1 refinancing something at a better interest 2 rate? 3 A. Yes. Liberty will be replacing most of the 4 existing debt, which is really debt -- as I 5 understand it, most of that is debt owed by 6 the utilities to National Grid. It's not 7 debt that's owed to unaffiliated third 8 parties. So that debt will be replaced by 9 debt that Liberty is issuing on the open 10 markets, and that's at a lower cost than 11 it's currently reflected on the books of 12 EnergyNorth and Granite State. So I think 13 the latest estimate I saw was a savings of 14 about a million and a half dollars in annual 15 interest costs from doing that. 16 Q. Now, so, would it be fair, then, to add 17 those two numbers together, the 800 -- in 18 the case of Granite State, the 889,000, 19 which is a higher expense, and then the 20 million dollars, which is a lower expense, 21 and come out with a net slight decrease 22 or -- 23 A. No. If you look on Page 15 of my testimony, 24 there's a table at the top of the page that</p>	<p>[WITNESS: RUBIN] Page 19</p> <p>1 Q. Okay. So, about one and a half million 2 higher per year, all included. Okay. Thank 3 you. 4 A. Yes. And I think I referred to this 5 earlier. That's in the early years before 6 that IT investment has depreciated. Once, 7 you know, depreciation on that investment 8 has accumulated, the cost to consumers 9 becomes much lower on an annual basis. So 10 that \$1.5 million number starts to shrink. 11 And that's why I referred to the ratemaking 12 provisions in the settlement as largely 13 offsetting the cost increase in the early 14 years. And then in the later years we just 15 have to see what happens. 16 Q. All right. 17 CMSR. HARRINGTON: Thank you. 18 That's all. 19 CHAIRMAN IGNATIUS: Commissioner 20 Scott. 21 MR. SCOTT: Thank you. 22 INTERROGATORIES BY CMSR. SCOTT: 23 Q. I just wanted to clarify. Early on in your 24 statement you expressed you still have</p>
<p>[WITNESS: RUBIN] Page 18</p> <p>1 summarizes it. The Granite State number was 2 updated somewhat from the exhibit we were 3 just looking at. So that's \$963,000 instead 4 of \$889,000 in increased costs -- the 5 increased cost to EnergyNorth -- and then, 6 you know, non-labor cost increase for IT 7 investment and then the return on IT 8 investment. If we were to update those 9 numbers today, the non-labor IT cost 10 increase would be higher because of 11 additional depreciation. The return on IT 12 investment would be higher because we're at 13 \$8.1 million instead of \$6.3 million when 14 this was prepared. So we'd be up closer to 15 \$3 million as Liberty's increased costs to 16 do business compared to National Grid's. 17 And then we would reduce that by about a 18 million and a half dollars for the lower 19 debt cost. So the net would be about, you 20 know, again, ballpark numbers, about 21 \$1.5 million in higher costs under Liberty 22 ownership, or the two utilities combined. 23 Q. And that's for per year? 24 A. Yes.</p>	<p>[WITNESS: RUBIN] Page 20</p> <p>1 concerns regarding managerial capability. 2 Was that more what you just discussed, as 3 far as having deep pockets and costs 4 related, or is it actual technical ability? 5 A. It was more related to experience. Liberty 6 itself does not have any experience with a 7 natural gas distribution utility. They have 8 limited experience with an electric 9 distribution utility -- you know, one 10 utility that they acquired within the last 11 two years or so, and that they're still 12 working through the transition process for. 13 So that's where those concerns are coming 14 there. I recognize that Liberty is bringing 15 in a number of people from National Grid who 16 have, you know, the more day-to-day, 17 hands-on type of experience, which is very 18 helpful. But at the upper management level, 19 Liberty really does not have the experience 20 with a natural gas utility and, again, very 21 limited experience with an electric utility. 22 Q. And on that same regard, you mentioned, 23 obviously, you felt a little bit more 24 comfortable, given all the controls that</p>

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<p>[WITNESS: RUBIN] Page 21</p> <p>1 were, for want of a better word, in place, 2 assuming the settlement agreement is 3 approved. Is there something -- what could 4 the Company do to make you feel more 5 comfortable regarding that aspect? 6 A. Well, I think the provisions in the 7 settlement are sufficient, or at least I 8 hope they're sufficient, to protect 9 consumers from any adverse effects. 10 Basically puts another layer of oversight, 11 you know, on top of Liberty's management. 12 That's something we normally would not see 13 if Liberty were, you know, a fully 14 experienced and qualified company coming in; 15 those provisions would not be necessary. 16 I'm not sure there's anything Liberty 17 could do to satisfy me that they, you know, 18 have the experience to, you know, reliably 19 operate a natural gas distribution company, 20 short of bringing somebody in at upper 21 management who has that type of experience. 22 And I talk about this a little bit in 23 the testimony, that what is required of a 24 natural gas distribution company is very</p>	<p>[WITNESS: RUBIN] Page 23</p> <p>1 utilities that have tried to get into the 2 water business and quickly left because they 3 realized it was pretty different from what 4 they were used to. I'm not aware of any gas 5 utilities that have even tried to get into 6 the water business, or any water utilities 7 that have tried to get into the gas 8 business. So this is really some new 9 territory that's being plowed here, and it 10 makes me a little nervous. 11 MR. SCOTT: Thank you. 12 INTERROGATORIES BY CHAIRMAN IGNATIUS: 13 Q. Mr. Rubin, a couple times you referred to 14 that cost differential being higher during 15 the early years and coming down in the later 16 years. Can you put some time frames on what 17 "early" and "later" mean? 18 A. I'm not an accountant, and I'm certainly not 19 a depreciation expert. But I believe the 20 information we've seen has that initial IT 21 investment depreciating over either seven or 22 eight years. So if we take that -- let's 23 use some round numbers. Let's say it's an 24 \$8 million investment for IT, and that</p>
<p>[WITNESS: RUBIN] Page 22</p> <p>1 different than what is required of a water 2 utility. Water utility, we routinely see 3 lost or unaccounted-for water of 15 to 4 20 percent; and gas, we have to keep that 5 usually below 1 percent. In water, we have 6 fairly frequent -- maybe "frequent" is not 7 the right word. But it's not unusual to 8 have main breaks or sporadic outages. In 9 gas, there is zero tolerance for that. And 10 it's extremely expensive to respond to a 11 natural gas outage, even a limited one, 12 because somebody has to go door to door to 13 shut off gas and then turn it back on, 14 re-light pilot lights and so on. It's a 15 very different type of operation. 16 I've been in this business for close to 17 30 years. A lot of my work involves water 18 utilities. I know a lot of people who 19 operate and own water utilities, and the 20 mindset is very different than what I see in 21 the energy industry. And there's very 22 little experience out there with a company 23 that is engaged in both water and energy 24 distribution. There have been some electric</p>	<p>[WITNESS: RUBIN] Page 24</p> <p>1 depreciates over -- well, let's make it real 2 easy. Say it depreciates over eight years. 3 That means after a year, there's \$7 million 4 of investment left that's going to earn a 5 return. So, when we get out, you know, past 6 the first two or three years, that number is 7 getting pretty small and is getting closer 8 to the level of investment that National 9 Grid has that's being allocated to the New 10 Hampshire company. So I think once we get 11 past probably about three years of Liberty 12 ownership, then the information 13 technology-related costs start to become 14 much closer to what they would be under 15 National Grid ownership. And that's why 16 that initial stay-out is so important for 17 EnergyNorth, because it provides some time 18 for that investment to depreciate before 19 that first rate case is filed. 20 Q. In following up on your concerns about lack 21 of experience with a natural gas utility, 22 are there any indicators you can think of 23 that would be important to watch for that 24 might show you things are operating well or</p>

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<p>[WITNESS: RUBIN] Page 25</p> <p>1 things seem to be getting out of hand, and 2 before it gets even worse, apply some 3 greater scrutiny to what's going on? 4 A. Yes. I'll leave a lot of that detail to the 5 operations and safety experts you'll be 6 hearing from later. 7 One important measure is the 8 unaccounted-for gas, which we've included a 9 cap on that in the settlement. And that cap 10 was -- I won't go into exactly how that was 11 calculated. But essentially, that 12 represents EnergyNorth's typical experience 13 over the last five to six years. I mean, 14 there was some averaging and all that 15 involved. But that's at a level that we 16 think is comparable to what EnergyNorth has 17 experienced under National Grid ownership. 18 So if we see that number really start to 19 climb, that would be a concern. I think if 20 we see a big change in the level of 21 investment that's going into, you know, 22 replacing bare steel and cast iron in the 23 distribution system, that would be a 24 concern. Obviously, if there are customer</p>	<p>[WITNESS: RUBIN] Page 27</p> <p>1 stand-alone businesses, but they obtain many 2 of their services through the Liberty 3 Utilities positions that we see identified 4 in Exhibit 6. Does that meet your 5 understanding of what's going on? 6 A. That is my understanding. Now, some of the 7 functions shown here as Liberty Utilities 8 New Hampshire are only going to be provided 9 to either Granite State or EnergyNorth. You 10 know, the gas supply function is an 11 EnergyNorth function. The electric supply 12 function is a Granite State function. So, 13 some of what's shown here, you know, is very 14 specific to one utility or the other. But 15 it's all reporting up to a Liberty Utilities 16 New Hampshire executive; you know, both gas 17 an electric supply are under the Liberty 18 utilities New Hampshire Director of Energy 19 Procurement. 20 And the same thing on the operating 21 side. Gas operations and electric 22 operations are shown as separate boxes here, 23 but they're both under the Vice-President of 24 Operations and Engineering, which is a</p>
<p>[WITNESS: RUBIN] Page 26</p> <p>1 outages, that would be a very serious 2 concern -- again, looking at natural gas. 3 So those are, you know, three fairly 4 high-level indicators that, you know, I 5 would suggest you watch for. And I know the 6 settlement includes a number of more 7 detailed provisions as well. And you'll be 8 getting, I think on most of them, quarterly 9 reporting, which would be very useful, just 10 to make sure things are not deteriorating. 11 Q. Did you hear the testimony this morning 12 about the relationship between the org chart 13 that's been marked for identification as 14 Exhibit 6 and the way that that interacts 15 with the organization that has EnergyNorth 16 and Granite State sort of connected down 17 below through the operations side of things? 18 A. I did hear that, yes. 19 Q. As I understood it -- and we'll have more 20 testimony on this, so if I'm wrong, I hope 21 people will clarify for me -- all of the 22 positions identified in Exhibit 6 are really 23 sort of service -- providing services to 24 those two utilities. Utilities are</p>	<p>[WITNESS: RUBIN] Page 28</p> <p>1 Liberty Utilities New Hampshire executive. 2 Q. Does that structure, splitting -- let's 3 stick with gas here -- splitting the gas 4 function into different lines of authority 5 that are separate and apart from the actual 6 gas distribution company make sense to you? 7 A. I don't feel qualified to really answer 8 that. I'm not an expert on the management 9 of any kind of company or management 10 structure. There are, I think, two 11 different ways to do it. You know, one 12 approach would be to have an electric 13 company and a gas company, each with its own 14 executive structure; then the service 15 company would provide fairly limited 16 support, you know, for common functions like 17 billing and metering, customer service, 18 accounting, those sorts of things. That's 19 one approach. This is a different approach. 20 This is centralizing most of those functions 21 at the -- call it the immediate parent 22 company, you know, the New Hampshire 23 parent -- and then not -- I don't want to 24 say each of the operating utilities wouldn't</p>

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<p>[WITNESS: RUBIN] Page 29</p> <p>1 be autonomous, but they would have a limited 2 level, I think, of executive -- well, I'm 3 not sure of the right way to say it. But 4 the operating utilities really would not be 5 autonomous entities. They would be 6 reporting up to directors and 7 vice-presidents at the parent company level. 8 So, presumably, they would not have that 9 type of executive leadership on a 10 stand-alone basis; they're getting it from 11 the parent company. And that's as far as I 12 can go, just to say that there are two 13 different models. I don't know if one is 14 better than the other. 15 Q. All right. And I think we'll be hearing 16 more about structuring management in panels 17 yet to come. So maybe that's fine for now. 18 CHAIRMAN IGNATIUS: All right. 19 I think that's it for our questions. 20 Any redirect, Ms. Hollenberg? 21 MS. HOLLENBERG: No, thank you. 22 CHAIRMAN IGNATIUS: Thank you 23 very much, Mr. Rubin. You are excused. And 24 if you need to travel, that's okay.</p>	<p>[WITNESS: RUBIN] Page 31</p> <p>1 CROSS-EXAMINATION 2 BY MR. CAMERINO: 3 Q. Mr. Rubin, when you were sharing your 4 perspective on Liberty's experience with 5 regard to operating particularly a natural 6 gas company, but an electric gas company as 7 well, I take it your remarks related to -- 8 when you said "Liberty," you meant Liberty 9 meaning Mr. Pasieka, Mr. Robertson and the 10 people at that level of the organization. 11 You were not referring to -- when we look at 12 this org chart, you were not passing 13 judgment on the capabilities of people like 14 Mr. Dafonte, Mr. Saad, Mr. MacDonald, Mr. 15 McCallum, and people that are here, saying 16 that those people that Liberty has engaged 17 don't have that experience. Is that a fair 18 statement? 19 A. Yes, you are correct. I was talking about 20 the -- I hope I don't bungle the names -- 21 but at the Liberty Utilities level, the 22 Toronto-area headquarters, not the specific 23 people that would be doing the day-to-day 24 operations in New Hampshire.</p>
<p>[WITNESS: RUBIN] Page 30</p> <p>1 MR. CAMERINO: Would it be 2 appropriate if we have a couple follow-up 3 questions on responses that Mr. Rubin gave to 4 the Bench? 5 CHAIRMAN IGNATIUS: We don't 6 normally do that, certainly not as a matter of 7 course. Is it something that couldn't have 8 been anticipated, wasn't in the scope of 9 things that had been prefiled? 10 MR. CAMERINO: It's related 11 to -- he had answered in a lot more detail, 12 frankly, a question about why he believed that 13 Liberty didn't have the experience with regard 14 to operating a gas company, and I wanted to 15 just clarify what he had considered in 16 reaching that conclusion. 17 CHAIRMAN IGNATIUS: All right. 18 We'll allow it. I do want to not suggest that 19 we're always going to allow that. But if it's 20 something fairly brief and specific to things 21 that really couldn't have been anticipated, 22 that's fine. 23 MR. CAMERINO: We appreciate 24 that.</p>	<p>[WITNESS: RUBIN] Page 32</p> <p>1 MR. CAMERINO: Much. 2 CHAIRMAN IGNATIUS: All right. 3 Thank you. You're excused. 4 THE WITNESS: Thank you. 5 CHAIRMAN IGNATIUS: Do we have 6 now a panel on the settlement itself? 7 MS. FABRIZIO: This is Staff's 8 panel with its consultants on IT issues 9 related to the transaction. 10 CHAIRMAN IGNATIUS: You've told 11 me that twice. Maybe it might sink in at some 12 point. 13 MS. FABRIZIO: Staff calls 14 Gregory Mann and Timothy Connolly to the 15 stand. 16 (WHEREUPON, GREGORY L. MANN AND TIMOTHY 17 M. CONNOLLY were duly sworn and 18 cautioned by the Court Reporter.) 19 GREGORY L. MANN, SWORN 20 TIMOTHY M. CONNOLLY, SWORN 21 DIRECT EXAMINATION 22 BY MS. FABRIZIO: 23 Q. Mr. Mann, could you please state your name 24 and business address for the record?</p>

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<p>1 A. (By Mr. Mann) Gregory Mann. The address is 2 11610 Tomahawk Creek Parkway, Leawood, 3 Kansas, 66211. 4 Q. And by whom are you employed and in what 5 capacity? 6 A. (By Mr. Mann) Managing vice-president for 7 Gorham Gold Greenwich & Associates. 8 Q. And what has been your involvement in this 9 proceeding? 10 A. (By Mr. Mann) Our involvement was to review 11 the IT systems and preparations and plans 12 that were being made by Liberty Energy -- or 13 Liberty Utilities and National Grid for 14 purposes of equipping Granite State Electric 15 and EnergyNorth with their IT systems 16 following the sale. 17 Q. Mr. Connolly, could you please state your 18 name and business address for the record? 19 A. (By Mr. Connolly) Timothy Connolly, 20 C-O-N-N-O-L-L-Y. My business address is 21 2005 Arbor Avenue, Belmont, California. 22 Q. And by whom are you employed and in what 23 capacity? 24 A. (By Mr. Connolly) I'm the vice-president for</p>	<p>1 CHAIRMAN IGNATIUS: So marked. 2 (11 marked for identification.) 3 (12 marked for identification.) 4 Q. Mr. Mann, do you have any corrections or 5 changes that you would like to make to your 6 testimony? 7 A. (By Mr. Mann) We have one minor correction. 8 I'd refer you to the attachment marked 9 "G3-1," Paragraph 2 -- 10 Q. And are you looking at the April 10th, 11 2012 -- 12 A. (By Mr. Mann) I'm sorry. Yes, the 13 April 10th, 2012 prefiled testimony and 14 report. Attachment G3-1, Page 3, 15 Paragraph 2, Bullet 1, there's a reference 16 there made in the second sentence to "Mr. 17 Pasioka will direct Liberty's Project 18 Management Office." That should be 19 corrected to refer to Mr. Wood as opposed to 20 Mr. Pasioka. 21 Q. And with that change, is this testimony true 22 and accurate to the best of your knowledge? 23 A. (By Mr. Mann) Yes, it is. 24 Q. Okay. Could you please briefly state how</p>
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<p>1 regulatory compliance with 2 Gorham Gold Greenwich & Associates. 3 Q. And what has been your involvement in this 4 proceeding? 5 A. (By Mr. Connolly) As with Dr. Mann, review 6 of the IT plans and preparations of Liberty 7 and National Grid towards the implementation 8 of the systems for Granite State Electric 9 and EnergyNorth Gas. 10 Q. Thank you. Now I'll direct my next 11 questions to you both as a panel. 12 You filed direct and supplemental 13 testimony in this docket; is that correct? 14 A. (By Mr. Mann) That's correct. 15 Q. And was that testimony prepared by you, 16 under your direction? 17 A. (By Mr. Mann) It was. 18 MS. FABRIZIO: And Chairman 19 Ignatius, I would like to request that the 20 October 7, 2011 direct testimony and April 10, 21 2012 supplemental testimony of 22 Gorham Gold Greenwich & Associates, or G3 23 Associates, be marked for identification as 24 Exhibits 11 and 12.</p>	<p>1 you approached the task asked of you by 2 Staff and what you concluded in your report? 3 A. (By Mr. Mann) We were asked by Staff to 4 review the plans and proposals that were 5 being made and the efforts that were being 6 expended by the two companies. 7 At the time that we were engaged, the 8 Company was already -- the companies were 9 already in the process of developing their 10 approach to transitioning the IT system over 11 from National Grid to Liberty. At that 12 point in time, we found that a considerable 13 amount of work had been expended by both 14 parties to achieve a degree of cutover from 15 the initial state for their financial and 16 corporate governance systems, as they were 17 necessary to commence operations. 18 Liberty had concluded that its need 19 for -- to achieve the needed flexibility as 20 it assumed responsibility and worked with 21 National Grid to establish a process by 22 which National Grid would assist it in doing 23 so. As Liberty saw itself growing into its 24 new role, Liberty would flush out the IT</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 37</p> <p>1 results that were required at a later date. 2 What this did was it manifested itself in an 3 IT strategy that deferred some of the 4 operational-level questions and requirements 5 to later times in the development cycle. 6 As a consequence, from our viewpoint, 7 what we concluded early on was that we were 8 disappointed in seeing the level of the lack 9 of detail at the back end of the transition 10 process. We also felt that, in the course 11 of events, the implementation schedule was 12 aggressive and would probably require some 13 additional extension before it could be 14 completed. 15 Subsequent to that, in the course of 16 events, we've had a significant amount of 17 discussion. We conducted fairly extensive 18 discovery with both companies, engaged in 19 quite a bit of discussion, toured the sites 20 that the Company envisioned its IT support 21 to be provided from, met with a considerable 22 number of their managers and executives and 23 talked about improvements that could be made 24 in the processes. And subsequently, by the</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 39</p> <p>1 the Attachment G3-1 on Page 4. 2 CMSR. HARRINGTON: Excuse me. 3 Is the report 07? Is that what you're 4 referring to? 5 MS. FABRIZIO: It's attached to 6 the April 10, 2012, and there's an April 10, 7 2012 date in the header. There were two 8 reports: One filed in October and the 9 supplemental filed in April. 10 CMSR. SCOTT: To clarify, so the 11 header says "2011," but it should be "2012"; 12 correct? 13 MS. FABRIZIO: Yes. We filed a 14 revised version that replaced that date. 15 CMSR. HARRINGTON: I'm sorry. 16 I'm still -- there's two reports? 17 MS. FABRIZIO: Yes. G3 filed 18 testimony with an attached report on 19 October 7th, 2011. That's Exhibit 11. And 20 then it filed supplemental testimony with a 21 supplemental report on April 10th, 2012. And 22 that has been marked as Exhibit 12. I'll be 23 happy to provide -- 24 CMSR. HARRINGTON: So this is</p>
<p>[WITNESS PANEL: MANN CONNOLLY] Page 38</p> <p>1 time we issued our October -- our April 2 report, we were relatively comfortable with 3 the changes that were being made on the part 4 of the Company and the improvements that 5 were being adopted on their part. 6 Q. Thank you. Generally speaking, how did the 7 Petitioners respond to your conclusions and 8 recommendations? 9 A. (By Mr. Mann) They were very supportive. 10 Initially, there was some questions in their 11 minds as to the things that we were asking 12 for. But they understood that what we were 13 attempting to do was put in place supports 14 that would allow them to be more successful. 15 And as a consequence, in every instance, the 16 recommendations that we made have been 17 adopted. 18 Q. Thank you. The next few questions I'd like 19 to turn to Exhibit 12. This is the 20 April 10, 2012 testimony and report prepared 21 by G3. On Page 4 of your report -- 22 MS. FABRIZIO: And when I refer 23 to page numbers, I'm referring to the middle 24 at the bottom of the page. And I'm looking at</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 40</p> <p>1 the report you're referring to that came with 2 October 7th, that's dated October 7th, and it 3 says "National Grid and Liberty Energy 4 Utilities Company Technical Report"? 5 MS. FABRIZIO: Yes, that's -- 6 CMSR. HARRINGTON: That's part 7 of -- 8 MS. FABRIZIO: That's attached 9 to the testimony. So that's as one with 10 Exhibit 11. 11 CMSR. HARRINGTON: Okay. Thank 12 you. 13 A. (By Mr. Mann) And your question related to 14 the attachments to that report. 15 BY MS. FABRIZIO: 16 Q. To the April report -- to the April 17 testimony. 18 A. (By Mr. Mann) All right. 19 Q. And my questions really go to more general 20 remarks from G3. So it's actually not 21 necessary to flip pages, if that makes it 22 easier. 23 On Page 4 of the April 10th report, you 24 mentioned that Liberty has prepared an IT</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 41</p> <p>1 plan and IT migration plan. Could you 2 outline briefly your assessment of those 3 plans, and could you also comment on 4 Liberty's "Greenfield," as you term it, its 5 approach to IT planning. 6 A. (By Mr. Mann) Liberty Energy has prepared 7 two documents that principally codify what 8 constitute their total planning efforts. 9 The initial plan, the IT plan, is an 10 over-arching document that outlines the 11 requirements that their operating company 12 will have for IT support and how they intend 13 to approach that. 14 The IT migration plan is actually a 15 working document that, over time, will guide 16 the implementation by the companies and will 17 permit Staff the ability to monitor their 18 implementation efforts and judge the merits 19 of their work. 20 The migration plan incorporates many of 21 the concerns -- or addresses many of the 22 concerns that we had in our initial report. 23 It provides for an extensive amount of 24 testing to ensure that the capabilities of</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 43</p> <p>1 bound to the legacy systems that have been 2 employed by National Grid, which in and of 3 themselves have mutated quite extensively 4 over the years as National Grid has 5 assembled many of its operating units. 6 In this particular instance, Liberty 7 went with the approach that it was looking 8 to try and balance out the capabilities that 9 its users needed with the cost of delivery, 10 and as a result, resulted in a systems 11 approach that was markedly different than 12 the approach that National Grid has 13 employed. And so from that standpoint, we 14 considered it a "Greenfield" because they 15 were willing to start from scratch and look 16 at it from the bottom up. 17 Q. Thank you. On Page 9, at Footnote 6 of the 18 same April 2012 report, you note that 19 Liberty's New Hampshire acquisitions will 20 utilize similar IT development and 21 deployment approaches as the CalPeco 22 acquisition in California. Could you 23 comment on the similarities and whether 24 there are lessons that have been learned</p>
<p>[WITNESS PANEL: MANN CONNOLLY] Page 42</p> <p>1 the various software applications that are 2 being introduced in the system will work. 3 It provides for a change-management process 4 that will govern changes that may in fact be 5 required as the implementation occurs. It 6 also provides what will serve as the basic 7 mechanism by which the Staff will be able to 8 judge both the efficiency of the 9 implementation, but also to be knowledgeable 10 early on of anything that may affect either 11 cost or schedules associated with the plan 12 to transfer. 13 The question of "Greenfield" -- that's 14 a term of art that's used. One thing that 15 was very apparent in this engagement, that 16 has been generally different than in many 17 other instances, Liberty Energy has the 18 ability to institute or introduce many 19 different, new types of -- let me rephrase 20 that -- has the opportunity to examine what 21 its requirements are from the bottom up from 22 its user standpoint and is in the process of 23 designing its systems and its capabilities 24 to meet those user requirements. It's not</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 44</p> <p>1 through the CalPeco experience? 2 A. (By Mr. Connolly) There are some 3 similarities and some parallels between the 4 CalPeco experience and Granite State/ 5 EnergyNorth. And then there are some 6 differences and there are some lessons 7 learned. Let me start with the 8 similarities. 9 Liberty is acquiring the operations of 10 a company and its about 40 some-odd thousand 11 electric users in California. And the 12 systems that are being put into place for 13 CalPeco operations are "off the shelf" or 14 "out of the box" -- that's the 15 terminology -- acquired from vendors, 16 reputable vendors who have gotten proven 17 experience in their application. And the 18 host, the selling company -- in this case, 19 Sierra Nevada -- has the data that needs to 20 be populated into these new systems. And 21 there's some transition services which guide 22 the operation of the company between the 23 time that it starts to acquire information 24 and data and the time it begins to operate</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 45</p> <p>1 on its own. Those three things are very 2 consistent parallels with what we see here 3 in New Hampshire with Granite State and 4 EnergyNorth. 5 In terms of some differences, CalPeco 6 is just electric, with 7,500 or so users. 7 It's a lot smaller than the territory that's 8 being brought in from National Grid. And 9 the third major one, the third major 10 difference, is that the National Grid system 11 that houses the data for New Hampshire 12 operations is co-mingled with user 13 information, circuit information, field 14 information, dispatch information and 15 records Works management and so forth for 16 New Hampshire, for Massachusetts, for Rhode 17 Island, for New York, contrasted with Sierra 18 Nevada, which had isolated all of the 19 information about its operations into a 20 separate system and running it out of their 21 combined operation network. So the data 22 bases, for National Grid purposes, are 23 co-mingled with many other states, and for 24 Sierra Nevada were isolated into one</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 47</p> <p>1 transition services and what those require 2 for purposes of managing the cost of those, 3 managing the delivery and operation of those 4 transition services as they will be 5 receiving those services from National Grid. 6 They've already been receiving them for 7 Sierra Nevada. So there's an awareness, a 8 set of lessons being learned there. 9 I think the bottom line is that they've 10 learned that implementation of these 11 systems, this IT environment, is 12 complicated. It requires dedicated people 13 who have experience in information 14 technology, and these things take time and 15 they take resources. And you have to do 16 them right, and you have to do them well, or 17 you have to do them over and over again. 18 So I think those are key lessons 19 learned from the CalPeco environment. And I 20 think, as I mentioned, there's parallels and 21 differences about those. 22 Q. Thank you. Now, in your October report, you 23 mentioned some concerns that you had 24 regarding Liberty's ability to effect an</p>
<p>[WITNESS PANEL: MANN CONNOLLY] Page 46</p> <p>1 operating region. 2 So, those two -- set of parallels, set 3 of differences -- are what apparently what 4 we have seen that Liberty has learned from 5 those CalPeco lessons, that IT testing is 6 critical to the success of turning up these 7 applications. 8 We have seen -- they've shared 9 information with us about their experience, 10 the way it's gone, things that -- they've 11 had one test plan. They needed to 12 supplement that with other test plans. They 13 needed to do more reiterative testing. So 14 those are the practical lessons learned 15 about that. They've also learned about the 16 complications of training users to work with 17 these systems will take longer than the 18 initial forecast of however many training 19 hours and training days. Things take longer 20 when you have more people involved, and 21 other training resources need to be 22 deployed. So I think that was a very 23 helpful lesson that was learned. 24 I know that they've learned about</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 48</p> <p>1 orderly and cost-efficient transition of 2 responsibilities for information-related 3 systems and services. Have you revised your 4 opinion on that point? 5 A. (By Mr. Mann) We have. Our original 6 position on this related more to the fact 7 that we did not see the type of strong 8 governance system in place that we would 9 have liked to have had. Also, we were 10 concerned about the lack of definition in 11 the long-term planning area. Subsequent to 12 that, the companies both have made major 13 commitments to strengthening both the 14 governance processes, as well as commitments 15 for senior executives to monitor or to 16 manage the process. And we've also seen a 17 significant amount of clarity that's been 18 added to the planning, the longer-term 19 planning requirements, including the 20 testing, the user needs analysis, vendor 21 management cost program that's been put in 22 place to ensure the support that their 23 vendors are delivering products and services 24 that they've agreed upon. We've seen</p>

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<p>1 formalization of a data-retention agreement</p> <p>2 between the two companies that ensures and</p> <p>3 preserves long-term access to historical</p> <p>4 data that National Grid currently maintains.</p> <p>5 And so there have been a number of</p> <p>6 things that, from our standpoint, are the</p> <p>7 things that we would look to, to ensure a</p> <p>8 more orderly transition, but also one that</p> <p>9 is as close to what is projected in budgets</p> <p>10 as could be conceived at this point in time.</p> <p>11 Q. Thank you. Now, on Page 6 of your April</p> <p>12 report, you referred to "subsequent effort</p> <p>13 to solidify the Petitioners' commitment to</p> <p>14 testing the IT systems." Could you</p> <p>15 elaborate on that, please?</p> <p>16 A. (By Mr. Connolly) Our first report, our</p> <p>17 October report, found that the testing that</p> <p>18 had been envisioned by Liberty for its Day</p> <p>19 One environment was structured around</p> <p>20 financial systems and financial reporting</p> <p>21 and the limited infrastructure, technical</p> <p>22 infrastructure that was necessary for Day</p> <p>23 One operations. And we asked about the</p> <p>24 testing disciplines that were being</p>	<p>1 we began having the technical sessions and</p> <p>2 some of the conferences that Staff led, the</p> <p>3 engagement on testing has become very, very</p> <p>4 positive. And if you go through -- when you</p> <p>5 go through Attachments G and H, which are</p> <p>6 the IT plan and the migration plan, you'll</p> <p>7 see that Liberty has emphasized testing and</p> <p>8 emphasized the continuum of testing from the</p> <p>9 first part of the application being ready to</p> <p>10 all the way to the users being satisfied</p> <p>11 with the commitment that they've made, which</p> <p>12 is on -- in the IT plan where it says,</p> <p>13 quote, Liberty will ensure that its quality</p> <p>14 assurance goal is met by having all</p> <p>15 applications tested before they are moved</p> <p>16 into production. We see that now. We never</p> <p>17 saw that commitment level before. So I</p> <p>18 think this goes to Liberty's recognition and</p> <p>19 acknowledgment that, in order to succeed,</p> <p>20 testing and proving that the systems work</p> <p>21 was done, and done well, is really critical</p> <p>22 to their success, and certainly critical to</p> <p>23 all of the implementations that we know will</p> <p>24 be coming up over the next several years.</p>
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<p>1 embraced. And we thought those -- we think</p> <p>2 those involve system testing, integration</p> <p>3 testing and user testing and stress testing,</p> <p>4 and all the disciplines that go into a</p> <p>5 comprehensive, solid, well-disciplined and</p> <p>6 well-defined IT testing program. And when</p> <p>7 we asked about that nature of testing</p> <p>8 commitment for the turn-up of those first</p> <p>9 systems, we didn't get the positive</p> <p>10 reinforcement that we were looking for. And</p> <p>11 then we went and looked beyond those first</p> <p>12 set of Day 1 systems and asked about what's</p> <p>13 the commitment to testing for the customer</p> <p>14 roll-out or the billing roll-out or the</p> <p>15 Works management program, which are coming</p> <p>16 in their own environments as progress is</p> <p>17 made in the IT world. And again, we weren't</p> <p>18 strongly reinforced about the level of</p> <p>19 commitment to that kind of testing that we</p> <p>20 saw as mandatory to turning up quality</p> <p>21 applications that met user needs, that</p> <p>22 operated consistent with the IT strategies</p> <p>23 and so on and so forth.</p> <p>24 Since that report was issued, and since</p>	<p>1 Q. Thank you. On Page 7 of the April report,</p> <p>2 you note that further negotiations between</p> <p>3 Staff and Liberty will be required with</p> <p>4 respect to IT implementation post-close.</p> <p>5 What, in your opinion, is the scope of what</p> <p>6 will be required?</p> <p>7 A. (By Mr. Mann) We believe that the Staff will</p> <p>8 need to be actively engaged with the</p> <p>9 companies in not just monitoring the</p> <p>10 schedule that's been set forth, but ensuring</p> <p>11 that the commitments that are made in that</p> <p>12 schedule are in fact fulfilled. Staff will</p> <p>13 have to closely monitor the expenses</p> <p>14 associated with the services that are being</p> <p>15 provided under the TSA agreements --</p> <p>16 specifically, in our instance, the</p> <p>17 IT-related expenses.</p> <p>18 As was pointed out earlier this morning</p> <p>19 by one of the panels, the capital costs</p> <p>20 associated with the IT project are capped.</p> <p>21 The operating expenses associated with it</p> <p>22 are not. Those expenses will need to be</p> <p>23 monitored by Staff to ensure that not only</p> <p>24 are they being incurred on behalf of -- on</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 53</p> <p>1 direct behalf of implementation of the IT 2 requirements, but also that they reflect 3 expenses that are judicious and prudent 4 before they could be -- so that later on 5 they could be considered, if required, in a 6 rate case for recovery purposes. 7 Q. Thank you. On a related note, on Page 10, 8 you raise concerns regarding the increased 9 projections of Liberty's IT costs and 10 suggest that Staff will need to monitor 11 implementation. Could you explain what you 12 mean when you suggest that "Staff should 13 ensure that all expenditures meet recognized 14 prudence tests"?</p> <p>15 CMSR. HARRINGTON: Excuse me. 16 When you say "Page 10," is that -- there's two 17 numbers on the page. Which one are you -- is 18 it in Attachment G3-1?</p> <p>19 MS. FABRIZIO: I'm looking at 20 the number in the center. 21 CMSR. HARRINGTON: This is 22 Attachment G3-1? 23 MS. FABRIZIO: Yes. 24 CMSR. HARRINGTON: The page</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 55</p> <p>1 And so the prudence test is essentially 2 a derivative of a set of tests that were 3 established for nuclear power plant 4 construction, which I'm sure you're probably 5 familiar with. And they basically deal with 6 the "Reasonable Man Theory" of what was 7 known at the time those decisions were made; 8 what options were available and were 9 considered; why were the options that were 10 selected chosen, and were those in fact 11 good; and if so, the expense is prudent; if 12 not, then it's not prudent. 13 Q. Thank you. On Page 11, also of the April 14 report, you note that Liberty has made 15 material improvements in program governance 16 with respect to IT planning. Could 17 you explain that further?</p> <p>18 A. (By Mr. Connolly) Well, I think that the 19 first panel this morning with Mr. Pasioka 20 and Mr. Horan described the 21 transition-management approach that the 22 companies have now put in place, which was 23 not in place as we did our examination of 24 the companies' preparedness. So we see a</p>
<p>[WITNESS PANEL: MANN CONNOLLY] Page 54</p> <p>1 number in the center. Okay. 2 A. (By Mr. Mann) Essentially what we're saying 3 here is that expenses may in fact be 4 incurred. 5 MR. MANN: I think, 6 Commissioner, you pointed out this morning 7 that not every implementation goes exactly the 8 way it's envisioned. And we expect that to be 9 the case here. That's why we requested that 10 there be a change-management process put in 11 place with the implementation so that Staff 12 could monitor the changes and assess what, if 13 any, financial impact those changes might 14 have, as well as schedule changes. 15 A. (By Mr. Mann) Now, expenses that are incurred 16 need to be justified, even as they go along, 17 so that Staff can better understand what the 18 nature of the change is, why it's required, 19 what its impact is, and whether or not it 20 reflects poor decision-making that might 21 have been made previously, or if it's a 22 result of exogenous factors that were 23 unforeseen events that were not considered 24 before.</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 56</p> <p>1 heightened awareness. We see a structure 2 that's been put in place for transition 3 management, for program management. And 4 certainly, most importantly, in order to 5 make the IT world work is the IT Steering 6 Committee and its role as its explained in 7 the planning documents and as the 8 companies -- as the settlement agreement 9 provides. 10 There's communication protocols that 11 are established, frequency of reporting and 12 meetings to make sure that things are 13 understood and that action plans are built 14 and remedies are put in place before they 15 come out of control. The change-management 16 program, as Dr. Mann mentioned, is another 17 element of the governance process being the 18 subject of a lot of attention and much in 19 the way of resolution that's been brought 20 about in the intervening months. 21 Q. Thank you. On Page 12, you refer to a 22 data-retention agreement reached between 23 Liberty and National Grid. Can you explain 24 the significance of that agreement?</p>

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<p>1 A. (By Mr. Mann) The data-retention agreement 2 formalizes an understanding that was reached 3 between the parties, before we were actually 4 engaged, that was going to provide the 5 Company with information -- historical 6 information that was not going to be 7 converted or transferred over to Liberty at 8 the time of the conversion. This related to 9 customer data, operational data, other 10 information that was thought to possibly be 11 useful but didn't warrant moving it across 12 or trying to convert it at this point in 13 time. 14 The concern that we had was that we 15 wanted to see that relationship formalized 16 in a contract that set forth the rights that 17 each of the two parties had to that 18 information, to the use of it in subsequent 19 years, trying to make sure that in fact 20 Liberty Energy did not find itself 21 disadvantaged at some point in the future by 22 not having access to that historical data. 23 More importantly was that, by making that 24 agreement -- putting that agreement in place</p>	<p>1 described in the TSA in Attachment A. Those 2 costs are borne by Grid to generate the 3 service and are paid for by Liberty upon -- 4 along with all the other transition services 5 that are acquired during the period from 6 Day 1 to ultimate Day N. 7 The IT investment expenses, which are 8 the start-up costs for licenses, for 9 systems, hardware, infrastructure and 10 configuration, expenses that Liberty pays 11 for to the vendors who do that work for the 12 people in Liberty, who do that work as 13 employees of Liberty, those expenses are in 14 the \$8.1 million cap IT investment pool that 15 is Liberty's to pay for. 16 Q. Thank you. And you mentioned earlier that 17 in New Hampshire, utilities data is 18 co-mingled with that of other utilities 19 owned by National Grid. Are there National 20 Grid-related IT conversion costs that will 21 actually be borne by Grid as a result? 22 A. (By Mr. Connolly) In order to -- yes, there 23 are. Some of those costs would be for the 24 staff that is assembled under Madeleine</p>
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<p>1 and ensuring that that information is 2 retained, it gives to the Staff the ability 3 to ensure that all the existing reports that 4 have been provided by National Grid, that 5 there's sufficient data available, that in 6 the future, as Staff requires information 7 and wants to look back before the 8 transaction, it has the ability to do so. 9 So we've preserved that capability on 10 Staff's part. 11 Q. Thank you. Now, who, to your knowledge, is 12 paying for the IT conversion cost of this 13 transaction? Is that Liberty, Grid, or both 14 companies? 15 A. (By Mr. Connolly) Sorry? 16 Q. Who is, to your knowledge, paying for the IT 17 conversion costs for this transaction? 18 Liberty, National Grid, or both? 19 A. (By Mr. Connolly) There are seven or eight, 20 subject to check, IT services in the 21 Transition Services Agreement for -- seven 22 or eight for Granite State and similar or 23 same seven or eight for EnergyNorth. The 24 services that are provided under there are</p>	<p>1 Hanley, who's the head of the IT Steering 2 Committee. Those Grid employees help to 3 explain the structure, content and 4 arrangement of the data within the National 5 Grid legacy systems. That data needs to be 6 extracted from the Liberty systems and put 7 into a transfer medium and given to Liberty, 8 according to schedules, protocols, 9 conversion tests, and all the assurances 10 that go along with making sure that the data 11 is complete, that it's timely and it's 12 accurate. Those costs, to my understanding, 13 are being incurred by National Grid and are 14 not being passed to Liberty. 15 Q. Thank you. In your October testimony and 16 report, you express some reservations that 17 you had with respect to Liberty's IT 18 efforts. Could you explain those 19 reservations? 20 A. (By Mr. Connolly) Yes. Actually when you 21 get all down to it, it's a very long list. 22 But it's a very important list of things. 23 For example: We saw Liberty's progress 24 towards the system and Works operations was</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 61</p> <p>1 not very well advanced, and if imagined to 2 its fruition, the time frames allowed for 3 that were terribly compressed and way too 4 aggressive. We saw that Liberty was relying 5 very heavily on third-party vendors to 6 achieve the IT objectives. As Mr. Pasieka 7 referred to, the SADDIS, S-A-D-D-I-S, data 8 center is where its applications are stored 9 and all of the vendors that contribute to 10 the information technology platform. We 11 didn't see any demonstrated vendor 12 management skill sets that are very 13 necessary for that environment. 14 As I mentioned earlier, we didn't see 15 its ability or its commitment to plan and 16 thoroughly test its IT systems before 17 implementation. We didn't see that there 18 was a clear vision -- there was a clear 19 vision for IT Day 1, but very little beyond 20 Day 1 and for the other parts of the 21 applications that came up and that would be 22 coming up shortly after Day 1. We didn't 23 see much had been conceived in solid 24 planning for those.</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 63</p> <p>1 we came from and... 2 Q. So, do the terms of the settlement agreement 3 that has been filed with the Commission 4 address the concerns that you have raised? 5 A. (By Mr. Mann) Yes, they do. 6 Q. And do you have any further comments you'd 7 like to share with the Commissioners with 8 respect to this proposed transaction? 9 A. (By Mr. Mann) We'd just like to put things 10 in perspective, if we might. 11 The challenge that's facing Liberty 12 Energy and National Grid has been to not 13 only effect an orderly transfer from one 14 company to another, but to create a safe, 15 scalable, sustainable operating framework 16 for those two companies. And we've 17 concluded that effort remains a work in 18 progress, an ongoing effort to jointly 19 achieve a desired outcome, a commitment to 20 doing so by both parties that merits 21 endorsement. The level of effort and the 22 scope of change that's necessitated to 23 achieve Liberty Energy's vision is 24 significant, and it requires the concerted</p>
<p>[WITNESS PANEL: MANN CONNOLLY] Page 62</p> <p>1 We saw the transition services as a 2 huge risk in this area, because it's a \$20 3 million expense for the two companies. And 4 those were lifeline services absolutely 5 required to take everything from the 6 beginning of Day 1 until Day N. But we 7 didn't see a service management plan. We 8 didn't see a way for them to effectively 9 deal with a \$20 million obligation. 10 And when we met with the Liberty people 11 and we met with the National Grid people and 12 we talked with some of the vendors involved, 13 one of the things that we saw was that 14 Liberty had an understanding that National 15 Grid was going to be there all the way 16 through, and what we found in our analysis 17 was that Grid was involved but not 18 committed. And as we've talked through 19 these things, there's been a marvelous 20 transformation. There's been tremendous 21 progress made from the time that we made our 22 first observations in our report in October; 23 so now what we see is a fairly changed set 24 of circumstances. So I think that's where</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 64</p> <p>1 attention of Liberty, National Grid, its 2 consultants, its vendors and its providers. 3 Liberty's IT vision embodies a lot of moving 4 pieces: A number of partners, an array of 5 specialized software applications, a 6 coordinated transition process, and pieces 7 that warrant caution and commitment to 8 ensure the outcome is realized. 9 After our efforts and discussions and 10 negotiations, we reached a set of conditions 11 that we believe will substantially improve 12 the likelihood of their success and are 13 consistent with the commitments that have 14 been shown to this by both companies. It's 15 our opinion that, with agreement to those 16 conditions, but with active, regulatory 17 monitoring during the transition period, 18 that the Petitioners can realize an orderly 19 transition of responsibilities and a 20 cost-effective solution to the IT needs of 21 both companies. 22 Q. Thank you both. 23 MS. FABRIZIO: I have no further 24 questions.</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 65</p> <p>1 CHAIRMAN IGNATIUS: Thank you. 2 I think in order of cross, we'll keep going 3 the way we've been going. 4 Mr. Camerino, for the Joint 5 Petitioners. 6 MR. CAMERINO: We have no 7 questions. 8 CHAIRMAN IGNATIUS: Mr. Linder. 9 MR. LINDER: No questions. 10 CHAIRMAN IGNATIUS: Mr. 11 Sullivan. 12 MR. SULLIVAN: No questions. 13 Thank you. 14 CHAIRMAN IGNATIUS: Ms. 15 Hollenberg. 16 MS. HOLLENBERG: No questions. 17 Thank you. 18 CHAIRMAN IGNATIUS: Commissioner 19 Harrington, questions? 20 CMSR. HARRINGTON: Yeah, just a 21 couple. 22 INTERROGATORIES BY CMSR. HARRINGTON: 23 Q. Let me get this right. In Exhibit 12, the 24 April 10th testimony, on Page 8, these</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 67</p> <p>1 of looked at as more vendors and 2 consultants, and now they're viewed as 3 partners. Are there adequate agreements in 4 place to guarantee performance as a partner 5 as compared to a vendor or consultant? 6 A. (By Mr. Mann) The "partnership" perspective 7 was our characterization, not theirs. They 8 saw them as vendors and suppliers, but we 9 saw the relationships that they had 10 developed with them and the dependence they 11 had upon them, we characterized it more as 12 "partners" than they did. 13 Subsequent to that, you know, they've 14 done an extensive amount of work in putting 15 together a vendor management program that 16 ensures that they have control over them. 17 They've also agreed to incorporate into new 18 contracts a performance-related agreement, 19 portions of their provisions in their 20 agreements. They're strengthening their 21 oversight of those vendors to make sure that 22 they do deliver on time and on budget. So, 23 yes, we're comfortable with what's been 24 done.</p>
<p>[WITNESS PANEL: MANN CONNOLLY] Page 66</p> <p>1 questions were asked. "Have you drawn a 2 general conclusion from your investigation?" 3 It says, "Yes, despite the initial 4 reservations expressed in our earlier 5 testimony, we conclude that Liberty Energy, 6 given appropriate support from its 7 partners" -- who are you referring to 8 specifically there? 9 A. (By Mr. Mann) That's a term that we've used 10 since the outset of this. The way in which 11 Liberty is approaching providing its IT 12 services has defined fairly large roles for 13 vendors and consultants. At the very 14 beginning, it was our view that those 15 vendors and consultants were being viewed 16 more as partners than providers; and as 17 partners, they assume a much greater 18 responsibility. In our view, the term 19 there, when we talk about "partners," we're 20 referring to those vendors, those suppliers, 21 those consultants, and also National Grid, 22 as well as just the Liberty Utilities family 23 of employees. 24 Q. And you say that they were originally kind</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 68</p> <p>1 Q. And just two comments. Further down on that 2 page, under the -- near Lines 18 through 20, 3 it says, "We further express our opinion 4 that the Commission must maintain an 5 oversight role for an extended period of 6 time after granting any approval to ensure 7 the public's interest is served by the 8 transfer." 9 And on Page 10, starting at Line 19, it 10 says, "We continue to hold the opinion that 11 ensuring that an efficient and 12 cost-effective transfer is achieved requires 13 active monitoring by NHPUC Staff during the 14 transition and implementation period." So, 15 those two statements, I have a couple 16 questions. 17 First, you mentioned an extended period 18 of time after granting approval, any 19 approval, and during transition and 20 implementation periods. Can you be more 21 specific as to what amount of time that 22 involves? 23 A. (By Mr. Mann) It's our opinion that the 24 commitments that have been made by the two</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 69</p> <p>1 parties, Staff has a responsibility to 2 ensure that those commitments are adhered to 3 and honored. Those commitments, from our 4 standpoint, go through till Day N, at such 5 point in time as there is a readiness shown 6 or demonstrated by Liberty to assume 7 responsibility for all of its IT functions 8 and capabilities. Staff needs to be 9 continuously involved in that, in monitoring 10 those developments. Currently, that's 11 envisioned to be November -- the end of 12 November, or the end of the -- somewhere in 13 the fourth quarter of 2013. But very 14 reasonably, it could extend beyond that. 15 That's why we have basically viewed Day N as 16 the trigger point. 17 Q. Okay. So, tentatively, that was, again, 18 November? 19 A. (By Mr. Mann) The current schedule is -- 20 that's been put forth by the Company is 21 completion of the transition in November of 22 2013. That's today. 23 Q. And is this something that is going to be 24 easily recognizable? I mean, is there a</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 71</p> <p>1 to whether it met the requirements? 2 A. (By Mr. Mann) I would have to characterize 3 it as something of both. Much of the 4 monitoring process involves periodic 5 reporting, face-to-face reporting on a 6 regular basis between the companies and, 7 again, Staff. They have certain submission 8 requirements that have to be made at each of 9 those milestones, which Staff will, in turn, 10 have to review and analyze and then discuss 11 with the Company to determine whether or not 12 they're in agreement on what's been done and 13 what hasn't been done. Similarly, part of 14 that reporting process involves changes to 15 schedule, changes in cost, that in each case 16 Staff will want to examine carefully to 17 better understand what it is that's 18 precipitating those changes. And so it's 19 not simply a checklist. There are 20 checklists associated with it, but there's 21 also some analysis that has to take place as 22 well. 23 Q. Do you think that the Staff has the 24 technical expertise to do that type of</p>
<p>[WITNESS PANEL: MANN CONNOLLY] Page 70</p> <p>1 particular yardstick that can be measured 2 where one can declare that they now have 3 full responsibility, or is it just a matter 4 of them saying we now have full 5 responsibility for all IT functions? 6 A. (By Mr. Mann) No. They have some fairly 7 defined processes set in place and some 8 agreements with Staff about how those 9 various events will take place and at what 10 point each of these services will be turned 11 over, what triggers they have to meet to do 12 that. So it's a fairly formula-based 13 process. 14 Q. And again, you do mention "active monitoring 15 by Staff" in a couple places. Is this more 16 of a -- I don't want to put this in a 17 derogatory term -- is this more of a 18 checklist type-function, where Staff would 19 say, Okay, you need to submit something by 20 this date that's signed by so-and-so saying 21 you did something? Or is this more of an 22 analysis-type thing, where the Staff would 23 be responsible for looking at a situation, 24 analyzing it and making a determination as</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 72</p> <p>1 analysis? 2 A. (By Mr. Mann) Staff can walk on water. 3 Q. That's not the answer I was looking for. I 4 was looking for the truth. 5 (Collective "Ooh.") 6 Q. 'Cause I mean this is something that we 7 don't delve into on a regular basis, looking 8 at the complicated transfer of, you know, 9 software systems. I don't think we have any 10 software professionals on Staff, for 11 example, who have been involved, you know, 12 actually performing this type of a transfer. 13 A. (By Mr. Mann) There would probably be 14 requirements for supplementing Staff with 15 specialized expertise, yes. 16 Q. Okay. Thank you. 17 CMSR. HARRINGTON: That's all I 18 have. 19 CHAIRMAN IGNATIUS: Commissioner 20 Scott. 21 INTERROGATORIES BY CMSR. SCOTT: 22 Q. Good afternoon. You mentioned earlier in 23 your introductions that, as we know, there's 24 a cap on the capital costs for the IT</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 73</p> <p>1 infrastructure plans, but not on the 2 operational moving ahead. Obviously, this 3 transition is very important. But I'm also 4 a little bit concerned that the upkeep and 5 maintenance of whatever comes of this is 6 reasonable also. Can you talk to that a 7 little bit?</p> <p>8 A. (By Mr. Mann) What we're really talking 9 about here is the sustainability --</p> <p>10 Q. Yes.</p> <p>11 A. (By Mr. Mann) -- of the solution. One thing 12 that you have to understand is that, you 13 know, IT has a very short life cycle. If 14 you bought a PC two years ago, it's obsolete 15 now. I think it's very difficult to 16 determine whether or not -- long term what 17 those operating costs are going to be. But 18 I would suggest to you that the approach 19 that the Company is using is designed to not 20 only provide itself the flexibility that it 21 needs to be able to address changes in 22 technology over time, but also to provide 23 for itself the technology that it needs at 24 the time that it needs it, so that it's not</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 75</p> <p>1 doing is "Greenfield." Is that potentially 2 an advantage, taking a "Greenfield" 3 approach, rather than taking the legacy 4 system in?</p> <p>5 A. (By Mr. Connolly) Liberty didn't really have 6 a lot of choices. It couldn't reasonably, 7 couldn't easily and couldn't efficiently 8 make a copy of the National Grid systems and 9 shrink it down to New Hampshire and say I'm 10 going to run this way. It just doesn't work 11 that way. That was not going to be a 12 possible avenue. It could have decided 13 that, for the period between Day 1 and its 14 self-sustaining operations, to develop all 15 of its own new systems. That's been tried 16 before and done before. Liberty looked at 17 that and said that's information systems, 18 programmers and designers and so forth. 19 That's not a core competency of ours, so 20 take that one off the table.</p> <p>21 Third choice would have been go find a 22 vendor that can build all these systems 23 custom for you and have that vendor assume 24 the liability and responsibility for it.</p>
<p>[WITNESS PANEL: MANN CONNOLLY] Page 74</p> <p>1 investing in something that it may not need 2 for three to five years. Its approach is 3 basically to acquire the technology that it 4 needs now, with the assurance that the 5 people that are providing it to them have 6 the capability to ramp up or scale up as 7 they need it.</p> <p>8 So there's some cost optimization that 9 comes as a result of that. The costs 10 themselves, the operating costs, very 11 difficult to judge until you're actually 12 there. And that was one of the reasons why 13 we put in here that it becomes incumbent 14 upon Staff during the implementation period 15 to closely monitor those decisions and to 16 understand what the cost implications are of 17 them, so that later on they can make a 18 determination of whether or not they were 19 reasonable and just expenditures. But to 20 say long term what the costs were going to 21 be associated with it, it would be anybody's 22 guess.</p> <p>23 Q. That's fair. Along that same line, you 24 mentioned the development that the Company</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 76</p> <p>1 That's been tried before, and that's got -- 2 that works. There's a lot of risk 3 associated with it.</p> <p>4 Fourth choice is go and find vendors 5 who have application packages "off the 6 shelf" or "in the box," where packages have 7 proven to work and can be integrated so that 8 they work together, and use that technology 9 going forward. That fourth one is 10 essentially what Liberty has chosen to do. 11 They went through and checked off the first 12 three and recognized that risk, not our 13 skillset and impossible to do, weren't going 14 to be ways to go about this business. So 15 the choice they made was proven vendors, 16 applications that can be integrated in the 17 Microsoft Great Plains environment. And a 18 diversification of vendors helps to spread 19 the risk, so that while one's working on the 20 Works management program, one can be working 21 on billing, another one can be working on 22 labor scheduling and program management. 23 So, diversification goes to minimum -- 24 taking some of the risk out of the equation,</p>

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<p>1 because you've got concurrent development</p> <p>2 going on and you've got -- you don't have</p> <p>3 all your eggs in one basket.</p> <p>4 Q. That's helpful. Thank you.</p> <p>5 And I guess my last question is, the</p> <p>6 plans that are in the proposed settlement</p> <p>7 agreement -- and again, either one of you</p> <p>8 can answer -- how does that compare -- or</p> <p>9 how do these compare to what you've seen in</p> <p>10 other dealings you've had with other</p> <p>11 companies?</p> <p>12 A. (By Mr. Mann) I would say that they're</p> <p>13 comparable to what we've seen elsewhere. In</p> <p>14 this particular instance, given the nature</p> <p>15 of the transaction, it entails a lot of</p> <p>16 complexity changing that you don't normally</p> <p>17 see in other mergers or acquisitions that</p> <p>18 take place. And so from our standpoint, the</p> <p>19 planning is sufficient to what's required to</p> <p>20 provide the framework that's necessary to</p> <p>21 start with, gives us all the tools we need</p> <p>22 to monitor it. And I would have to say</p> <p>23 we're comfortable with what we've seen so</p> <p>24 far and expect to see improvements in the</p>	<p>1 use, so that amount of money can be looked</p> <p>2 at from time to time to determine whether</p> <p>3 it's the right day to call and say where's</p> <p>4 my money. That accounts receivable</p> <p>5 information also needs to go into the</p> <p>6 general ledger system because it's an</p> <p>7 accounting entry that you use for that</p> <p>8 purpose. So that stream of information</p> <p>9 needs to migrate itself through various</p> <p>10 systems. And there are many more examples</p> <p>11 of that. One of the things that this common</p> <p>12 framework for the systems that Liberty has</p> <p>13 chosen to use, one of the benefits of that</p> <p>14 is that you can programatically work this</p> <p>15 integration of the information streams. You</p> <p>16 can rely on an account receivable in the</p> <p>17 billing system that you're going to get from</p> <p>18 Cogsdale to be a record that is usable in</p> <p>19 the general ledger system that they use for</p> <p>20 WennSoft. That account receivable has a</p> <p>21 common language to them, to both those</p> <p>22 vendors, and that goes to solve that</p> <p>23 particular problem in that case. But each</p> <p>24 of the other applications, where they need</p>
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<p>1 migration plan as well.</p> <p>2 MR. SCOTT: Thank you. That's</p> <p>3 all I have.</p> <p>4 CHAIRMAN IGNATIUS: I have a few</p> <p>5 other questions, and I'll let you pick and</p> <p>6 choose who's best to respond.</p> <p>7 INTERROGATORIES BY CHAIRMAN IGNATIUS:</p> <p>8 Q. One of the things that we've seen that's</p> <p>9 been an issue in other mergers is situations</p> <p>10 where you have multiple systems that have to</p> <p>11 knit together, and they end up not talking</p> <p>12 to each other as well as was hoped. Are</p> <p>13 there ways in which that's going to be</p> <p>14 required for this transaction?</p> <p>15 A. (By Mr. Connolly) There are certain parts of</p> <p>16 information -- there are information streams</p> <p>17 that need to be replicated in one family of</p> <p>18 systems to another family of systems to</p> <p>19 another. An example would be accounts</p> <p>20 receivable, the system that tracks the</p> <p>21 current charges for a customer, renders a</p> <p>22 bill and creates an account receivable</p> <p>23 record. That record needs to be put into</p> <p>24 the system that the collections people would</p>	<p>1 to find an address record -- for example, in</p> <p>2 the SCADA system -- and that address system</p> <p>3 needs to be in the work scheduling system</p> <p>4 because someone's going to go to that</p> <p>5 address, and that's also the address you're</p> <p>6 going to use to bill the customer. That</p> <p>7 same piece of information about that address</p> <p>8 needs to appear in all those different</p> <p>9 systems. Liberty's plan looks at</p> <p>10 integration of that data as a key part of</p> <p>11 their responsibility and a key piece that</p> <p>12 needs to be managed.</p> <p>13 Q. And is that coordination among the</p> <p>14 different -- maybe it's not different</p> <p>15 systems, but different pieces that all have</p> <p>16 to integrate, will that be tested?</p> <p>17 A. (By Mr. Connolly) Yes.</p> <p>18 Q. So they're not tested on a stand-alone</p> <p>19 basis, but ways in which the kinds of</p> <p>20 examples you were giving, where one change</p> <p>21 has to show up in multiple different</p> <p>22 locations to be complete, will be tested?</p> <p>23 A. (By Mr. Connolly) We were talking earlier</p> <p>24 about the commitment to testing. One of the</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 81</p> <p>1 aspects of testing that's in the Liberty 2 plan at this point is the integration of 3 systems, that when one system is ready for 4 implementation, there is a test done to make 5 sure it fits, and all of its interfaces and 6 tentacles fit within the systems that are 7 already operating. And then there's a set 8 of regression tests to make sure that it 9 fits as new systems come in at a later date. 10 So the commitment to doing that testing is 11 in the plans and that's an integral part of 12 it. And the goal of the testers within the 13 Liberty system, shared by its venders, 14 shared by its partners, all goes to 15 achieving the kinds of testing that prove 16 that those things work. 17 And Commissioner, if might add, too. 18 We've concentrated pretty much on the 19 processes and procedures, but one of the 20 critical elements in this from the very 21 beginning, from our standpoint, was 22 expertise leadership. We can put in place a 23 framework. We can establish all the 24 processes and procedures. But unless</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 83</p> <p>1 handle the transition issues, which is to 2 coordinate the bringing online of the IT 3 systems with the transition of the Work 4 functions within the organizations to match 5 the systems and the users together. 6 So we're very comfortable with the 7 fortification, I guess you could say, that's 8 been made on that side of it, and we're 9 confident that with the provisions that Tim 10 has pointed out, commitments to testing are 11 going to be sufficient to make sure that 12 when things do come online, they do work as 13 expected. 14 Q. Who are the individuals you were referring 15 to as "senior" people from National Grid and 16 from Liberty? 17 A. (By Mr. Mann) Madeleine Hanley is 18 vice-president with National Grid, and 19 she'll be dedicated to this project on their 20 behalf. And she's very familiar with all of 21 the existing systems. One of the things we 22 pointed out to Staff is what she brings 23 that's more important than anything else is 24 her Rolodex, because she knows who to call</p>
<p>[WITNESS PANEL: MANN CONNOLLY] Page 82</p> <p>1 there's executive leadership behind it that 2 can drive those processes and procedures, it 3 doesn't mean a lot. One of the most 4 significant commitments, I think from our 5 standpoint, has been the dedication that 6 National Grid has made to provide one of its 7 senior -- most senior IT executives to this 8 transition. We understood from the very 9 outset that National Grid's involvement and 10 engagement in this was absolutely critical. 11 Experience just shows that, unless the donor 12 is as equally committed to the recipient, it 13 just doesn't work. They provided a 14 commitment of the individual who has 15 considerable experience, been through a 16 number of mergers within the National Grid 17 history, knows full well the systems 18 integration issues and difficulties. 19 Additionally, Liberty Energy has brought 20 online a senior IT executive to head up its 21 side, who also has an extensive portfolio of 22 experience in systems integration and 23 transition management. Added to that, 24 they've also applied Mr. Wood, who will</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 84</p> <p>1 and how to get things done within the 2 National Grid organization. 3 Q. That's not exactly a high-tech solution, but 4 maybe it's the best -- 5 A. (By Mr. Mann) It works. That's what counts. 6 David Carlton is the IT executive for 7 Liberty Energy that has been brought on 8 since we issued our October report and 9 provides now the overall leadership for the 10 IT planning and the migration from their 11 side. Bob Wood also works for Liberty 12 Utilities, and he is going to be the project 13 manager and manage the project management 14 office, the PMO. And he'll be working -- 15 and the three of them collectively, between 16 their credentials and their experience, we 17 feel very comfortable with those 18 improvements. 19 Q. Once the transition is complete, do we see 20 any of those three people again? 21 A. (By Mr. Connolly) Mr. Carlton stays, for 22 sure, because his role is for IT operations 23 and overall IT for Liberty Utilities. The 24 National Grid component, that evaporates</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 85</p> <p>1 when the last TSA goes away and the 2 necessary housekeeping that ensues. And the 3 transition management function also gets 4 eliminated because things have transitioned 5 from Grid into Liberty. 6 Q. Mr. Carlton, as you say, would still be 7 involved with Liberty Energy, but doesn't 8 appear to be on the Liberty New Hampshire 9 org chart; is that right? 10 A. (By Mr. Mann) That would be correct. He is 11 a Liberty Utilities corporate employee. 12 Q. IT will be under the Director of Finance; is 13 that right? On the org chart it appears to 14 be under -- 15 A. (By Mr. Mann) I don't have the org chart in 16 front of me. 17 Q. That would be Exhibit 6. 18 (Ms. Fabrizio hands document to witness.) 19 A. (By Mr. Mann) The organization chart that 20 we're looking at, just to make sure we're on 21 the same, is the Liberty Utilities New 22 Hampshire. 23 Q. Yes. 24 A. (By Mr. Mann) The individuals that are shown</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 87</p> <p>1 maintaining those capabilities rests with 2 people who are located in Oakville, who 3 report to Mr. Carlton at Liberty Utilities 4 at the parent corporate level. Now, if the 5 problem is manifested at the local level in 6 New Hampshire, then one of these individuals 7 would primarily be the responsible person to 8 convey that information on to the people in 9 Oakville as to what the nature of the 10 problem is and what needs to be done. 11 Resolving issues will rest with Mr. Carlton 12 and his staff in Oakville. 13 Q. In some merger situations, we've had 14 complaints from customers who say they keep 15 explaining what's wrong, let's say in a 16 billing situation, and the response 17 continues to be, "Well, I'm sorry. The 18 system just doesn't recognize that," or "We 19 thought we fixed it, but it seems not to 20 have been fixed," as if the system drives 21 the actions and the individuals don't have 22 much ability to affect it. Is there reason 23 to be concerned that that can be happening 24 in this transaction?</p>
<p>[WITNESS PANEL: MANN CONNOLLY] Page 86</p> <p>1 under the Director of Finance there, fourth 2 box down from Information Systems, those are 3 basically individuals within New Hampshire 4 who are responsible for dealing with end 5 user as a liaison, between the end user 6 departments like customer service, 7 operations. And they'll be dealing with the 8 corporate people, who in fact will be -- 9 they'll be working with in terms of making 10 changes to the systems. 11 A. (By Mr. Connolly) If you were a user and you 12 forgot your password, you might call one of 13 these folks to get that reassigned and 14 re-established, technical matters of that 15 nature is the type of functions these 16 individuals do for Liberty Utilities New 17 Hampshire. 18 Q. So who do you go to in the Liberty New 19 Hampshire structure for some of these 20 sophisticated, ongoing IT needs that aren't 21 the end users, but the system, if things 22 aren't working well and the coordination 23 between, let's say the billing system and -- 24 A. (By Mr. Mann) The responsibility for</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 88</p> <p>1 A. (By Mr. Mann) I don't think there's any more 2 reason to be concerned about it than what we 3 would see in any transaction. There are 4 always expectations from the user's 5 standpoint of what things should do. 6 Personally, I hate dealing with, you know, 7 voice-activated response systems. Not a lot 8 I can do about it. I can complain about 9 them, but it doesn't seem to make much 10 difference. 11 I think one of the points that the 12 Company has made is that they are attempting 13 to be more responsive in the way in which 14 they design their systems. They've 15 expressed to us a very strong commitment to 16 what they call "customer facing systems." 17 The idea is to make those as user friendly 18 as possible. I cannot say with assurance 19 that the way in which the Company will 20 respond to those complaints or concerns is 21 going to be any different than any other 22 company would respond to it. I'm sure 23 they'll look at them and make a decision 24 whether or not they can accommodate it or</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 89</p> <p>1 not.</p> <p>2 One of the limiting factors here is</p> <p>3 that in most instances we're dealing with</p> <p>4 commercially available software</p> <p>5 applications. They don't provide for a lot</p> <p>6 of customization. Consequently, it's like</p> <p>7 you and I on our home computer if we buy</p> <p>8 Microsoft Word. Microsoft Word is what it</p> <p>9 is. We don't like some of the ways in which</p> <p>10 it works, but we learn how to accommodate</p> <p>11 and work around it. And so, you know, they</p> <p>12 are going to have some limited options</p> <p>13 available to them. But I would assume that</p> <p>14 they are listening to your comment right now</p> <p>15 and will take that to heart.</p> <p>16 Q. Well, I'll throw in another one then. In</p> <p>17 similar situations, you find that the</p> <p>18 customer data that the new company is trying</p> <p>19 to absorb and respond to is out of date.</p> <p>20 And for whatever reason, things have changed</p> <p>21 in the customer rolls and addresses have</p> <p>22 changed, accounts have shifted, and without</p> <p>23 fairly up-to-date records, things can get</p> <p>24 bungled up pretty quickly. Has anyone</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 91</p> <p>1 most desired, would not happen, but</p> <p>2 practically would get minimized, because</p> <p>3 there's been focus on what is the data that</p> <p>4 I have, what is the data that I need, and</p> <p>5 how do I get it this.</p> <p>6 Q. And when I said earlier today that it seemed</p> <p>7 like there were parallel systems running so</p> <p>8 that you really were testing the new system</p> <p>9 before making a change, is that correct?</p> <p>10 I'm sure I've grossly over-simplified it,</p> <p>11 but --</p> <p>12 A. (By Mr. Mann) It's a phase process. The</p> <p>13 applications are going to be phased in, in</p> <p>14 batches. Once there's adequate testing</p> <p>15 done, and they've been able to determine</p> <p>16 that they operate at the adequate level that</p> <p>17 they're expecting them to operate, there</p> <p>18 comes a point at which old systems are</p> <p>19 unhooked or reduced as new systems come</p> <p>20 online. And so from our viewpoint, it is a</p> <p>21 migration. It is not a "flash cut" on this.</p> <p>22 And it will only be -- each piece will only</p> <p>23 be turned over and declared operational when</p> <p>24 there's sufficient demonstration that it's</p>
<p>[WITNESS PANEL: MANN CONNOLLY] Page 90</p> <p>1 looked at that possibility or insured that</p> <p>2 when a cutover occurs, it will be working</p> <p>3 with the most current customer information</p> <p>4 there is?</p> <p>5 A. (By Mr. Connolly) There was -- there was,</p> <p>6 there has been and there continues to be</p> <p>7 exercises that are going on between Grid and</p> <p>8 Liberty in the analysis of data that is</p> <p>9 resident in the National Grid data bases and</p> <p>10 the data that's needed in the Liberty plan</p> <p>11 data bases. The technical term for those</p> <p>12 are "function mapping" and "data mapping"</p> <p>13 and "information mapping" exercises, where</p> <p>14 National Grid says, Here's what I have on my</p> <p>15 side and here's what you need on this side;</p> <p>16 how do we get it from here to there so that</p> <p>17 it's timely represented, it's accurate and</p> <p>18 it's complete? Part of the work that the IT</p> <p>19 Steering Committee addresses, and is the</p> <p>20 National Grid IT commitment, is to make</p> <p>21 those things clear and understandable by the</p> <p>22 Liberty people and the vendors for Liberty's</p> <p>23 application systems, so that those types of</p> <p>24 problems that you've described ultimately,</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 92</p> <p>1 stable and that it's operating in the manner</p> <p>2 that it was expected to operate in. That's</p> <p>3 why, from our standpoint, people that are</p> <p>4 directly responsible for managing this have</p> <p>5 been through these kinds of things before.</p> <p>6 They understand there's no going back. Once</p> <p>7 you put something in and turn it up, you</p> <p>8 don't have the recovery. So they are very</p> <p>9 aware of what the requirements are here, and</p> <p>10 we feel comfortable that they'll fulfill</p> <p>11 those. But that's part of the monitoring</p> <p>12 process, is to ensure that those things do</p> <p>13 in fact happen.</p> <p>14 Q. Thank you. I think Commissioner Harrington</p> <p>15 has another question.</p> <p>16 INTERROGATORIES BY CMSR. HARRINGTON:</p> <p>17 Q. You just prompted me with your last</p> <p>18 statement there. Who actually has the final</p> <p>19 authority of the transfer of the system?</p> <p>20 Who accepts the new system? Is that -- I've</p> <p>21 seen that Fair -- wrong company. There's</p> <p>22 somebody at Liberty, and who is it? Do you</p> <p>23 know who it is?</p> <p>24 A. (By Mr. Connolly) The transition governance</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 93</p> <p>1 process provides a mechanism for a sign-off</p> <p>2 at commensurate levels of responsibilities</p> <p>3 as it gets to the top, and that's when the</p> <p>4 AOK is given.</p> <p>5 Q. So it is addressed in the agreement then.</p> <p>6 A. (By Mr. Connolly) It's in the IT plans and</p> <p>7 the migration plans.</p> <p>8 Q. And I'm assuming that until that's done,</p> <p>9 then National Grid is committed to providing</p> <p>10 support until such time as Liberty signs</p> <p>11 that acceptance.</p> <p>12 A. (By Mr. Connolly) The transition services</p> <p>13 continue until that cutoff is made. And as</p> <p>14 Dr. Mann said, the process of cutting off is</p> <p>15 not a razor cut through. It's a matter of a</p> <p>16 processes through --</p> <p>17 Q. Right, right. Steps.</p> <p>18 A. (By Mr. Mann) It's not unilateral, either.</p> <p>19 They both have to be in agreement that they</p> <p>20 they've reached a particular point that's</p> <p>21 acceptable to each of them.</p> <p>22 Q. Okay. Thank you.</p> <p>23 CHAIRMAN IGNATIUS: Thank you.</p> <p>24 I think that concludes questions from the</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 95</p> <p>1 mechanisms will be sorted out. But what it</p> <p>2 will entail is essentially back-office</p> <p>3 parallel processing. Customer's bills are</p> <p>4 not going to be mailed out from Liberty in</p> <p>5 test mode to make sure that the post office</p> <p>6 delivers them properly. But there will be</p> <p>7 tests done with the transactions and tests</p> <p>8 done with the bill production mechanisms to</p> <p>9 make sure that a bill representing the same</p> <p>10 sorts of charges from meters read over this</p> <p>11 period and serviced by these dates would be</p> <p>12 the same amounts of money going to the same</p> <p>13 customers.</p> <p>14 Q. And this will help to ensure a seamless</p> <p>15 transition as that particular service</p> <p>16 function transfers to Liberty?</p> <p>17 A. (By Mr. Connolly) Yes.</p> <p>18 Q. Okay. Great. Thank you.</p> <p>19 CHAIRMAN IGNATIUS: Thank you.</p> <p>20 Gentlemen, you're excused. Thank you very</p> <p>21 much.</p> <p>22 It's 3:15. Why don't we go</p> <p>23 off the record.</p> <p>24 (Whereupon a brief recess was taken at</p>
<p>[WITNESS PANEL: MANN CONNOLLY] Page 94</p> <p>1 Bench.</p> <p>2 Ms. Fabrizio, any redirect?</p> <p>3 MS. FABRIZIO: Yes, if you could</p> <p>4 give us just couple minutes?</p> <p>5 CHAIRMAN IGNATIUS: That's fine.</p> <p>6 REDIRECT EXAMINATION</p> <p>7 BY MS. FABRIZIO:</p> <p>8 Q. I'm going to try to take a stab at relating</p> <p>9 this question to you, Greg and Tim.</p> <p>10 Could you discuss basically the</p> <p>11 simultaneity or parallel processes that are</p> <p>12 going on as Grid is actually sending out</p> <p>13 bills to customers and Liberty is testing at</p> <p>14 the same time, the billing process kind of</p> <p>15 shadowing the Grid process?</p> <p>16 A. (By Mr. Connolly) The process by which</p> <p>17 meters are read and payments are processed</p> <p>18 and so forth and bills go out, that doesn't</p> <p>19 change coming from the Grid system until the</p> <p>20 Liberty system is capable of doing all of</p> <p>21 those functions.</p> <p>22 Q. And will the testing be occurring while Grid</p> <p>23 is continuing to perform this function?</p> <p>24 A. (By Mr. Connolly) Yes. Yes, the testing</p>	<p>[WITNESS PANEL: MANN CONNOLLY] Page 96</p> <p>1 3:16 p.m. and resumed at 3:37 p.m.)</p> <p>2 CHAIRMAN IGNATIUS: Welcome</p> <p>3 back, everyone. Is it time for the panel on</p> <p>4 the settlement?</p> <p>5 MS. FABRIZIO: Yes, Chairman</p> <p>6 Ignatius, it is.</p> <p>7 CHAIRMAN IGNATIUS: Thank you.</p> <p>8 Please proceed, unless we have anything else</p> <p>9 to attend to beforehand.</p> <p>10 MR. CAMERINO: And actually,</p> <p>11 because this a joint panel of Staff and</p> <p>12 witnesses from the two companies, we've agreed</p> <p>13 to proceed that I'm going to begin with Mr.</p> <p>14 Eichler and Mr. Burlingame. We're just going</p> <p>15 to get their background and credentials on the</p> <p>16 record. They don't have any direct beyond</p> <p>17 that. Then, Ms. Fabrizio is going to do the</p> <p>18 same with the Staff witnesses, but they do</p> <p>19 have some direct. And when that's complete,</p> <p>20 they'll be available for questioning. For</p> <p>21 example: The companies do have a few</p> <p>22 questions for Mr. Frink, I believe, and other</p> <p>23 parties obviously may have other questions.</p> <p>24 So if that's okay with the Bench, that's our</p>

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<p>[WITNESS PANEL: MANN CONNOLLY] Page 97</p> <p>1 plan.</p> <p>2 CHAIRMAN IGNATIUS: That's fine.</p> <p>3 MR. CAMERINO: So if we could</p> <p>4 get the witnesses sworn.</p> <p>5 (WHEREUPON, PETER EICHLER, RICHARD</p> <p>6 BURLINGAME, JR., STEPHEN P. FRINK AND</p> <p>7 STEVEN E. MULLEN were duly sworn and</p> <p>8 cautioned by the Court Reporter.)</p> <p>9 PETER EICHLER, SWORN</p> <p>10 RICHARD BURLINGAME, JR., SWORN</p> <p>11 STEPHEN FRINK, SWORN</p> <p>12 STEVEN MULLEN, SWORN</p> <p>13 DIRECT EXAMINATION</p> <p>14 BY MR. CAMERINO:</p> <p>15 Q. Mr. Eichler, let me begin with you. Would</p> <p>16 you state your name and business address for</p> <p>17 the record, please.</p> <p>18 A. (By Mr. Eichler) Sure. It's Peter Eichler.</p> <p>19 That's E-I-C-H-L-E-R. My business address</p> <p>20 is 2865 Bristol Circle in Oakville, Ontario.</p> <p>21 Q. And by whom are you employed and in what</p> <p>22 capacity?</p> <p>23 A. (By Mr. Eichler) I'm employed by Liberty</p> <p>24 Utilities Canada Corp. as a director of</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 99</p> <p>1 agreement filed in this case as Exhibit 2?</p> <p>2 A. (By Mr. Eichler) That's correct.</p> <p>3 Q. And could you just describe very briefly</p> <p>4 your role with regard to that settlement,</p> <p>5 your familiarity with it.</p> <p>6 A. (By Mr. Eichler) Sure. As one of my</p> <p>7 responsibilities, I oversaw the management</p> <p>8 of this docket from a regulatory</p> <p>9 perspective, but also coordinated the</p> <p>10 thoughts of my colleagues and our management</p> <p>11 team here in New Hampshire, and helped</p> <p>12 coordinate and manage a lot of the aspects</p> <p>13 of the settlement agreement. So I have a</p> <p>14 significant level of familiarity with most</p> <p>15 of the terms and conditions.</p> <p>16 Q. Thank you.</p> <p>17 I'm going to turn to you, Mr.</p> <p>18 Burlingame. Thank you for grabbing that mic</p> <p>19 and taking it closer. I know that the two</p> <p>20 of you are sharing one.</p> <p>21 Would you state your name and business</p> <p>22 address, please.</p> <p>23 A. (By Mr. Burlingame) It's Richard Burlingame,</p> <p>24 Jr., 40 Sylvan Road, Waltham, Massachusetts.</p>
<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 98</p> <p>1 regulatory strategy.</p> <p>2 Q. And what are your responsibilities in that</p> <p>3 regard?</p> <p>4 A. (By Mr. Eichler) My responsibilities in that</p> <p>5 regard are to oversee the regulatory</p> <p>6 strategy of our utility holdings, to ensure</p> <p>7 compliance across the board and consistency</p> <p>8 on the processes from a regulatory</p> <p>9 perspective.</p> <p>10 Q. And there was prefiled testimony submitted</p> <p>11 in this case, dated March 4, 2011, that's</p> <p>12 part of Exhibit No. 1 for identification,</p> <p>13 which bears your name. And was that</p> <p>14 testimony prepared by you or under your</p> <p>15 direction?</p> <p>16 A. (By Mr. Eichler) Yes, it was.</p> <p>17 Q. And do you have any changes or corrections</p> <p>18 other than updates as a matter of the</p> <p>19 passage of time?</p> <p>20 A. (By Mr. Eichler) No, I do not.</p> <p>21 Q. And so is that testimony true and correct to</p> <p>22 the best of your knowledge and belief?</p> <p>23 A. (By Mr. Eichler) Yes, it is.</p> <p>24 Q. And you're also familiar with the settlement</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 100</p> <p>1 Q. By whom are you employed and in what</p> <p>2 capacity?</p> <p>3 A. (By Mr. Burlingame) I am director of U.S.</p> <p>4 Mergers and Acquisitions for National Grid</p> <p>5 USA Service Company.</p> <p>6 Q. And did you have any prefiled testimony in</p> <p>7 this proceeding?</p> <p>8 A. (By Mr. Burlingame) I did not.</p> <p>9 Q. And what were your responsibilities with</p> <p>10 regard to the settlement agreement, and are</p> <p>11 you familiar with it?</p> <p>12 A. (By Mr. Burlingame) I am familiar with it.</p> <p>13 I was involved in the negotiation of the</p> <p>14 settlement agreement on behalf of National</p> <p>15 Grid.</p> <p>16 Q. Thank you very much.</p> <p>17 CHAIRMAN IGNATIUS: Ms. Fabrizio.</p> <p>18 MS. FABRIZIO: Thank you.</p> <p>19 DIRECT EXAMINATION</p> <p>20 BY MS. FABRIZIO:</p> <p>21 Q. Mr. Frink, could you please state your name</p> <p>22 and business address for the record.</p> <p>23 A. (By Mr. Frink) My name is Stephen Frink, and</p> <p>24 my address is 21 South Fruit Street,</p>

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<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLER] Page 101</p> <p>1 Concord, New Hampshire.</p> <p>2 Q. And by whom are you employed and in what</p> <p>3 capacity?</p> <p>4 A. (By Mr. Frink) I am employed by the New</p> <p>5 Hampshire Public Utilities Commission and am</p> <p>6 the Assistant Director of the Gas & Water</p> <p>7 Division.</p> <p>8 Q. And what has been your involvement in this</p> <p>9 proceeding?</p> <p>10 A. (By Mr. Frink) I have filed testimony and</p> <p>11 I've been involved in the settlement</p> <p>12 discussions and discovery process.</p> <p>13 Q. Now, you filed testimony on October 7, 2011;</p> <p>14 is that correct?</p> <p>15 A. (By Mr. Frink) That's correct.</p> <p>16 Q. Was that testimony prepared by you and under</p> <p>17 your direction?</p> <p>18 A. (By Mr. Frink) Yes, it was.</p> <p>19 MS. FABRIZIO: Chairman</p> <p>20 Ignatius, I would like to request that the</p> <p>21 October 7, 2011 direct testimony of Steven P.</p> <p>22 Frink be filed -- marked for Exhibit 13.</p> <p>23 CHAIRMAN IGNATIUS: So marked</p> <p>24 for identification.</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLER] Page 103</p> <p>1 Q. And does the settlement agreement reached in</p> <p>2 this proceeding address those concerns?</p> <p>3 A. (By Mr. Frink) Yes, it does.</p> <p>4 Q. What commitments and conditions in</p> <p>5 particular address the concerns that you</p> <p>6 have raised?</p> <p>7 A. (By Mr. Frink) Well, in addition to the</p> <p>8 terms of the settlement agreement, the</p> <p>9 Company is much farther along in their</p> <p>10 hiring of people. They've hired experienced</p> <p>11 employees with utility and New Hampshire</p> <p>12 regulatory experience. And we've also had</p> <p>13 the benefit of G3's evaluation of the IT</p> <p>14 systems, updated costs, updated IT plans and</p> <p>15 IT mitigation plans. So, to that extent,</p> <p>16 those are all positives. And then, on top</p> <p>17 of that, there are conditions in the</p> <p>18 settlement, of which there are quite a</p> <p>19 number, and I'll go through the highlights</p> <p>20 of those.</p> <p>21 No. 1, there's no recovery of the</p> <p>22 acquisition premium, any transaction costs,</p> <p>23 any transition costs by limiting the</p> <p>24 recovery -- by eliminating recovery</p>
<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLER] Page 102</p> <p>1 (Exhibit 13 marked for identification.)</p> <p>2 Q. Mr. Frink, do you have any corrections or</p> <p>3 changes you would like to make to your</p> <p>4 testimony?</p> <p>5 A. (By Mr. Frink) I do not.</p> <p>6 Q. Is your testimony true and accurate, to the</p> <p>7 best of your knowledge?</p> <p>8 A. (By Mr. Frink) Yes, it is.</p> <p>9 Q. Thank you.</p> <p>10 Now, in your October prefiled</p> <p>11 testimony, you expressed concern regarding</p> <p>12 the cost to New Hampshire ratepayers of the</p> <p>13 proposed transaction. Could you outline</p> <p>14 those concerns for the benefit of the</p> <p>15 Commissioners?</p> <p>16 A. (By Mr. Frink) I was concerned with the lack</p> <p>17 of experience and the expense of new systems</p> <p>18 and the impact that might have on rates, the</p> <p>19 operating costs, the transition costs.</p> <p>20 There were -- the acquisition premium.</p> <p>21 There were a lot of things that looked as</p> <p>22 though they could have a negative impact on</p> <p>23 rates. So, from a ratepayer's perspective,</p> <p>24 that was a -- that was our major concern.</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLER] Page 104</p> <p>1 transition costs, that eliminates major</p> <p>2 expenses to ratepayers. If those costs</p> <p>3 should escalate, then, as we heard, the</p> <p>4 Company -- the Liberty witnesses state that</p> <p>5 will be a shareholder expense that won't</p> <p>6 impact ratepayers.</p> <p>7 And there's a limit on the IT</p> <p>8 capitalization costs, and the OCA witness</p> <p>9 stated that it was raised a little above</p> <p>10 their expected IT capital expenses of 6.3</p> <p>11 million. The settlement calls for a cap of</p> <p>12 8.1. And I would just like to point out</p> <p>13 that it was conceded as well that as part of</p> <p>14 the settlement, there's a stay-out provision</p> <p>15 for EnergyNorth ratepayers. And so that</p> <p>16 8.1 million, when there is a rate case</p> <p>17 following that stay-out, will be something</p> <p>18 less. That 8.1 million cap is -- that 8.1</p> <p>19 million gets recorded when those capital</p> <p>20 investments are made, and depending on how</p> <p>21 long it is before they come in for a rate</p> <p>22 case, then they'll be depreciated</p> <p>23 accordingly. So at the time of the rate</p> <p>24 hearing, you would expect something less</p>

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<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLER] Page 105</p> <p>1 than 8.1. So the analysis that shows a 2 comparison of the costs at 8.1 or 6.3, 3 probably 6.3 is a reasonable comparison. 4 In addition, while I mentioned there's 5 a stay-out provision for EnergyNorth 6 customers, there's an escrow mechanism that 7 is designed to keep National Grid committed 8 and involved throughout the transition 9 process. There's a rate case expense limit, 10 which the -- by way of comparison in the 11 last National Grid rate case -- 12 EnergyNorth's rate case, National Grid filed 13 for recovery of 1.5 million in rate case 14 expenses; ultimately, 1.1 million was 15 approved for recovery. 16 The rate case expense cap in the first 17 rate case has a limit of 600,000. So that's 18 a fairly substantial savings for ratepayers. 19 Again, when you're comparing rates, that 20 isn't necessarily reflected in the rates, 21 but that is a consideration as to why, under 22 this settlement, with the conditions 23 imposed, it's my belief that the customers 24 will not be harmed financially as a result</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLER] Page 107</p> <p>1 get to 16? 2 MS. FABRIZIO: Steve Mullen's 3 testimony filled up 14 and 15. 4 CHAIRMAN IGNATIUS: Oh, okay. 5 I'm sorry. This was prepared by Mr. Frink? 6 MR. FRINK: (By Mr. Frink) This 7 was prepared by Liberty and was provided as a 8 handout at a technical session during the 9 discovery process. 10 MR. EICHLER: I authored the 11 document. 12 CHAIRMAN IGNATIUS: All right. 13 Thank you. So we'll mark this for 14 identification as Exhibit 16. 15 (Exhibit 16 marked for identification.) 16 A. (By Mr. Frink) And what this -- as I 17 previously stated, this is a comparison of 18 the National Grid revenue requirement absent 19 the acquisition and then what the revenue 20 requirement would be under Liberty Energy, 21 if Liberty Energy acquires the system. And 22 as you can see, again, it incorporates rate 23 base, O & M and the capital structure. And 24 when you get down to that bottom box that</p>
<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLER] Page 106</p> <p>1 of this transaction. 2 And I have mentioned a couple of times 3 that a comparison of rate case expenses -- 4 of rates under Liberty, compared to what 5 they would be under National Grid -- and as 6 part of the discovery process, we were 7 provided a handout by Liberty. This was a 8 handout of a November 9, 2011 technical 9 session we had, and it incorporates a lot of 10 the data responses raised through discovery 11 that actually compares rates as they would 12 be under National Grid versus Liberty, and 13 incorporates the rate base, operating costs 14 and the capital structure. And I would like 15 to admit that as an exhibit, just as a 16 comparison, because -- well, I'll wait until 17 it's distributed, if that's okay. 18 Q. And you're referring to the document 19 entitled, "Incremental Cost of Service 20 Analysis"? 21 A. (By Mr. Frink) That's correct. 22 MS. FABRIZIO: I'd like to mark 23 as Exhibit 16 the document so entitled. 24 CHAIRMAN IGNATIUS: How did we</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLER] Page 108</p> <p>1 says "Equal - Net Impact," you can see that 2 overall, under Liberty, there's a 3 0.1 percent increase in what the revenue 4 requirement would be under Liberty than if 5 National Grid were to retain ownership. And 6 given these are estimated costs, they 7 include National Grid's expected investment 8 in new IT systems -- 9 (Court Reporter interjects.) 10 A. (By Mr. Frink) The costs for National Grid 11 reflect an investment in IT systems, an 12 upgrade in IT systems that they're planning 13 to make. And you can see that on Line 6 14 they were planning to invest -- that would 15 be charged to National Grid and EnergyNorth 16 and Granite State -- a total investment of 17 \$10.2 million for an IT upgrade; whereas, 18 Liberty -- well, here it's 6.4 million that 19 they had estimated their IT expenses were 20 going to be. Since that time, those costs 21 have risen. Those estimated costs now are 22 closer to 8.1 million, the actual cap. But 23 as stated earlier, with the stay-out 24 provision, it won't be 8.1 at the time they</p>

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<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 109</p> <p>1 come in for rates. But just as a rough 2 comparison, you can see that essentially 3 there's no difference in the revenue 4 requirement going forward under Liberty or 5 National Grid and -- based on estimates at 6 this time. And it doesn't reflect the 7 advantages of a stay-out for EnergyNorth or 8 the cap on the rate case expenses. So, with 9 those considerations, it's pretty much a 10 wash, one versus the other. So that is why 11 my concern of financial harm has been 12 alleviated to a great degree by the terms of 13 the settlement. 14 BY MS. FABRIZIO: 15 Q. Thank you. Do you have any further comments 16 on the agreement itself? 17 A. (By Mr. Frink) I do not. 18 Q. Thank you. Mr. Mullen, could you please 19 state your name and business address for the 20 record. 21 A. (By Mr. Mullen) My same is Steve E. Mullen. 22 I'm at 21 South Fruit Street, Concord, New 23 Hampshire. 24 Q. By whom are you employed and in what</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 111</p> <p>1 October 7, 2011 direct testimony of Steven 2 Mullen and the April 10 direct testimony of 3 Steven Mullen -- April 10, 2012. 4 CHAIRMAN IGNATIUS: So marked. 5 (14 marked for identification.) 6 (15 marked for identification.) 7 Q. Mr. Mullen, in your October prefiled 8 testimony, you assessed various financing 9 aspects of the proposed transaction, as well 10 as operational budget implications. Could 11 you outline your conclusions with respect to 12 the financing proposals submitted to the 13 Commission for approval by the Company? 14 A. (By Mr. Mullen) Certainly. In my October 15 testimony, I looked not only at the proposed 16 plan for financing the stock transfers, but 17 I also looked at the availability of 18 short-term debt on an ongoing basis to 19 provide for operational needs going forward. 20 As stated in my October testimony, in terms 21 of the long-term debt financing, I found the 22 plan to be reasonable in structure, in terms 23 of providing for a 55-percent equity, 24 45-percent debt-to-capital structure of both</p>
<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 110</p> <p>1 capacity? 2 A. (By Mr. Mullen) I'm employed by the New 3 Hampshire Public Utilities Commission as the 4 Assistant Director of the Electrician 5 Division. 6 Q. And what has been your involvement in this 7 proceeding? 8 A. (By Mr. Mullen) I've been involved in the 9 discovery process throughout. I was looking 10 at the electric side of the transaction, as 11 well as the financing on the transaction. I 12 provided testimony a couple of times, and I 13 was involved in negotiating the settlement. 14 Q. Thank you. And you filed testimony on 15 October 7th and April 10, 2012; is that 16 correct -- October 7, 2011 and April 10, 17 2012? 18 A. (By Mr. Mullen) Yes, that's correct. 19 Q. And was that testimony prepared by you or 20 under your direction? 21 A. (By Mr. Mullen) Yes. 22 Q. Thank you. 23 MS. FABRIZIO: I'd like to mark 24 for identification as Exhibits 14 and 15 the</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 112</p> <p>1 Granite State and EnergyNorth. I also found 2 the proposed interest rate and maturity to 3 be reasonable, subject to finding out closer 4 to the closing of this what the final terms 5 and conditions would be. 6 In relation to short-term debt, I did 7 have concerns in my October testimony about 8 the sufficiency of the debt, in terms of the 9 amounts that were available for Granite 10 State and EnergyNorth, in light of the fact 11 that Liberty has other operating affiliates 12 that could also draw upon the same proposed 13 facility. At the time of that testimony, 14 Liberty was planning to pursue a \$60 million 15 short-term credit facility. Since that 16 time, we've received additional information, 17 and that was updated in my April 10th 18 testimony this year. 19 CHAIRMAN IGNATIUS: Let's take a 20 break for a second. 21 (Pause in proceedings.) 22 A. (By Mr. Mullen) In my April 10th testimony, 23 I updated my observations and conclusions 24 related to both the long-term debt and the</p>

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<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 113</p> <p>1 short-term debt. The long-term debt, I was 2 of the same opinion as I was in October -- 3 that is, the proposed interest rates and the 4 maturity and the proposed financing 5 structure and capital structure for Granite 6 State and EnergyNorth are essentially 7 unchanged from the plans that were discussed 8 with us back at the time of filing the 9 October testimony.</p> <p>10 In terms of short-term debt, Liberty 11 has entered into an \$80 million short-term 12 credit facility. That was in January of 13 2012. That provides -- right now, there's 14 \$25 million in there. And upon the closing 15 of this transaction, an additional 16 \$55 million would be provided. The 17 settlement agreement specifically has a 18 provision that provides certain amounts of 19 short-term debt that would be available from 20 that facility. That would be just for the 21 use of EnergyNorth and Granite State; so, 22 other Liberty affiliates could not draw upon 23 that money. So that addressed my concern 24 about the availability of funds in the event</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 115</p> <p>1 prior to it filing its first rate case for 2 Granite State Electric. There's a provision 3 that they would come in, meet with Staff and 4 OCA to discuss the methodology, because part 5 of my concern was, with additional 6 acquisitions in the pipeline, they use a 7 four-factor-allocation methodology. As the 8 Company -- as there becomes more companies 9 and the number of customers and amount of 10 plants and those sort of things change, 11 that's going to be a continually -- it's 12 going to be something that's going to have 13 to be looked at, because what may be true 14 now in terms of allocations will probably 15 change in the future with the changing size 16 of the Liberty Utilities family.</p> <p>17 Also, and this was discussed earlier by 18 Mr. Rubin, there's no -- there will be no 19 ratemaking impact from the specific section 20 of 338(h)(10) election attached provision 21 related to the retirement plans of Granite 22 State and EnergyNorth.</p> <p>23 Q. Thank you. And you also raised some 24 concerns in your earlier testimony regarding</p>
<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 114</p> <p>1 that other Liberty affiliates were drawing 2 upon the facility.</p> <p>3 And I also noted in my April 10th 4 testimony that, at the end of March there 5 was another amendment to that short-term 6 facility that would increase the amount 7 available to a total of \$100 million upon 8 the closing of an acquisition to acquire 9 some of the Atmos gas utilities out in the 10 Midwest. So, again, that, if anything, 11 could have a positive effect because it 12 would allow for more short-term debt to 13 potentially be available for the use of both 14 Granite State and EnergyNorth.</p> <p>15 Q. Thank you. Do you have any other further 16 financial issues that you had raised in your 17 earlier testimony?</p> <p>18 A. (By Mr. Mullen) There were certain things in 19 my original testimony, such as cost 20 allocations. One of the concerns that I had 21 there was that there'd be no -- Liberty did 22 not request any particular approval of its 23 costs allocation methodology now. And that 24 is something that is going to be reviewed</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 116</p> <p>1 operational costs that Liberty would 2 undertake going forward, including the VMP 3 and REP programs, for example, and energy 4 efficiency and integrated resource planning. 5 Would you care to comment on those concerns?</p> <p>6 A. (By Mr. Mullen) Sure. In my October 7 testimony, I provided analysis of Granite 8 State's current earnings at the time. And 9 it was shown that -- and I just looked at a 10 recent one and it has not improved -- 11 Granite State was earning significantly 12 below its authorized rate of return. And as 13 was discussed earlier, there is an existing 14 five-year rate plan that was from an earlier 15 docket, and that's DG 06-107. That 16 five-year rate plan ends at the end of 2012. 17 After that time, Granite State is free to 18 come in and request a rate increase for its 19 distribution rates. No matter if National 20 Grid or Liberty were to be the owner at that 21 time, based on the earnings, I fully expect 22 that we would have a rate case.</p> <p>23 As part of that earlier settlement, we 24 also implemented a VMP, which is a</p>

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<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 117</p> <p>1 Vegetation Management Program, and an REP, a 2 Reliability Enhancement Program. That is, 3 again, a five-year program currently in 4 place, and that will continue to be in place 5 through the end of the year. The provisions 6 of that REP and VMP will continue to apply 7 to Liberty upon closing of this transaction. 8 In the upcoming rate case, that will be a 9 time for -- we will look at all the existing 10 programs, including the REP and VMP, and see 11 if those need to be revised, further 12 evaluated, either some programs added to 13 them or programs deleted from them. That 14 will provide a perfect opportunity to fully 15 reassess them and say going forward, you 16 know, whether certain reliability projects 17 that were included in the original program 18 have already been taken care of and maybe we 19 should revise the program somehow. 20 Anyhow, in any instance, what I'm 21 saying is that, in terms of the ongoing 22 operations, the upcoming rate case is going 23 to provide a good opportunity to fully 24 evaluate the entire operations.</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 119</p> <p>1 the settlement, the parties have agreed that 2 upon -- if the Commission were to approve 3 this and issue an order, within six months 4 of that Liberty would file its own least 5 cost planning document, and the current 6 docket would have been closed upon the 7 Commission's order. 8 Q. Thank you. You've mentioned a number of 9 conditions that have been integrated into 10 the settlement agreement filed in this 11 proceeding. Does that settlement agreement 12 alleviate the concerns that you have raised 13 in your testimony? 14 A. (By Mr. Mullen) Yes. And I put in my 15 April 10th testimony a bulleted list of the 16 various provisions that have addressed the 17 concerns raised by Staff and other parties 18 as an earlier part of the proceeding. 19 MS. FABRIZIO: And that is at 20 Page 8 of his April 10th, 2012 testimony. 21 BY MS. FABRIZIO: 22 Q. Do you have any further comments you'd like 23 to share with the Commission on the 24 agreements, Mr. Mullen?</p>
<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 118</p> <p>1 Q. Are there any other concerns that you'd like 2 to mention? 3 A. (By Mr. Mullen) You did mention the 4 energy-efficiency programs, and I neglected 5 that. Again, Granite State has had a good 6 record of providing its programs in a manner 7 that provides the level of savings that are 8 expected and staying within its budgets, and 9 we fully expect that to continue with the 10 continued National Grid involvement -- the 11 prior National Grid employees being involved 12 and providing those programs going forward. 13 An additional provision I'd like to 14 mention, and this is more of a housekeeping 15 matter, deals with a docket that is 16 currently open that involves Granite State 17 Electric's Least Cost Integrated Resource 18 Plan, which is part of DE 10-142. That 19 docket was opened. And while that 20 proceeding was open, this stock-transfer 21 transaction was filed. And considering that 22 that's a going-forward planning docket, it 23 made sense to hold off on that to see where 24 this docket was going to go. And as part of</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 120</p> <p>1 A. (By Mr. Mullen) No, I do not. 2 MS. FABRIZIO: Thank you. That 3 concludes my questions. 4 CHAIRMAN IGNATIUS: Mr. 5 Camerino, you had some questions of the two 6 Staff witnesses. And is it essentially direct 7 of them before we move on? 8 MR. CAMERINO: It's just to Mr. 9 Frink. And my thought was, in terms of just 10 order of presentation, that it probably would 11 be appropriate for the companies to ask those 12 questions first, to allow other parties to 13 respond to them. So if I may? 14 CHAIRMAN IGNATIUS: That's fine. 15 MR. CAMERINO: Thank you. 16 DIRECT EXAMINATION 17 BY MR. CAMERINO: 18 Q. Mr. Frink, these questions are all for you. 19 You indicate in the biographical 20 information that you attached to your 21 testimony that you joined the Commission in 22 1990; is that correct? 23 A. (By Mr. Frink) That's correct. 24 Q. And approximately what time, what date,</p>

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<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLER] Page 121</p> <p>1 year, did you begin working with New 2 Hampshire's two natural gas utilities? 3 A. (By Mr. Frink) Well, I started as one of the 4 Staff auditors, which meant we audited all 5 the utilities on a regular basis. So, right 6 from the very beginning I was doing audits 7 on EnergyNorth. 8 Q. Okay. And so you've had involvement 9 regulating EnergyNorth for approximately 22 10 years then? 11 A. (By Mr. Frink) Approximately. 12 Q. And is it fair to say that that involvement 13 has been quite extensive for most of that 14 period of time? 15 A. (By Mr. Frink) It certainly is. 16 Q. And is it fair to say that you have a high 17 level of familiarity with the personnel of 18 the former EnergyNorth, as well as the 19 people involved with the Company since it 20 was acquired by KeySpan and, later, National 21 Grid? 22 A. (By Mr. Frink) I do. And three of them are 23 even on Staff. So... 24 Q. And you also have a high level of</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLER] Page 123</p> <p>1 jobs and their positions that they hold 2 here. 3 Q. So you are familiar with the period of time 4 prior to KeySpan's acquisition of 5 EnergyNorth, when EnergyNorth operated as a 6 stand-alone company; is that correct? 7 A. (By Mr. Frink) That's correct. 8 Q. Do you recall how many employees, let's call 9 them management-level employees, those 10 positions, went away when EnergyNorth was 11 acquired by KeySpan? 12 A. (By Mr. Frink) Yes, I do. In my testimony 13 in that proceeding, 09-193, there was 62 14 positions that were eliminated. 15 Q. That number is actually quite similar to the 16 number of positions that Liberty Energy 17 proposes to bring back to New Hampshire in 18 this transaction; is that correct? 19 A. (By Mr. Frink) Yes. Liberty had cited 60 20 positions being added. 21 Q. How would you describe the quality of 22 service that EnergyNorth Natural Gas 23 delivered when it was a stand-alone company? 24 A. (By Mr. Frink) It wasn't a perfect utility.</p>
<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLER] Page 122</p> <p>1 familiarity with people who have worked for 2 the other natural gas utility in New 3 Hampshire, Northern Utilities, as well? 4 A. (By Mr. Frink) Yes, I do. 5 Q. Okay. One thing I'd like to ask you is, 6 there was an organizational chart of the New 7 Hampshire organization for Liberty Energy 8 that was provided before, Exhibit No. 6. 9 And I can give you a copy. But there are 10 just a few people on there I want to ask you 11 about very quickly. Mr. Dafonte, Mr. Saad, 12 Mr. MacDonald, who's listed there as the 13 head of gas operations, are those people 14 that are known to you through that 15 experience? 16 A. (By Mr. Frink) Yes, they are. 17 Q. And would you say that -- is it your view 18 that they are highly qualified to fill these 19 roles? 20 A. (By Mr. Frink) I never really worked with 21 Mr. Saad. I am familiar with him through 22 this process. I am much more familiar with 23 Chico Dafonte and also Richard MacDonald. 24 They are certainly very qualified at their</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLER] Page 124</p> <p>1 We haven't found one of those yet. But it 2 was a -- it seemed to be a very well-run 3 company. They worked very well with Staff. 4 They seemed to have New Hampshire's best 5 interests at heart. It was a little 6 different time, and the price of gas was 7 maybe a little higher than the price of oil, 8 so they were very cost-conscious. And 9 overall, it was a -- I feel it was a 10 well-run utility. 11 Q. Their rates were reasonable? 12 A. (By Mr. Frink) Their rates were reasonable, 13 yes. 14 Q. So in your view, they were able to operate 15 efficiently, even though they were on a 16 stand-alone basis? 17 A. (By Mr. Frink) Yes, they did. 18 Q. How were their regulatory relations and 19 their compliance with Commission rules? 20 A. (By Mr. Frink) Overall, the regulatory 21 relationship was very good. I won't say 22 there weren't some personalities on both 23 sides maybe had some conflicts. But 24 overall, it was very good.</p>

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<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 125</p> <p>1 Q. So the fact that they were a stand-alone 2 company without a larger organization didn't 3 get in the way of their ability to comply 4 with the Commission's regulations and 5 requirements. 6 A. (By Mr. Frink) Certainly not. 7 Q. Okay. Thank you. 8 CHAIRMAN IGNATIUS: All right. 9 Mr. Linder, do you have questions? 10 MR. LINDER: Yes, but I don't 11 know if the questions should be addressed to 12 this current panel or to the next panel. The 13 questions are simply directing one or more 14 panelists to three or four pages in the 15 settlement agreement that pertain to the 16 low-income provisions and energy-efficiency 17 provisions. And I was hoping that one of the 18 panelists on one of the panels would generally 19 make the Commission aware of what those 20 provisions are. So if there's a member of 21 this panel that could respond to that, I would 22 direct that question to that panelist. If, on 23 the other hand, the other panel would be more 24 appropriate, then I would defer to the second</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 127</p> <p>1 do actually have a question. One moment, 2 please. 3 CROSS-EXAMINATION 4 BY MS. HOLLENBERG: 5 Q. Good afternoon. Mr. Mullen, you talked 6 briefly about the tax election provision. 7 Could you direct me to that part of the 8 settlement agreement, what paragraph that 9 is? 10 A. (By Mr. Mullen) Just give me a second. 11 Q. Sure. Section 338(h)(10) election. 12 A. (By Mr. Mullen) Yes. It's on Page 16 of the 13 settlement agreement. 14 Q. And is it Paragraph D.1.c? 15 A. (By Mr. Mullen) Yes, it is. 16 Q. Okay. Thank you. And you agree that -- 17 CHAIRMAN IGNATIUS: Before we go 18 on, just because we'll hear it from 19 Commissioner Harrington, we do have multiple 20 numbers. Are you -- let's just stick with 21 one. Is it the Bates Stamp in the corner that 22 we should work with? Is it the one in the 23 center we should work with? What do people -- 24 MR. EICHLER: Sixteen is the one</p>
<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 126</p> <p>1 panel. 2 CHAIRMAN IGNATIUS: And it may 3 be split between the two. 4 Ms. Fabrizio, what's your 5 advice on that? 6 MS. FABRIZIO: I recommend the 7 question be deferred until Thursday's panel 8 because the members of that panel will be able 9 to address it directly. 10 CHAIRMAN IGNATIUS: So it sounds 11 like Thursday's panel will better respond to 12 your concerns on low-income programs and 13 low-income issues, even as they relate to 14 energy-efficiency programs. Is that correct? 15 MS. FABRIZIO: Yes. 16 MR. LINDER: Then I will defer. 17 Thank you. 18 CHAIRMAN IGNATIUS: Mr. 19 Sullivan, any questions? 20 MR. SULLIVAN: Local 12012 has 21 no questions of these gentlemen. Thank you. 22 CHAIRMAN IGNATIUS: Thank you. 23 Ms. Hollenberg. 24 MS. HOLLENBERG: Yeah. Yes, I</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 128</p> <p>1 in the center. 2 CHAIRMAN IGNATIUS: All right. 3 How about, just for the sake, because we're 4 going to be using other numbers, if we can 5 just use the right-hand corner Bates-stamped 6 number for everything. Thank you. 7 A. (By Mr. Mullen) Then I correct my answer to 8 Page 19. 9 CHAIRMAN IGNATIUS: Thank you. 10 Q. Thank you. And this paragraph states, 11 "Granite State commits there will be no rate 12 impacts from any Internal Revenue Code 13 Section 338(h)(10) election made in 14 connection with the acquisition of Granite 15 State by Liberty New Hampshire, assignee of 16 Liberty Energy." Do you agree with that? 17 A. (By Mr. Mullen) Yes. 18 Q. Okay. Thank you. Are you familiar, or did 19 you participate in the merger involving 20 Unitil and Northern in 2008? 21 A. (By Mr. Mullen) I did participate in that 22 proceeding. 23 Q. And I would just like to show you Mr. 24 Rubin's testimony which has been marked as</p>

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<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 129</p> <p>1 Exhibit 10. And on Page 19, which is the 2 only page number on that page, starting with 3 Line 3, I'm just going to ask you to read 4 Line 3 to Line 19, please. 5 A. (By Mr. Mullen) Would you like me to read 6 the introductory question to that answer? 7 Q. Sure. Thank you. And actually, I'm 8 actually going to ask you to follow along 9 because I'll have the same questions for you 10 as well. Thank you. 11 A. (By Mr. Mullen) Starting on Line 1 of 12 Page 19, the question reads: "Has the 13 Commission dealt with the effects of the 14 Section 338(h)(10) election in any other 15 cases?" 16 And the answer: "Yes, I am advised by 17 counsel that in 2008, the Commission 18 approved a settlement involving the 19 acquisition of Northern Utilities, Inc. by 20 Unitil Corp. One of the settlement 21 provisions approved by the Commission states 22 as follows: 23 Accumulated deferred income tax: In 24 regard to Unitil's Section 338(h)(10)</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 131</p> <p>1 agreement in this docket, Paragraph D.1.c. 2 on Page 19, is it Staff's understanding that 3 the intention of that paragraph is the same 4 as the intention was in the Unitil/Northern 5 case? 6 A. (By Mr. Mullen) Yes. 7 Q. And would Staff object to the Commission 8 including in its order this type of language 9 to clarify how the election will be handled 10 in the coming rate cases? 11 A. (By Mr. Mullen) No. 12 Q. Thank you. 13 And Mr. Eichler, can you answer the 14 same questions as well? Is the intention of 15 the -- of Liberty reflected or the same as 16 that language that you just heard Mr. Mullen 17 read into the record? 18 A. (By Mr. Eichler) Yes, it is. 19 Q. And would Liberty have any objection to the 20 Commission including language similar or the 21 same to this language that was in the 22 Northern/Unitil case in the order, to the 23 extent that they approve the settlement in 24 this case?</p>
<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 130</p> <p>1 election in accounting for the acquisition 2 of the common stock of Northern, Unitil 3 commits to hold Northern's customers 4 harmless for the elimination of the 5 historical accumulated deferred income tax, 6 (ADIT) liabilities resulting from such 7 election by maintaining pro forma accounting 8 for regulatory purposes to continue to 9 provide ratepayers with the ratemaking 10 benefit of Northern's ADIT balances existing 11 prior to the proposed transaction, until 12 such time as Northern's actual ADIT, related 13 to the historical utility plant assets 14 acquired, equals or exceeds the levels that 15 Northern's pro forma ADIT would have been 16 absent the proposed transaction. The ADIT 17 balances related to capital additions after 18 the closing date are not affected by the 19 Section 338(h)(10) election, and the 20 treatment of these balances will not change 21 for accounting and ratemaking purposes." 22 Q. Thank you for reading that. 23 With respect to the paragraph -- or the 24 provision in the pending settlement</p>	<p>[WITNESS PANEL: EICHLER BURLINGAME FRINK MULLEN] Page 132</p> <p>1 A. (By Mr. Eichler) We don't object to that. 2 MS. HOLLENBERG: Thank you very 3 much. I don't have other questions. Thank 4 you. 5 CHAIRMAN IGNATIUS: All right. 6 I think we're going to wrap it up for the day. 7 We've got a number of questions from the 8 Bench. And we've got other commitments that 9 are going to be starting up quickly, so I 10 think it's probably best to stop now. We'll 11 reconvene Thursday at 9:00 here with the 12 continuation of this panel. 13 And one question I did have, 14 Mr. Sullivan, is Mr. Spottiswood planning on 15 testifying? We have his prefiled testimony. 16 MR. SULLIVAN: Yes, he is. 17 CHAIRMAN IGNATIUS: All right. 18 If you would want to be able to take the stand 19 right now, Mr. Spottiswood, and assuming it 20 won't be long, and not have to come back on 21 Thursday, we could accommodate that if that's 22 okay with the parties. 23 MR. SULLIVAN: Well, we planned 24 on being here, anyway. And I've had</p>

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1 discussions with the parties about where they
2 would like us to be, so we'll defer to that.
3 CHAIRMAN IGNATIUS: We're happy
4 to have you on Thursday, Mr. Spottiswood.
5 That's fine. We'll hold off then.
6 All right. Is there anything
7 else before we adjourn for the day? Mr.
8 Camerino.
9 MR. CAMERINO: Clarification and
10 potentially a correction. Just for
11 Commissioner Harrington's benefit, there were
12 some questions to Mr. Robertson about the
13 "push-down accounting" for the debt. And in
14 that discussion, Mr. Robertson was identifying
15 who the borrower and the lenders were. And I
16 just want to note that the technical
17 statements that were submitted that are
18 Exhibit 4 describe those loans. And I just
19 want to direct the Commission's attention to
20 that, because as counsel heard those answers,
21 there may have been some confusion where the
22 name Liberty Utilities was thrown in and which
23 was the proper lender. So I'm not sure
24 whether we heard that right or wrong, but

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1 those statements have the information.
2 CMSR. HARRINGTON: Thank you.
3 MR. CAMERINO: Just in case that
4 creates a follow-up question.
5 CHAIRMAN IGNATIUS: So, to the
6 extent, there's a conflict between what's in
7 the technical statement and what Mr. Robertson
8 testified to, you're saying the technical
9 statements should be relied on?
10 MR. CAMERINO: That's correct.
11 CHAIRMAN IGNATIUS: Thank you.
12 All right. If there's nothing further, we'll
13 stand adjourned for the afternoon and see you
14 Thursday morning.
15 (Whereupon the AFTERNOON SESSION was
16 adjourned at 4:25 p.m.)
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1 C E R T I F I C A T E

2 I, Susan J. Robidas, a Licensed
3 Shorthand Court Reporter and Notary Public
4 of the State of New Hampshire, do hereby
5 certify that the foregoing is a true and
6 accurate transcript of my stenographic
7 notes of these proceedings taken at the
8 place and on the date hereinbefore set
9 forth, to the best of my skill and
10 ability under the conditions present at
11 the time.

12 I further certify that I am neither
13 attorney or counsel for, nor related to or
14 employed by any of the parties to the
15 action; and further, that I am not a
16 relative or employee of any attorney or
17 counsel employed in this case, nor am I
18 financially interested in this action.
19

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21 Susan J. Robidas, LCR/RPR
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