

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

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April 19, 2012 - 9:17 a.m.
Concord, New Hampshire

DAY 2

NHPUC MAY07'12 AM 8:54

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.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Sandy Deno, Clerk

APPEARANCES: Reptg. National Grid, et al.:
Steven V. Camerino, Esq. (McLane, Graf...)
Patrick Taylor, Esq. (McLane, Graf...)
Celia O'Brien, Esq. (Asst. Gen. Counsel)

Reptg. Liberty Energy Utilities N.H.:
Shannon Coleman, Esq. (Asst. Gen. Counsel)

Reptg. Pamela Locke and The Way Home:
Alan Linder, Esq.
New Hampshire Legal Assistance

Reptg. United Steel Workers Union
Local 12012-3:
Shawn Sullivan, Esq.

Court Reporter: Steven E. Patnaude, LCR No. 52

ORIGINAL

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APPEARANCES: (C o n t i n u e d)

**Reptg. International Brotherhood of
Electrical Workers - Local 326:**

James Simpson, Business Mgr. & Finance Sect.

Reptg. Residential Ratepayers:

Rorie E. P. Hollenberg, Esq.

Donna McFarland

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Steven E. Mullen, Asst. Dir./Electric Div.

Stephen P. Frink, Asst. Dir./Gas & Water Div.

Amanda O. Noonan, Dir./Consumer Affairs Div.

Randall Knepper, Dir./Safety & Security Div.

I N D E X

PAGE NO.

1		
2		
3		
4	WITNESS PANEL:	
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		

	PETER EICHLER	
	RICHARD BURLINGAME	
	STEVEN E. MULLEN	
	STEPHEN P. FRINK	
	Direct examination continued by Ms. Fabrizio	15
	Interrogatories by Cmsr. Harrington	16, 55
	Interrogatories by Cmsr. Scott	27, 58
	Interrogatories by Chairman Ignatius	37, 68
	Redirect examination by Ms. Fabrizio	60
	Redirect examination by Mr. Camerino	66
	WITNESS PANEL:	
	AMANDA O. NOONAN	
	RANDALL S. KNEPPER	
	WILLIAM T. SHERRY	
	DANIEL SAAD	
	Direct examination by Ms. Fabrizio	70, 131
	Direct examination by Mr. Taylor	99
	Cross-examination by Mr. Linder	126
	Cross-examination by Mr. Sullivan	128
	Interrogatories by Cmsr. Harrington	136
	Interrogatories by Cmsr. Scott	147, 166
	Interrogatories by Chairman Ignatius	150
	Redirect examination by Ms. Fabrizio	166
	WITNESS:	
	KEVIN SPOTTISWOOD	
	Direct examination by Mr. Sullivan	171
	Cross-examination by Ms. Fabrizio	180
	Interrogatories by Cmsr. Harrington	183

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

I N D E X (continued)

CLOSING STATEMENTS BY:	PAGE NO.
Mr. Linder	195
Mr. Simpson	196
Mr. Sullivan	198
Ms. Hollenberg	200
Ms. Fabrizio	200
Mr. Camerino	201
Ms. Coleman	213

* * *

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
17	Direct Testimony of Amanda O. Noonan, including attachments (10-07-11)	72
18	Direct Testimony of Randall S. Knepper, including attachments (10-07-11)	79
19	RESERVED (Record request asking what will National Grid's IT costs be following the close - estimated and to date)	65
20	Direct Testimony of Kevin Spottiswood	180
21	RESERVED (Record request for Security Assessment for testing methodology - acceptance criteria)	192

1 Housing Services for our client, The Way Home. And, just
2 to take a moment for the Commission, when we filed our
3 petition for intervention on April 15th, which was
4 granted, we attached to the petition for intervention of
5 The Way Home a brochure that describes the activities and
6 mission of The Way Home, which is a nonprofit located in
7 Manchester. And, I brought with me and have on the
8 counsel table here a copy of that brochure for anyone who
9 wants it. But it just gives some background on The Way
10 Home. Not asking that it be marked as an exhibit, but
11 it's just for informational purposes. And, if
12 Commissioners wanted another copy, I have it available.

13 CHAIRMAN IGNATIUS: And, we'll have it
14 in our files. But I hope other people do take advantage
15 to understand more of what the organization does and the
16 works in Manchester. So, thank you.

17 MR. LINDER: Thank you.

18 CHAIRMAN IGNATIUS: Sir, in the back.

19 MR. SIMPSON: Good morning,
20 Commissioners. My name is James Simpson. I'm Business
21 Manager and Financial Secretary for Local 326 of the
22 International Brotherhood of Electrical Workers,
23 representing the employees of Granite State Electric of
24 the Salem, New Hampshire platform.

1 CHAIRMAN IGNATIUS: Good morning. Mr.
2 Sullivan.

3 MR. SULLIVAN: Good morning. Shawn
4 Sullivan. I am counsel for the Unite Steel Workers, Local
5 12012. That's the union workforce for National Grid. I'm
6 joined here on my left, our Unit Chair, Kevin Spottiswood.

7 CHAIRMAN IGNATIUS: Good morning. Ms.
8 Hollenberg.

9 MS. HOLLENBERG: Good morning. Rorie
10 Hollenberg and Donna McFarland here for the Office of
11 Consumer Advocate.

12 CHAIRMAN IGNATIUS: Thank you.

13 MS. FABRIZIO: Good morning,
14 Commissioners. Lynn Fabrizio, on behalf of Commission
15 Staff.

16 CHAIRMAN IGNATIUS: All right. And,
17 again, I notice Mr. Nute is not here. Mr. Linder, before
18 you had said that he had asked you to let us know that he
19 was not able to come, but was supportive of the Settlement
20 Agreement. Do you know any further?

21 MR. LINDER: I do not know anything
22 further. He had informed me that he planned to be here
23 today, and that he -- that they are in full support of the
24 Settlement. So, I don't have any further information.

1 CHAIRMAN IGNATIUS: All right. We'll
2 assume that's still the case.

3 MR. LINDER: Yes. Thank you.

4 CHAIRMAN IGNATIUS: Is there any other
5 -- I guess let's look at what procedural issues we have
6 before we begin this morning. Mr. Taylor, you had spoken
7 of the protective order, and that we'd be hearing more
8 about that today?

9 MR. TAYLOR: Yes. We filed a motion
10 this morning, accompanied by a Motion for Waiver from the
11 Puc Rule 203.08, in regards to the number of copies that
12 need to be submitted with the waiver. I've conferred with
13 Staff about that, and we've agreed on an alternative. So,
14 that has been filed with the Commission this morning.

15 CHAIRMAN IGNATIUS: All right. I don't
16 know if other parties have had a chance to see that, if it
17 was just distributed this morning. Has anyone -- all
18 right. Looks like OCA maybe has it, but hasn't reviewed
19 it yet, is that accurate?

20 MR. TAYLOR: No. I delivered the
21 hardcopy this morning. And, I was planning on sending out
22 the electronic version today.

23 CHAIRMAN IGNATIUS: All right.

24 MR. TAYLOR: But I will send hat out.

1 CHAIRMAN IGNATIUS: Why don't you make
2 sure this morning a hardcopy goes to the parties. And,
3 then, maybe at a break, either mid-morning or lunchtime,
4 depending on where we are, take that up, see if there's
5 any issues. And, we'll take a look at it as well. We
6 don't have it with us. And, does this replace the other
7 protective request that had been filed previously?

8 MR. TAYLOR: No. This is an omnibus
9 request that covers all of the data requests that were
10 filed throughout the course of the proceeding. The
11 earlier Motion for Protective Treatment that was filed in
12 this case had to do with the Joint Petition that was
13 filed.

14 CHAIRMAN IGNATIUS: All right. Well,
15 why don't we be sure that we take up both of those, and
16 make sure that the -- the other one was filed on May 5th,
17 2011, is that right?

18 MR. TAYLOR: I'd have to check. That
19 sounds right, in terms of the time frame. But I'll double
20 check that.

21 CHAIRMAN IGNATIUS: I think I have the
22 wrong date. May 4th, 2011. All right. Well, let's make
23 sure that everyone reviews those, and gets back. We won't
24 take time on the record right now to flip through it, but

1 we'll take it up before we're done today.

2 Ms. Fabrizio, yes?

3 MS. FABRIZIO: Yes. Thank you,
4 Chairman. After Monday's session, Mr. Frink discovered an
5 error on what was submitted or marked for identification
6 as "Exhibit 16". And, we would like to replace that copy
7 of the exhibit with a new exhibit also numbered "16".
8 And, I'd like to ask Mr. Frink to explain the corrections
9 that he has made.

10 CHAIRMAN IGNATIUS: Have you discussed
11 that with the parties?

12 MS. FABRIZIO: I provided copies to each
13 party this morning.

14 CHAIRMAN IGNATIUS: All right. Any
15 objection to going through a replacement version?

16 (No verbal response)

17 CHAIRMAN IGNATIUS: Seeing none, --

18 CMSR. HARRINGTON: What is 16? Could
19 you identify what it is?

20 MS. FABRIZIO: Yes. It's the document
21 entitled "Incremental Cost of Service Analysis". So, this
22 would be the new one.

23 (Atty. Fabrizio distributing documents.)

24 CHAIRMAN IGNATIUS: Thank you. And,

1 before you begin that, let's just make sure. Are there
2 any other procedural issues, because we'll sort of be
3 rolling into testimony at that point? Anything else on
4 just the business of today's proceedings?

5 MR. CAMERINO: Just -- I don't have a
6 proposal on this at this point. But, in discussion with
7 Mr. Knepper this morning, he pointed out two other minor
8 corrections we're going to need to make on the Settlement
9 Agreement. That they're not particularly substantive, but
10 we still want to end up with a book, frankly, that
11 everybody can refer back to in the future. So, I think,
12 at some point, we'll need to have a discussion about how
13 to accomplish that.

14 CHAIRMAN IGNATIUS: Are there
15 corrections that he can make while he's on the stand, and
16 then the final version will have all those changes
17 included?

18 MR. CAMERINO: I think that's exactly
19 right. From a record standpoint, he can do it on the
20 stand. I think the concern I have is sort of more
21 practical, which is the book that someone pulls off the
22 shelf in 2014 ought to be correct, because they won't know
23 to go back and look at the record.

24 CHAIRMAN IGNATIUS: All right. That's

1 fine, to do a final clean version, and then we can walk
2 through the changes later this morning. All right.

3 CMSR. HARRINGTON: And, just a
4 clarification on this. The old -- what we refer, I guess,
5 as the "old Exhibit 16" is now out?

6 MS. FABRIZIO: Yes.

7 CMSR. HARRINGTON: Is the best way to
8 describe it?

9 MS. FABRIZIO: Yes. It's replaced by
10 the new one, which also includes some supporting documents
11 attaching.

12 CMSR. HARRINGTON: The last one was one
13 page, this is multipage?

14 MS. FABRIZIO: Yes.

15 CMSR. HARRINGTON: Okay. Thank you.

16 CHAIRMAN IGNATIUS: One final just
17 business question I had. The Summary of the Settlement
18 that was submitted when the Settlement Agreement itself
19 was filed has not been marked as an exhibit. And, I know,
20 in the context -- in the text of the Summary, the parties
21 are clear in saying "This doesn't substitute as
22 controlling. And, if there's any conflicts, the document
23 of the Settlement Agreement itself governs." And, so, it
24 seems like some hesitancy about being held to the Summary,

1 as opposed to the actual document.

2 But is it anyone's intention or is it a
3 good idea to mark the Summary and include it as an exhibit
4 as part of the hearings?

5 MR. CAMERINO: I think the preference,
6 of the Joint Petitioners at least, would be not to mark
7 it, because it will only further muddy its status. To be
8 clear, it was a document that was prepared by the Joint
9 Petitioners, isn't sponsored by the other parties,
10 although we understand they don't have any objection to
11 it. It's really just a reading aid to the Commission.
12 And, the concern we have is, there's some shorthand in
13 there. The names of the entities may not have the same
14 precision that was in the Settlement Agreement. There are
15 some places where we, in summarizing the provisions, use
16 shorthand, let's say, that might change the
17 interpretation. And, obviously, the words of the
18 Settlement itself was what was carefully worked on.

19 (Chairman and Commissioners conferring.)

20 CHAIRMAN IGNATIUS: I think we're all
21 right with it not being made an exhibit, even for
22 identification. But it's something that we did use, read
23 it, and found it helpful. And, so, if we ask questions
24 from it, as long as people know that that's sort of the

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 starting point, rather than flipping through all of the
2 documents themselves. All right.

3 (Whereupon **Peter Eichler, Richard**
4 **Burlingame, Steven E. Mullen,** and
5 **Stephen P. Frink** were recalled to the
6 stand, having been previously sworn.)

7 CHAIRMAN IGNATIUS: Then, you continue
8 to be under oath, gentlemen. And, where we are, I think,
9 is, but for the change of the provisions in Exhibit 16,
10 which we'll get to, there were going to be questions from
11 the Bench, redirect from Staff, as to Staff witnesses,
12 redirect from the Joint Petitioners as to the Company
13 witnesses, and then I think we would be concluded with
14 this panel. We're all in agreement on that?

15 (No verbal response)

16 CHAIRMAN IGNATIUS: Then, why don't you
17 do the Exhibit 16 issues, Ms. Fabrizio.

18 MS. FABRIZIO: Okay.

19 **PETER EICHLER, Previously sworn.**

20 **RICHARD BURLINGAME, Previously sworn.**

21 **STEVEN E. MULLEN, Previously sworn.**

22 **STEPHEN P. FRINK, Previously sworn.**

23 **DIRECT EXAMINATION (continued)**

24 BY MS. FABRIZIO:

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 Q. Mr. Frink, could you please explain for the Commission
2 the error that you found in Exhibit 16, and how you
3 corrected it, and what the additional attachments
4 cover?

5 A. (Frink) Yes. What happened, on Monday, we offered to
6 make available the source documents that are referenced
7 on the spreadsheet. And, in pulling those together, we
8 noticed that there were some minor errors where the
9 referenced number was incorrect and the expenses
10 themselves were off a little bit. So, we've corrected
11 those. We've put a better label on it. We attached
12 the supporting documents, the three data responses,
13 supplemental data responses. And, also, in that
14 process, we noticed that some of the subtotals, two of
15 the subtotals were incorrect, although the variance
16 numbers were all correct. But, the bottom line is,
17 when you get down to the summary, which, on the
18 original Exhibit 16, found that the net impacts of
19 Liberty's ownership, compared to National Grid, looking
20 at expenses, the IT capital investments, and the
21 capital structure, instead of being one-tenth of
22 1 percent now, the difference is less than half that.
23 It's 0.04 percent. So, the premise that it's
24 essentially a wash, it doesn't change.

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 So, again, the adjustments we made is on
2 "expense" Lines 1 and 2, those expenses have been
3 adjusted somewhat. Reduced on both sides, and a little
4 on the Liberty side, to tie to the supporting data
5 response. And, other than that, no other numbers
6 changed. Obviously, the total would change as a result
7 of that.

8 MS. FABRIZIO: Thank you.

9 CHAIRMAN IGNATIUS: Thank you. Before
10 we go on, because this is new, is there any need for any
11 further questioning from parties on that, that revision to
12 Exhibit 16?

13 (No verbal response)

14 CHAIRMAN IGNATIUS: All right. Seeing
15 nothing, we'll continue then with questioning from
16 Commissioner Harrington.

17 CMSR. HARRINGTON: Okay. Thank you.
18 Good morning.

19 WITNESS MULLEN: Good morning.

20 BY CMSR. HARRINGTON:

21 Q. First, I'm still trying to get straight in my mind the
22 relationship between Liberty Utilities (New Hampshire)
23 and EnergyNorth and Granite State Electric. And, maybe
24 we can refer to the three exhibits that sort of at

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 least show part of this, 6, 7, and 8. And, let me just
2 maybe express my point of confusion, and then whoever
3 is appropriate on the panel can answer it. I'm just
4 not sure how this relationship works. It seems that if
5 we have two somewhat stand-alone entities in
6 EnergyNorth and Granite State Electric, but the
7 reporting chain between them seems to be at multiple
8 levels. In that there's no, and this is what I'm
9 assuming, there's no head of Granite State Electric,
10 that everybody from Granite State Electric reports
11 through, and then that person reports to somebody at
12 Liberty. It appears there maintenance people from
13 Granite State report to somebody at Liberty and
14 operations people report to somebody at Liberty, and so
15 forth, and the same with EnergyNorth. Is that correct
16 and could someone go into a little more detail on how
17 that works?

18 A. (Eichler) Sure. I can try and clarify that a little
19 bit. So, just to be clear, Liberty Energy (New
20 Hampshire) is the holding company, and that Granite
21 State Electric and EnergyNorth are the stand-alone
22 utilities that will continue in existence.

23 I think one point of clarification I
24 would make, I think during Day 1 Mr. Robertson may have

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 mentioned that some of the employees would be at the
2 Granite State Electric and EnergyNorth level, and
3 others would be at the Liberty Energy (New Hampshire)
4 level. And, all the employees are actually at the
5 Liberty Energy (New Hampshire) level. So, each of the
6 operating utilities don't have any employees.

7 Q. Oh. Okay. Well, that's -- okay, that adds a lot to
8 ending my confusion then.

9 A. (Eichler) Okay.

10 Q. So, everybody actually works for Liberty Utilities?

11 A. (Eichler) That's correct.

12 Q. Okay.

13 A. (Eichler) Or, Liberty Energy (New Hampshire), which
14 will do business as Liberty Utilities. And, so, if you
15 look at -- if you look at the chart, for example, I
16 mean, there are clearly functions which will serve only
17 one entity or the other. So, just, obviously, gas
18 operations will only serve gas and electric operations
19 will only serve Granite State. But all the employees
20 will be Liberty Energy (New Hampshire).

21 Q. Okay. So, to clarify that, I guess the EnergyNorth and
22 Granite State Electric are just, for lack of a better
23 term, "paper corporations" or "paper entities", just to
24 maintain a utility status, but all the people that

1 provide them whatever services are employees of
2 Liberty?

3 A. (Eichler) Well, the assets themselves are still held at
4 the actual utility level.

5 Q. The physical assets, you mean?

6 A. (Eichler) Yes.

7 Q. Yes. Okay.

8 A. (Eichler) The physical assets, and, in turn, the debt
9 and equity. But the employees are all that of Liberty
10 Energy (New Hampshire).

11 Q. Okay. That goes a long way. Thank you very much. I
12 guess I wasn't quite as dense as I thought I was, I
13 guess. Moving off from that, going to the document
14 that's not an exhibit, the Summary of the Settlement
15 Agreement, because we did use that as a way of getting
16 through this vast Settlement Agreement. So, I'm going
17 to ask some questions dealing with that. And, I guess
18 I'll just start over on Page 2. And, again, whoever
19 you think is the most appropriate to answer the
20 question would be fine.

21 Just starting at the top of Page 2,
22 there's a statement "Granite State and EnergyNorth
23 agree that the Commission's approval should be
24 conditioned on their commitment not to seek to recover

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 through rates any acquisition premium that results from
2 the acquisition of their stock by Liberty." Can you
3 explain what this "acquisition premium" would be that
4 they're agreeing not to seek recovery for?

5 A. (Eichler) Certainly. The purchase price of the two
6 utilities was predicated based on a rate base, plus a
7 small premium --

8 (Court reporter interruption.)

9 **BY THE WITNESS:**

10 A. (Eichler) The purchase price of the two utilities was
11 predicated based on what will be the rate base at
12 closing, plus a premium of about 10 to 11 percent or
13 so. And, it's that 10 to 11 percent premium on rate
14 base that we would not seek to recover any return on
15 through rates.

16 BY CMSR. HARRINGTON:

17 Q. All right. Thank you.

18 A. (Eichler) You're welcome.

19 Q. This is sort of a generic question, getting down to the
20 Section A in the bottom of Page 2. And, maybe this
21 gets answered in more detail as we go on, and so that
22 would be an appropriate answer. But there's a lot of
23 talk about "reporting" and "monthly reports" and so
24 forth. And, maybe this will be best directed to Staff.

1 What is the Commission's recourse if the reports come
2 in and it says "Here's your reports, but the
3 performance isn't what we expect it to be." What
4 actions are available to the Commission at that time?

5 A. (Mullen) Well, the reports are designed so we get
6 timely information about how the transition is going,
7 any changes in the organization that might be
8 happening. And, to the extent that things aren't going
9 as they are, there are certain things that we'll talk
10 about later on having to do with the escrow arrangement
11 that's set up, to kind of monitor how the transition is
12 going and deal with things as they come up.

13 But, for the most part, these are really
14 designed to give us information on a fairly current
15 basis to let us know what's going on. And, therefore,
16 we're not just left wondering what's happening. If we
17 see things, we can react to them. And, other parts of
18 the Settlement are designed, as things go along, to
19 deal with those issues.

20 Q. Okay. Thank you. On Page 3, on the third bullet down,
21 it talks about "Granite State" and "rate cases", and
22 "shall not file for a permanent rate [case] with a
23 proposed effective date prior to 1 January 2013."
24 Then, it lists a few exceptions, talking about "safety

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 or reliability related filings such as the vegetation
2 management plan, reliability enhancement, or default
3 service rate filings." And, maybe it's included in one
4 of these categories already. But, since we've
5 certainly had a lot of these recently, there's no
6 mention about filing for recovery for severe storms.
7 Is that included in one of those, if we had another,
8 you know, May snowstorm, for example, or something?

9 A. (Mullen) Well, Granite State has a storm -- has a Major
10 Storm Reserve, and that was also established in DG
11 06-107. That's to deal with issues such as that.
12 Considering that the rate case is expected fairly soon,
13 that the Major Storm Reserve and the provisions of the
14 Major Storm Reserve will be one of the issues that will
15 be reviewed as part of that rate case, in terms of the
16 sufficiency, whether it needs to be revised, that sort
17 of thing. And, as you've seen, we've currently had
18 recent proceedings related to major storm costs. And,
19 those were not in opposition to the current five year
20 Rate Plan that we have. So, that would still stay in
21 effect. So, that being the case, you know, right
22 through the next rate case, I wouldn't expect there to
23 be any limitation on that. We will deal with those as
24 they come up. Hopefully, we won't have any more major

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 storms during that period. And, hopefully, if we do,
2 the Major Storm Reserve will be sufficient to deal with
3 those. But that's not meant to be excluded as
4 something that, if they come up, "well, too bad."

5 Q. So, if there was a major storm of unusual proportions,
6 like we've had a few of recently, and the existing fund
7 didn't cover it, there would be a ability for them to
8 petition to recover costs?

9 A. (Mullen) Yes. Like I say, similar to a recent -- there
10 was just a recent case related to storm recovery.

11 Q. And, again, this question may kind of go along with
12 what you said before, this may be covered in more
13 detail later on. But, getting down to the last bullet
14 in that same Section B, it talks about the "unaccounted
15 gas volumes", shall "not seek recovery of gas costs if
16 the unaccounted gas volumes exceed 1.28 percent", and
17 we have already had testimony of where the 1.28 percent
18 comes from and so forth and so on. But what does
19 happen, other than not being able to recover the costs,
20 are there any other actions that kick in if it came
21 back at 1.4 or 1.6 or 1.7, something like that?

22 A. (Frink) Well, normally, the unaccounted for gas is --

23 (Court reporter interruption.)

24 **BY THE WITNESS:**

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 A. (Frink) Normally, the unaccounted for gas is addressed
2 as part of the cost of gas proceedings. We monitor
3 those amounts. And, if they become excessive, then
4 we'll investigate the reasons why, and the Company will
5 take action to correct those. And, we've done it in
6 the past, we'll be doing it going forward, that doesn't
7 change. In the past, we've never had a disallowance
8 for a set amount. That's the only thing different
9 here.

10 BY CMSR. HARRINGTON:

11 Q. And, would you anticipate that this would be a -- this
12 would just go until that first rate case, and then you
13 would probably go to the way other gas companies,
14 without a -- you'd be looking on a case-by-case basis
15 then?

16 A. (Frink) Correct. The reason for this is that we don't
17 want the performance to slip during transition period.
18 And, because of the caps on the rate case stay-out and
19 so forth, rather than cut expenses, we want to see them
20 maintain the same standard as currently exists, and
21 just to ensure, to add a little added incentive, they
22 have to stay under that 1.28 or they lose money.

23 Q. And, moving to Page 4 in the -- I guess it's still
24 under C, "Information Technology", in the top half of

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 Page 4, it's talking about two types of assessments.

2 "Security assessments shall be compliant with an ISO

3 standard" and a "testing plan in compliance with an

4 IEEE standard." I'm assuming that means that the

5 methods of performing that will be in compliance with

6 those standards, but there are also results associated

7 with that. So, when you say "security assessment shall

8 be compliant", does that mean they do the assessment

9 compliant with this standard, and there's also a pass

10 or fail associated with that? Or, do they just it in

11 conformance with that, and then that's it?

12 A. (Frink) I think you're addressing that question to the

13 wrong people. Our IT consultants are no longer here.

14 Q. You understand what I'm referring to is the difference?

15 You could --

16 A. (Frink) Right. Absolutely.

17 Q. You could do the assessment and say "we've done it in

18 accordance with the IEEE standards, and we found that

19 their testing -- the testing results of the testing

20 plan is that all their tests fail."

21 A. (Frink) I think what we'd like to do is reserve a

22 response until the next panel comes up --

23 Q. Fair enough.

24 A. (Frink) -- and we'll speak with our consultants before

1 then.

2 Q. And, then, and this may be the wording issue that was
3 spoken about earlier. But, on the top of Page 5, it
4 talks about, this is under the "Customer Service"
5 section, but it's carried onto Page 5. "Liberty Energy
6 will assist in determining the root cause of any
7 failure to achieve the performance levels set forth."
8 Who will they assist?

9 A. (Frink) They will be assisting Staff and National Grid.
10 If there's a -- and, actually, Amanda Noonan will be
11 going into this when she takes the stand.

12 Q. That's fair enough. Then, we can just wait until she
13 gets here. Thank you.

14 A. (Frink) All right.

15 Q. Just dropping down a little further on that page, under
16 "Safety", the first bullet talks about "Emergency
17 Liaison will be appointed who will provide Staff with
18 updates four times daily." Is this standard for all
19 utilities to do this? Or, is this something unique
20 here? Or, is this unique here only during the
21 transition period? Or, is it forever?

22 A. (Mullen) This is nothing that's unique. I mean, during
23 the portion when the EOC is open, the utilities will
24 periodically, every four hours or so, give updates.

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 And, again, I hate to keep deferring things, but Mr.
2 Knepper can address this in further detail when he gets
3 up to the stand.

4 CMSR. HARRINGTON: Okay. Fair enough.
5 Thank you. And, I believe that's all the questions I had.
6 Thank you.

7 CHAIRMAN IGNATIUS: Thank you.
8 Commissioner Scott.

9 CMSR. SCOTT: Thank you. Again, the
10 questions I ask, anyone on the panel can certainly feel
11 free to answer, or defer to the next panel.

12 BY CMSR. SCOTT:

13 Q. But, Mr. Mullen, in your testimony, and we've already
14 talked about at the first day of the hearing, I think
15 with Mr. Robertson, I was wondering, you talk about the
16 equity-to-debt ratio of 55 to 45. Can you explain to
17 me a couple things? How does that compare to other
18 similar cases that we've seen before? And, why is that
19 ratio a good thing?

20 A. (Mullen) Okay. A lot of cases that we'll see are
21 around the 50/50 range, or sometimes maybe even a swap
22 of this, with 45 percent equity/55 percent debt. In my
23 October 17 settlement testimony, I addressed this
24 issue. And, although some may view it as a little

1 thick on equity, compared to some other capital
2 structures, there's a couple of reasons that come to
3 mind as to why it does not seem unreasonable for this
4 proceeding.

5 One, in the case of Granite State, I
6 pointed out in that October testimony that its earnings
7 haven't been -- have been well below its authorized
8 rate of return. And, so, we fully expected that there
9 would be a rate case coming in, consistent with the
10 five year plan that's currently in place. So, in
11 consideration of that, it's not as if their equity
12 would build up to a very high level by the time that
13 case comes in. And, consistent with the comments made
14 by Mr. Robertson the other day, they fully expect that,
15 during the rate case, the Commission will be, you know,
16 will have -- will be fully able to determine what is an
17 appropriate capital structure.

18 Related to EnergyNorth, it's also
19 considering that there's a stay-out period, that gives
20 a little bit of a -- I don't want to call it a "float",
21 but it gives a little bit of a cushion between the
22 filing of the next case. Consistent with what I just
23 said on Granite State, I would assume, in that rate
24 case, also that the appropriateness of the capital

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 structure will be reviewed then.

2 As a point of comparison, the existing
3 Rate Plan that we have for Granite State Electric that
4 came from DG 06-107, recognized that, if you looked at
5 the actual capital structure for Granite State, it was
6 quite high; it was roughly 80 percent equity and
7 20 percent debt. For purposes of that settlement, we
8 used a hypothetical capital structure of 50/50. So,
9 that gives you some sort of comparison as to how the
10 55/45 compares to what's currently in place for
11 purposes of setting rates, as well as for -- in
12 relation to other utilities. It's roughly around the
13 50/50 range, give or take.

14 Q. Thank you. Commissioner Harrington had asked about the
15 organizational structure, and that was -- helped me
16 quite a bit, too. I was a little bit confused.
17 Obviously, with the two utilities embedded, and before
18 I say this, I'll caveat with "we certainly encourage
19 and like to see common use for efficiencies", do you
20 have a plan in place to -- how do you ensure the proper
21 accounting for the electric utility versus the gas, and
22 the fact that there's common use functions going on?

23 A. (Eichler) Yes. Certainly. I think we, firstly, I want
24 to say that the organization structure was set up with

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 that in mind. Any types of allocating that may go on
2 between the utilities will be subject to our Cost
3 Allocation Manual. So, we do have one that's currently
4 in place right now. I think, within the Settlement,
5 we've agreed to review that with Staff within the first
6 six months to make sure that it's appropriate. I think
7 the general premise is, we'll try and direct charges as
8 much as possible. But, in certain instances, we'll,
9 obviously, have to use allocation factors.

10 Q. Okay. Thank you. Also, I was just curious, watching
11 the news, I'm familiar that there's a case in the Maine
12 PUC, has not been ruled on yet, that would -- basically
13 with Emera and Algonquin. Does that -- would that
14 case, no matter how the Maine PUC rules, would that
15 have any impact on New Hampshire?

16 A. (Eichler) My understanding of that case is limited.
17 So, if I can sort of consult with counsel here during
18 the break, I can maybe give you a better answer.

19 CMSR. SCOTT: That would be great.

20 Thank you.

21 CHAIRMAN IGNATIUS: Well, if there is an
22 answer from counsel that could be done right now, that's
23 fine with us. It sounds like it's off your expertise.

24 WITNESS EICHLER: That's correct.

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 CHAIRMAN IGNATIUS: And, that's fine.

2 And, it may be really more of a legal question.

3 MS. COLEMAN: Yes. The Maine PUC
4 proceeding doesn't impact this proceeding in any way. If
5 we get a positive approval from the Maine PUC, we will use
6 some -- we will issue subscription receipts to Emera and
7 that, in other words, they will buy stock in APUC and we
8 will get equity in return for that, and we would use some
9 of that equity to fund this transaction. But, if it's not
10 approved, we have access to other equity and would still
11 proceed with this transaction, and there would be no
12 delay.

13 CMSR. SCOTT: Thank you.

14 MR. CAMERINO: Could I just take this
15 break to remind the witnesses, you really have to have the
16 microphone almost right up to your face. Do the Tom Jones
17 thing will be great.

18 CMSR. HARRINGTON: Showing your age.

19 (Laughter.)

20 BY CMSR. SCOTT:

21 Q. And, I had some questions on escrow, but I understand
22 that's the next panel?

23 A. (Frink) No, no. We'll handle the escrow.

24 Q. Say again?

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 A. (Frink) No. We'll handle the escrow questions.

2 Q. Okay. I guess I misunderstood Mr. Mullen. Okay. On
3 the escrow arrangements, I was curious, similar
4 question to what I asked Mr. Mullen a moment ago on the
5 equity-to-debt ratio, I was curious how that compares
6 to other agreements that you've seen before?

7 A. (Frink) This is the first merger that I'm aware of that
8 actually has an escrow for the exiting company. And,
9 the basis for that is that, because of Liberty's
10 limited or nonexistent experience in operating these
11 types of utilities, we felt there was a high level of
12 risk, also it could be part of the lessons learned from
13 FairPoint, that you really need the exiting utility to
14 be there for the new utility. And, again, with the
15 limited experience, it becomes that much more critical.

16 And, so, rather than just give --
17 National Grid is getting a check on the date of the
18 close for \$285 million roughly. And, they're having to
19 set aside 10 percent of that, which a good portion of
20 that, through the escrow, will not be available to them
21 until this utility -- transition has been successfully
22 completed. And, that doesn't just include the
23 transition period, it includes 365 days beyond the
24 transition period. Because, I think, as it was

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 experienced in the FairPoint proceeding, there are
2 issues that crop up once the cutover takes place and
3 everything has changed hands. So, we wanted a way to
4 address those.

5 And, so, the escrow is actually three
6 pools. Fifteen million is tied to the actual
7 Transition Service Agreements. Now, those are the
8 services provided by National Grid to Liberty
9 throughout the transition period. And, again, lessons
10 learned, once the closing takes place, things could
11 change at National Grid. Right now, they have the best
12 of intentions to get new ownership and to get new
13 management. Things could change. We wanted to keep
14 them vested and make sure that they will be there
15 throughout the period. So, the first pool of
16 \$15 million is tied to those services. As they
17 complete those services going along, there are any
18 number of services, some will be completed and
19 discontinued fairly quickly, some go for two years.
20 They can be extended beyond that, if need be. But, as
21 they complete those services, they can get some of that
22 15 million back, and, throughout the period, and then,
23 at the end, we do hold back 1.5 million of that till
24 the very end and a few months beyond.

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 Again, there is a concern that, with
2 these transition services, obviously, in the beginning
3 you have a lot of services and a lot of money involved.
4 As those services drop off, you get down to one or two
5 services, it's a couple of years out, again, it could
6 be that the Company no longer has the financial
7 incentive to perform those services with the same
8 levels that they were before. So, again, the escrow
9 puts the money at risk to give them the incentive and
10 to make sure they stay involved. And, again, in a
11 change of ownership, it gives them a vested interest in
12 seeing this thing through to the end. And, so, that's
13 the first pool.

14 Similar to that, there's a second pool
15 of \$5 million. Again, that's tied to the Transition
16 Service Agreement. And, that is not available to the
17 utility throughout the transition period. It is on Day
18 N, which you think of "Day N" as "Day End", that's when
19 everything's done, that's when that money becomes --
20 starts to become available for National Grid.

21 And, again, there's not -- it's
22 anticipated that National Grid will be there throughout
23 the process, provide all the services, do an
24 outstanding job, and they will get all this money back.

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 But, again, it's an incentive mechanism to protect the
2 public in New Hampshire, and to ensure that Liberty
3 gets the assistance they have contracted for.

4 And, then, there's one 10 million --
5 there's 10 million that is tied to performance metrics.
6 And, that is what the safety metrics and consumer
7 protection metrics, consumer services, those metrics
8 have to be met. And, it could be that something
9 happens, and then there's an investigation to say
10 "okay, maybe the information coming over from National
11 Grid was corrupted and caused a problem." In that
12 case, that \$10 million would be available to correct
13 the problem. And, it also serves to, if there's an
14 investigation, we have National Grid's full
15 participation, you've got money available to rectify
16 the situation. And, so, that's what that 10 million,
17 and that money is not available until Day N, plus 365.
18 So, we're going to evaluate the process. Anything
19 comes up along the way, that money is available to
20 address it. And, it keeps National Grid involved.

21 A. (Mullen) Could I just add to Mr. Frink's response?
22 Q. Please.

23 A. (Mullen) First, a point of clarification. The first
24 pool that Mr. Frink discussed, he mentioned "15

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 million", that's really 13.5 million. Second, you can
2 kind of summarize these in a way of saying, you can
3 almost look at these as insurance policies. And, I
4 think you heard Mr. Horan on Monday say that "National
5 Grid fully expects to get its money from these." But,
6 you know, just like insurance policies, you hope you
7 don't have to use them. These were designed in a way
8 to provide some assurance of National Grid's commitment
9 to the transfer. Also, you know, if everything happens
10 the way that it's planned to be, then, you know, they
11 will eventually get their money.

12 One other point. For the third pool,
13 the 10 million, there is a provision that, after 180
14 days, if we haven't run into issues with the
15 performance metrics, then 25 percent of that could be
16 returned to National Grid. This last pool, regarding
17 the performance metrics, is the one that I was
18 deferring to the next panel, to get into the specifics
19 of the customer service and safety metrics. Sorry if I
20 confused you on that one.

21 Q. Thank you. Thank you both. Obviously, both utilities
22 have certain fixed things that don't go away. There's
23 things in the ground and that type of thing. However,
24 both utilities clearly have other assets that are

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 mobile, including vehicles, spare parts, and other
2 things. How is that arranged for in the sale, if you
3 will? Is there a snapshot taken, and, "okay, as of
4 this date, everything transfers"? Or -- and, more to
5 the point, how can we assure that, and I'm not trying
6 to say National Grid would do anything that could be
7 perceived as negative, but, for the ratepayers, how
8 could we be assured that, for instance, all the old
9 vehicles in your southern region aren't going to go to
10 the north, and new vehicles from New Hampshire are
11 going to go south? And, again, I'm not trying to say
12 that would happen. But how do we assure that?

13 A. (Burlingame) I can answer that. As part of the
14 purchase agreement, anything -- any assets that are
15 owned by the utilities, Granite State or EnergyNorth,
16 go with the sale. So, vehicles, inventory, any other
17 equipment that is actually in rate base and owned by
18 the companies goes with the sale.

19 CMSR. SCOTT: Thank you. That's all.

20 CHAIRMAN IGNATIUS: Thank you.

21 BY CHAIRMAN IGNATIUS:

22 Q. Let me ask Mr. Mullen first, and then Mr. Frink, if you
23 have things to add to it. On the debt provisions in
24 the Settlement Agreement, I take it there is agreement

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 among the parties to enter into debt transactions that
2 are not final yet, and won't be final until the
3 closing, but are kind of close, in terms of what you
4 expect to see. Can you describe in a little more
5 detail of just the process of how you think you'll get
6 from this point, if the Settlement Agreement were
7 approved, to an actual closing, and any further
8 Commission scrutiny or orders that might be anticipated
9 regarding debt transactions?

10 A. (Mullen) Well, and this is typical when we get
11 financing transactions in here. Many times we don't
12 have the final -- the final terms and conditions until
13 actual closing. But we kind of know what box the terms
14 and conditions are going to fit into. So, as part of
15 any financing, you know, we look at what the
16 constraints on that box are, and do those appear
17 reasonable. Following the closing, utilities have to
18 submit the final terms and conditions. And, to the
19 extent that, you know, if the final terms and
20 conditions do not fit into that box, well, then there
21 would be some, you know, if the Commission were to
22 approve the transaction with certain constraints on the
23 box, then, if it was without that, well, then there
24 would be an issue with, you know, either the Commission

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 -- they would have to petition the Commission to revise
2 its order and have to explain why the conditions are
3 not within the terms that were expected. But this is
4 really no different than other financing transactions
5 that have come before the Commission.

6 Q. Have you scrutinized, not only the terms of the
7 financing, but the uses to which the funds are being
8 put?

9 A. (Mullen) Yes.

10 Q. And, under a traditional Easton analysis that we're
11 required to do, do you -- are you satisfied that you've
12 seen enough information to make a recommendation about
13 that debt?

14 A. (Mullen) Yes.

15 Q. So, what is your conclusion, based on the kinds of
16 things you look at in an Easton analysis?

17 A. (Mullen) You're testing my -- you're testing my legal
18 knowledge at the time -- now, but --

19 Q. Well, I don't mean to be putting you on the spot and
20 making this into a quiz. But are you comfortable that,
21 in your view, the uses of the funds are, I'm now
22 testing myself, I'm not sure I'm remembering the buzz
23 words either in Easton, but that they are appropriate
24 and would be prudent to undertake?

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 A. (Mullen) Yes.

2 Q. If the terms, by the time of the closing, were
3 significantly different from what you've anticipated,
4 is there an opportunity to further scrutinize those
5 terms?

6 A. (Mullen) As I mentioned, if the Commission were to
7 approve the proposed financing, based on the terms and
8 conditions that have been presented in this Petition, I
9 would expect that to be laid out in the Commission's
10 order. To the extent that the terms and conditions
11 vary from what the Commission has approved, then the
12 Company would have to -- would have to petition the
13 Commission to revise its order, and has to explain why.
14 So, there would certainly be a chance to review. And,
15 if, for whatever reason, those aren't acceptable, that
16 would be, you know, the Commission would fully have a
17 chance to decide that issue.

18 Q. RSA 369:1 requires findings to meet a "public good"
19 test. In your view, do these meet that test?

20 A. (Mullen) Yes.

21 Q. Mr. Frink, do you have any view other than that?

22 A. (Frink) No. I would just like to add that, on the debt
23 issuance, as far as the uses go, it's simply replacing
24 existing debt of the utilities. So, those investments

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 have been made by the utility. And, to this day, as
2 far we know, they're all prudent investments, the next
3 rate case -- the most recent cases we looked at. So,
4 I'm comfortable with what the funds are for.

5 Q. And, the terms borrowed are lower than the existing
6 debt?

7 A. (Frink) Yes, they are.

8 Q. Mr. Mullen, in the Settlement, there's provisions
9 regarding certain pension terms and post employment
10 benefits, Page 13, I think, of the Settlement addresses
11 that. Do you expect further proceedings at the
12 Commission regarding that or is this the full
13 opportunity to address those terms and the regulatory
14 assets being created?

15 A. (Mullen) I don't expect further proceedings. I
16 imagine, in future rate cases, these regulatory assets
17 or the remaining portions of them at the time will be
18 issues that are looked at at that time. This was an
19 issue I addressed in my October 7th testimony. And,
20 the provisions here related to establishing the
21 regulatory assets reliabilities are consistent with the
22 requirements of purchase accounting. And, that's the
23 reason why there's the request here. Just to make sure
24 that the appropriate approvals are in place.

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 Q. There are provisions in the Settlement Agreement about
2 affiliate relationships. And, looking at Page 32 of
3 the Agreement, Paragraph D.8, has a kind of short
4 reference to "Affiliate Requirements". Either Mr.
5 Mullen or Mr. Frink, who wants to explain a little more
6 detail about that?

7 A. (Mullen) Sure. The provision that you see here is --
8 was mainly to address issues raised by Granite State
9 Hydro Association during the course of the proceeding.
10 In any event, you know, whether this was here or not,
11 the Companies would still have to comply with the
12 Commission's rules, as well as the relative statutes.
13 But this was -- this was put in to address those
14 concerns by Granite State Hydro.

15 Q. Is your understanding that the organizational structure
16 we've been shown, in Exhibit 6 and those other charts,
17 suggest that an affiliate agreement is called for for
18 obtaining services from some of the positions above the
19 regulated utilities or not?

20 A. (Mullen) Yes.

21 Q. And, what's the status of such agreements?

22 A. (Mullen) Perhaps Mr. Eichler could address that.

23 A. (Eichler) I believe the Affiliate Services Agreement is
24 an attachment to the Settlement Agreement.

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 Q. So, if we look at that, and --

2 A. (Eichler) It's Attachment C, to be specific.

3 Q. I won't ask you to go through the entire document,
4 don't worry. But, at a high level, how do we -- how
5 does the document assure that the relationships within
6 the regulated utility sort of operating companies, if
7 you will, the Granite State and EnergyNorth entities,
8 are engaging in fair dealings that satisfy the concerns
9 of the Granite State Hydropower Association?

10 A. (Eichler) I think the provision of services within the
11 Affiliate Services Agreement more specifically is
12 designed to cover services that the utilities may get
13 from some of the utility service companies, and perhaps
14 the ultimate parent, Algonquin --

15 (Court reporter interruption.)

16 A. (Eichler) -- and perhaps the ultimate parent, Algonquin
17 Power & Utilities Corp. I'll take that "eating the
18 microphone" thing into consideration. So, as I, you
19 know, as I look through the agreement, it's not
20 specifically designed with the intention of providing
21 power from our unregulated power group into the
22 utilities group, for a couple of reasons. One is,
23 again, it's more around our services. And, two, it's
24 just not a scenario that we envisioned at this time.

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 That the commitment around the Settlement and Number 8
2 there was something that, you know, we made right off
3 the bat. The hydro electric association preferred we
4 memorialized it, and so we had no problem doing so.

5 A. (Mullen) So, I think, to add to Mr. Eichler's response,
6 while Attachment C doesn't specifically address what's
7 in Section D.8 of the Settlement, the words in the
8 Settlement go more to addressing those concerns. In
9 terms of using the words like "on terms" -- "shall not
10 purchase or offer to purchase energy, capacity and/or
11 services from any of their competitive affiliates on
12 terms more favorable than those offered to or available
13 to any non-affiliated suppliers." Those are the words
14 that actually go to Granite State Hydro's concerns.

15 Q. Have you had an opportunity to review the proposed
16 Affiliate Services Agreement?

17 A. (Mullen) Yes.

18 Q. And, under our statutory provisions, are you
19 comfortable that they are appropriate?

20 A. (Mullen) Yes.

21 Q. Mr. Frink?

22 A. (Frink) Yes.

23 Q. The organizational chart, we've already spent some time
24 talking about it being a little bit different than what

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 we're used to seeing, and also a little hard to follow,
2 because you have to take 6, and then add to it some
3 others, to able to get to the two utility operating
4 companies that we think of, Granite State and
5 EnergyNorth. Let's talk about how operations will
6 really run. And, I care less about where the boxes are
7 than how the services will be performed. First of all,
8 Mr. Eichler, what's the authority that gets you from,
9 let's start first, let's say, with the gas utility, for
10 all of the things that it needs to have happen to be
11 successful, that seem to be split among different lines
12 of authority within your org. chart? How do we assure
13 that the expertise that's needed is going to be there?
14 A. (Eichler) Well, I think I can sort of maybe try and
15 walk you through it in two groups. I think, from an
16 administration perspective, you have all the
17 administration groups that are required to run a gas
18 utility. So, you've got, across the top, you've got
19 the "Regulatory & Government Affairs" group, certainly,
20 the "Finance" group, "Human Resources", "Customer
21 Care". And, from an operations perspective, we're also
22 covering the "Energy Procurement" group, all the way to
23 the left. "Gas Operations" is a specific group under
24 the "VP of Ops & Engineering", as is "Electric

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 Operations" there.

2 So, I think the difficulty in following
3 this org. chart is that it's designed to sort of be a
4 functional org. chart, as opposed to lay out, you know,
5 Granite State versus EnergyNorth. But I know
6 specifically that my colleagues, Mr. Saad and Mr.
7 Sherry, were planning on walking through a bit of a
8 more detailed org. chart as to how Customer Service
9 works and how Operations will work between the two
10 utilities. So, if my answers satisfies you at a high
11 level, then they can give you the more specifics for
12 those areas.

13 Q. Well, let's spend a little bit more time on it. We can
14 put aside the Customer Care issues, if we're going to
15 be hearing more from Mr. Sherry on that, and on the
16 engineering, I guess, and operations. What's the
17 coordination for gas supply, that's in a whole
18 different line of authority than where we're told the
19 two utility companies fall? I think we were told that
20 you sort of, to kind of connect these charts, you sort
21 of draw a line coming down from Operations to add on
22 EnergyNorth and Granite State at the bottom of those.
23 So, gas procurement will be a huge component of what
24 EnergyNorth does.

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 A. (Eichler) Yes.

2 Q. How do you get from one piece to the other?

3 A. (Eichler) So, there's an "Energy Procurement" group, if
4 you look all the way to the left, that's headed by
5 Chico Dafonte. And, he's got two subgroups underneath
6 him; one which is "Gas Supply", which will focus
7 strictly on EnergyNorth, and then the "Electric
8 Supply", which will focus on Granite State.

9 Q. I see that on the chart. What I'm trying to get at is,
10 how are we assured that that's going to work, when you
11 have to kind of move from place to place for a critical
12 piece of the gas operations, but that there's nobody in
13 charge of gas services or gas delivery who can say --
14 who has authority over the gas supply piece of it?

15 A. (Eichler) Well, Mr. -- I mean, Mr. Dafonte does have
16 overall authority for that, but Mr. DelVecchio has
17 authority for both the gas and the electric utilities.
18 So, there isn't, you know, there isn't sort of like a
19 president of Granite State or a president of
20 EnergyNorth. They're both feeding into Mr. DelVecchio
21 by function and group, as opposed to by the line of
22 business.

23 Q. So, I take it it's treating, let's take gas supply or
24 electric supply, as something akin to other common

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 services that everybody needs, like HR support or
2 government relations support?

3 A. (Eichler) Yes.

4 Q. And, that's different than what we often see. Sort of
5 take an operational piece out and put it into this sort
6 of common-to-everyone support services. That may not
7 be wrong, it just seems different. Mr. Frink, are you
8 comfortable with the structure that you've seen?

9 A. (Frink) I am comfortable with the structure. What
10 probably gives me the greatest comfort is that
11 Mr. Dafonte was -- had the same job for Northern, back
12 when NiSource owned Northern, and even prior to that,
13 when it was BayState together with Northern. So, we've
14 done a lot of work with him, and he does know the
15 business. And, so, that gives me a great deal of
16 comfort. As far as it looks like he reports directly
17 to the president, so I imagine he'll have a lot of
18 autonomy in what he's doing. And, again, he does have
19 the experience and ability to handle that position.

20 And, we're also familiar with some of
21 the other people on this, on this org. chart. And, I
22 don't think it's really a whole lot different, when you
23 go back in time to when it was EnergyNorth. And,
24 again, you don't have a corporate -- a large corporate

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 structure over everything, there was a -- it was very
2 similarly structured.

3 So, we know it has worked in the past.
4 Really, what it comes down to is the quality of the
5 people that you put in those positions. And, this is a
6 -- and that gives us comfort in this case.

7 Q. Are you familiar with the people listed under "Gas
8 Operations"?

9 A. (Frink) Under "operations"? I have worked with Rich
10 MacDonald before. Some of the other names are familiar
11 to me. But Randy Knepper has probably worked with many
12 of these people, but I can't speak for him. He'll be
13 up here shortly.

14 Q. All right. Mr. Mullen, some similar questions to you
15 on the structure. Are you comfortable on electric
16 service, in both operations and supply, that this
17 organizational structure will be effective? Well, I
18 can't ask you "if it will be effective". Are you
19 troubled by the structure of it? Do you have any
20 reason to be concerned about it?

21 A. (Mullen) I'm not troubled by the structure. And,
22 similar to Mr. Frink, I'm familiar with a number of the
23 people that are on here, in terms of either Electric
24 Supply or Electric Operations. And, so, they have been

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 already working on the New Hampshire system. Like
2 Mr. Warshaw, in the past, has provided testimony on
3 Granite State default service proceedings. On the
4 Operations side, Mr. Demmer I'm very familiar with, as
5 well as Mr. Carney, who has been involved in doing
6 vegetation management on Granite State's system for a
7 long time. And, Mr. Brouillard is also familiar on the
8 Engineering side. Just to mention a few names, there's
9 others on there as well. So, I'm not troubled.

10 Q. What was the last name you said, was it "Brouillard"?

11 A. (Mullen) Yes. If you look, I'm looking at Exhibit 6,
12 or you can look at Exhibit 7, under "Engineering".

13 Q. Oh, I see. Yes. Thank you. We've heard that the
14 experience, Algonquin's experience in electric
15 utilities has been described as "thin". Mr. Mullen,
16 are you familiar with their operations thus far in
17 electric utilities? And, do you have any concerns
18 about that?

19 A. (Mullen) As far as Liberty's experience with electric
20 utilities, that goes to its acquisition in California.
21 So, that's the one utility that they have had. In
22 terms of being able to operate this system, as was just
23 discussed, I'm familiar with a number of the people who
24 will actually be doing the work on this system. So, in

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 terms of being able to operate the electric system,
2 they're a lot of the same people who are doing it now.

3 Q. Does Mr. DelVecchio have experience in electric
4 utilities?

5 A. (Mullen) Not to my knowledge. I suppose Mr. DelVecchio
6 could address that further.

7 MR. DELVECCHIO: He does not.

8 CHAIRMAN IGNATIUS: I hear from the
9 audience that that Mr. DelVecchio does not.

10 BY CHAIRMAN IGNATIUS:

11 Q. Are you troubled by that or are you comfortable that,
12 as you say, with Company personnel who have been
13 involved with Granite State Electric continuing on,
14 that that's adequate?

15 A. (Mullen) I'm not troubled by that, unless I was to hear
16 that Mr. DelVecchio was going to be replacing
17 transformers or something like that.

18 MR. DELVECCHIO: He will not.

19 (Laughter.)

20 BY CHAIRMAN IGNATIUS:

21 Q. On the gas side, Mr. Frink, does Liberty have any
22 experience with gas utilities?

23 A. (Frink) No.

24 Q. So, the same question to you. Are you troubled by that

1 lack of experience with the gas utilities?

2 A. (Frink) Yes. It is a concern. The hires they have
3 made have been good. I think we've put in the -- the
4 Transition Service Agreement allows for National Grid
5 to provide a lot of those services during the
6 transition period. And, if there are problems going
7 forward, those Transition Service Agreements can be
8 extended. So, that provides a certain level of
9 protection. They have been shadowing the existing
10 National Grid employees. Some people have been brought
11 on board already. And, so, -- and, even if they were
12 to take over a particular service being provided under
13 the Transition Service Agreement and they agreed to
14 terminate it, they can bring back that service down the
15 road. So, there's a lot of protection in this, and a
16 fairly long transition for a lot of these operations
17 and services. So, I'm comfortable that it can be done.

18 Also, as with any problem, if you spend
19 enough money, you can get it fixed, most any problem.
20 And, I feel like, with the protections we put on, that
21 they are not allowed recovery of the transition -- the
22 transition services costs, transition costs, and the
23 cap on the IT capital expenses. That, if they do run
24 into problems, they have the resources to address those

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 problems. And, ratepayers won't be harmed as a result
2 of difficulties that arise and are addressed.

3 Q. So, you just stated that you don't see harm as a result
4 of this transaction. Do you see the transaction as
5 being in the public interest, which our statute
6 requires?

7 A. (Frink) There may be some benefits to having a more
8 local presence. There may be, and time will tell. The
9 fact is, whatever benefits there are, if rates go up, I
10 think the customers will be unhappy. I think, for the
11 most part, customers have been -- are satisfied with
12 the current services. And, so, I'm not sure that most
13 customers probably, other than taking the gas and
14 paying their bills, don't use a lot of the services, or
15 really see what goes on in the backroom. And, so, for
16 whatever incremental benefits there may be, I think,
17 for the vast majority, it comes down to cost to their
18 rates. And, if there's not -- if rates don't go up as
19 a result of this transaction, then I think customers
20 will -- their satisfaction will remain the same.

21 I just -- I look at it more as, I'm
22 looking at the "no harm". I'm not look at --

23 (Court reporter interruption.)

24 **CONTINUED BY THE WITNESS:**

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 A. (Frink) I'm not looking at this as this being a net
2 benefit. I'm looking at this that there's no harm as a
3 result of this transaction.

4 BY CHAIRMAN IGNATIUS:

5 Q. I take it you're not saying the converse, though, that
6 it would be contrary to the public interest?

7 A. (Frink) It is not contrary to the public interest.

8 Q. And, Mr. Mullen, do you have a view on harm or whether
9 this meets the public interest, this transaction?

10 A. (Mullen) I think, with the terms and conditions that
11 we've put forth in the Settlement, I believe it does.
12 And, this is some of what I discussed in my April 2012
13 testimony. When Staff originally filed testimony back
14 in October, we identified a number of areas of concern,
15 as other parties did as well. I think, through the
16 lengthy process we've had here, and the number of
17 provisions that we've had, some of which we haven't
18 even seen before, such as the escrow arrangements, I
19 believe that we sufficiently protected against those
20 concerns to allow this -- to recommend that this be
21 approved as being in the public interest.

22 CHAIRMAN IGNATIUS: Those are my
23 questions. I appreciate your explanations and your
24 candor. Commissioner Harrington has a few more questions.

1 CMSR. HARRINGTON: Yes.

2 BY CMSR. HARRINGTON:

3 Q. I guess we can go to Mr. Mullen. I believe it was
4 stated on Monday by a representative of Liberty that
5 "whoever owns Granite State when the rate stay-out
6 period ends will be asking for a rate increase." Do
7 you agree with that?

8 A. (Mullen) Yes.

9 Q. And, I hate to even go back here again, but I still
10 have a little confusion on the organization structure.
11 Referring to the Settlement Agreement, Exhibit 2, if
12 you go to Attachment C, which is the Affiliate
13 Agreements, looking at the -- there's one for Granite
14 State and one for the gas company, and I believe
15 they're both almost the same. But, looking on the --
16 it's labeled Page 226, on the bottom right-hand corner,
17 it talks about "The Affiliate Agreement...between
18 Algonquin Power & Utilities Corp.,...Liberty Utilities
19 (Canada) Corp.,...and Liberty Utilities Company, a
20 Delaware [Corp.], and [then] Liberty Energy Utilities,
21 a New Hampshire Corp." And, I'm just trying to keep
22 track of who's who here. When you go back to
23 Attachment A in the Settlement Agreement, it lists
24 "Algonquin Power & Utilities Corp.", and then it lists

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

- 1 "Liberty Utilities (Canada)", which I assume is the
2 same "Liberty Utilities (Canada)" that's in the
3 Affiliate Agreement? Let's start with that.
- 4 A. (Witness Eichler nodding in the affirmative).
- 5 Q. Nodding doesn't work. You have to say "yes" or "no".
- 6 A. (Eichler) I'm sorry. I thought the question was still
7 addressed to Mr. Mullen. Yes. That's correct.
- 8 Q. And, then, --
- 9 A. (Eichler) And, if I can, maybe I can provide a
10 high-level overview of the --
- 11 Q. Sure.
- 12 A. (Eichler) -- the relationship between the entities.
13 You can think of Algonquin Power & Utilities Corp. as
14 the ultimate parent or the entity that's traded on the
15 Toronto Stock Exchange. That would be the entity that
16 employs the Chief Executive Officer, Mr. Robertson.
17 Liberty Utilities (Canada) Corp. is the thin service
18 company that's located up in Toronto. For example, --
- 19 Q. I'm sorry, you said the "what service company"?
- 20 A. (Eichler) The "thin service company".
- 21 Q. "Thin"?
- 22 A. (Eichler) Yes.
- 23 Q. As in "not fat"?
- 24 A. (Eichler) Yes.

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 Q. Okay. Never heard of a service company referred to
2 that way.

3 A. (Eichler) That, for example, I am employed by Liberty
4 Utilities (Canada) Corp., as is Mr. Pasieka. And,
5 "Liberty Utilities Co." is the entity that --

6 Q. Excuse me. Just so we're sure, that when you're
7 talking about "Liberty Utilities Co.", in the
8 Settlement Agreement it identifies that as a "Delaware
9 Company", and in the org. chart, on Attachment A, it's
10 listed as "Liberty Utilities (America) Company". Are
11 those, in fact, one in the same?

12 A. (Eichler) Let me just flip to Attachment A here. No.
13 If you look at the box below it, it would be "Liberty
14 Utilities Co."

15 Q. So, on the org. chart again, and this is Attachment A
16 to the Settlement Agreement, just so we're clear, the
17 third "Liberty" down, which is identified as "Liberty
18 Utilities Co.", with nothing else, that's the one
19 that's referred to in the Affiliate Agreement as
20 "Liberty Utilities Co., a Delaware Company"?

21 A. (Eichler) Yes.

22 Q. Okay. And, then, I guess that gets me to my question.
23 We seem to have one too many utilities in the box here,
24 so -- of Liberties. So, what's "Liberty Utilities

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 (America) Co.", and they seem to be, you know, if you
2 look down the line in here, that everything reports
3 through them before it gets to Canada. What exactly is
4 them?

5 A. (Eichler) I believe that that's a legal holding
6 structure. That entity doesn't have employees or
7 anything like that.

8 Q. All right. So, it's just some legal entity?

9 A. (Eichler) Yes.

10 CMSR. HARRINGTON: Okay. All right. I
11 think that addresses my question. I was just trying to
12 figure out who is what there. So, it was a little
13 confusing. Thank you. That's all I had.

14 CHAIRMAN IGNATIUS: Commissioner Scott.

15 CMSR. SCOTT: Thank you again.

16 BY CMSR. SCOTT:

17 Q. Back to the Affiliate Services Agreement, it obviously
18 references the -- I'll get the title wrong, the
19 "Algonquin Power & Utilities Corp. Direct Charge and
20 Cost Allocations Manual".

21 A. (Eichler) Yes.

22 Q. So, what I was trying to figure is, looking through
23 that, obviously, it talks about such things as how time
24 sheets can be allocated depending on what work's being

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 done. I noticed (a) there's not a date on the manual
2 itself, and it's kind of -- it's referenced, obviously,
3 in the Agreement. Will that manual change?

4 A. (Eichler) Yes, it will.

5 Q. As a result of --

6 A. (Eichler) Well, I should say that it requires probably
7 a little bit of addition for the Liberty -- well,
8 actually, I'm sorry. Can I take that off and check?
9 Because we did update it recently, and I just want to
10 double check the version that's included. So, it may
11 very well be up-to-date. I just want to double check,
12 if I may?

13 Q. So, I guess my question is, is once you execute this
14 Agreement, I would assume it's whatever manual is in
15 enforcement at that time is what you're talking about,
16 not -- or is this a dynamic thing?

17 A. (Eichler) It is a dynamic thing. As you can imagine,
18 as our utilities portfolio grows, we need to
19 continually look at ensuring whether the allocation
20 methodologies are correct, and whether there's better
21 sort of cost causation principles that we can apply.
22 So, it is under continual review, to, basically, to
23 ensure that the costs are best allocated, using the
24 appropriate drivers.

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 A. (Mullen) And, if we refer to the Settlement Agreement
2 on Page 16, section on that page D.1.b, that provides
3 some description of the fact that Mr. Eichler described
4 earlier, that we will be reviewing the Cost Allocation
5 Manual. As explained in that section, is they
6 currently use the Four Factor Methodology with certain
7 weights. And, as the organization changes, we wanted
8 to make sure that we take a look at it, to make sure if
9 the factors and the weights are appropriate to use
10 going forward. So, that's why we've taken a look at
11 it. So, while they may have something that's in place
12 right now, we will also be looking at it to see how
13 appropriate it is going forward.

14 CMSR. SCOTT: Thank you.

15 CHAIRMAN IGNATIUS: Thank you. That
16 concludes the questions from the Bench. Ms. Fabrizio, do
17 you have any redirect of your two witnesses?

18 MS. FABRIZIO: Yes. Excuse me, yes.
19 And, I also have a question for Mr. Burlingame.

20 **REDIRECT EXAMINATION**

21 BY MS. FABRIZIO:

22 Q. Mr. Frink, --

23 CHAIRMAN IGNATIUS: Is your microphone
24 on? I can't hear you.

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 MS. FABRIZIO: No, it's not.

2 CHAIRMAN IGNATIUS: Thank you.

3 MS. FABRIZIO: Thank you.

4 BY MS. FABRIZIO:

5 Q. Mr. Frink, with respect to Liberty's projected IT Plan
6 and associated cost, does Staff agree with the
7 recommendation we heard from G-3 on Monday, that the
8 Commission should hire a consultant to assist in post
9 close transition and monitoring?

10 A. (Frink) I agree that, as Commissioner Harrington
11 pointed out, that Staff does not have the expertise
12 that will allow us to do the kind of in-depth analysis
13 that critical services requires. So, I think it makes
14 sense and we should hire a consultant. We did hear G-3
15 testify that, as part of their review of the Plan and
16 the IT Mitigation Plan, that everything seems to be in
17 good shape, and they recommended approval. So, at this
18 point, it may be more of an issue of "we need help in
19 monitoring those reports."

20 That, if I were to look at a report, I
21 don't think I could identify a potential problem nearly
22 as quickly as an IT expert could. And, so, I think
23 it's reasonable for the Commission to hire a consultant
24 to help monitor the propose at the very least. If an

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 issue should arise, then maybe we'd need additional
2 services to evaluate what gave rise to that situation
3 and how to address it. But, for the most part, it
4 seems, at this point in time, everything seems to be in
5 good shape on the IT side. But, going forward, yes, I
6 think we need a consultant.

7 Q. Thank you. And, Mr. Mullen, we've heard a lot about
8 the projected IT investments that Liberty will need to
9 undertake to make a success of this transition. Can we
10 expect that some of those costs will be shared by other
11 Algonquin acquisitions, such that the allocated costs
12 to Granite State and EnergyNorth would go down in the
13 future?

14 A. (Mullen) Well, I think there certainly could be some
15 impact to the allocations to Granite State and
16 EnergyNorth, especially as we -- if we're talking about
17 things that share a common platform. You know, as with
18 any common cost, those are things that we would
19 carefully scrutinize in the course of rate case
20 proceedings. And, I expect this to be no different, in
21 terms of, you know, whether the costs that are being
22 allocated to the various utilities or the affiliates
23 are appropriate.

24 Q. Great. Thank you. Mr. Burlingame, you heard G-3

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 testify on Monday that there are certain IT transition
2 requirements that are the responsibility of National
3 Grid, and the costs to be borne by National Grid of
4 those requirements. Do you agree with G-3's
5 characterization of National Grid's IT requirements and
6 cost responsibility?

7 A. (Burlingame) As part of the transition, as part of the
8 transaction, we always understood that the data that --
9 that the data is owned by Granite State and
10 EnergyNorth. And, we would bear the cost of
11 transferring that data to Liberty, from Granite State
12 and EnergyNorth. We've done -- we've actually incurred
13 costs to date to transfer that data as well. And, we
14 would do it after the closing of the transaction.

15 Q. Can you provide an estimate of what those costs will be
16 following the -- to date, actually, as well as
17 following close?

18 A. (Burlingame) Yes. We're expecting -- I have an
19 estimate for after the close, because there are other
20 IT costs that we've incurred prior to the close as
21 well, that we haven't billed Liberty and we will not
22 bill Liberty. But --

23 Q. I'm sorry, that you "will not bill Liberty"?

24 A. (Burlingame) Will not bill Liberty. But, after the

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 close, we expect about two and a half million dollars
2 of costs related to transfer of data.

3 Q. And, to date, do you have an estimate for those costs?

4 A. (Burlingame) I believe it's around three to four
5 million dollars that we've spent so far on IT.

6 MS. FABRIZIO: Staff would like to make
7 a record request of the documentation of those numbers and
8 the support for them, if permitted?

9 CHAIRMAN IGNATIUS: Any response,
10 Mr. Camerino?

11 MR. CAMERINO: Maybe during a break I
12 could confer with Mr. Burlingame to find out the basis for
13 those numbers, so I have a better sense of what that
14 documentation might look like. And, if we could maybe
15 respond after the break, if that would be possible?

16 CHAIRMAN IGNATIUS: All right. I guess
17 I'd also be interested in understanding Staff's purpose in
18 knowing what the confirmation of numbers leads us to. Is
19 it something you're asking the Commission to consider and
20 make some determination on?

21 MS. FABRIZIO: I'd like to turn to Mr.
22 Frink to respond.

23 WITNESS FRINK: Yes. At the date of the
24 close, there are transition services related to the IT

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 that National Grid will be doing a lot of work on behalf
2 of Liberty, and billing Liberty for those services. And,
3 we want to clearly distinguish between services being
4 performed by National Grid that are their cost
5 responsibility, vers. the services being performed on
6 behalf of Liberty that Liberty will be paying for. So,
7 there's a concern of commingling those costs. And, we
8 would like to get it on the record prior to the closing
9 what's Liberty and what's National Grid.

10 CHAIRMAN IGNATIUS: All right. Well, I
11 think that makes sense to reserve a record request.
12 Exhibit number?

13 MS. DENO: Nineteen.

14 CHAIRMAN IGNATIUS: Nineteen. Thank
15 you. And, the actual details and terms of it. If you can
16 confer during the break, that's a good idea.

17 **(Exhibit 19 reserved)**

18 MS. FABRIZIO: Thank you.

19 CHAIRMAN IGNATIUS: Does that conclude
20 the Staff's redirect?

21 MS. FABRIZIO: Yes, it does. Thank you.

22 CHAIRMAN IGNATIUS: And, Mr. Camerino,
23 is there any redirect of your witnesses regarding this
24 panel?

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 MR. CAMERINO: Yes. Just a couple of
2 questions. I believe these are for Mr. Burlingame.

3 BY MR. CAMERINO:

4 Q. Mr. Burlingame, you heard Mr. Mullen testify that the
5 Pool C funds that I believe it's "25 percent of those
6 would be released after 180 days", do you recall that?

7 A. (Burlingame) Yes, I do.

8 Q. Do you have the Settlement Agreement in front of you?

9 A. (Burlingame) I do.

10 Q. And, would you turn to Page 42, where it discusses the
11 "Release of the Pool C Escrow Funds". Can you just
12 look at that and clarify for the Commission, when we
13 say "the funds will be released after 180 days", 180
14 days after what? After the closing or after some other
15 event?

16 A. (Burlingame) It would be 180 days after Day N.

17 Q. So, when you say "Day N", what do you mean by "Day N"
18 in that case?

19 A. (Burlingame) "Day N" is when all transition services
20 have been turned over to Liberty and have been signed
21 off by the Commission.

22 Q. So, if I understand correctly, the transition
23 essentially has to be complete, and then 180 days have
24 to go by before any of those funds in Pool C are

1 released?

2 A. (Burlingame) That's correct.

3 Q. Okay. And, then, there was a question about ensuring
4 that all the assets of the two companies were
5 transferred, and I believe you indicated that -- that
6 National Grid is required to transfer all of the rate
7 base. Are there records, so that, if somebody wanted
8 to tick and tie and actually determine that the assets
9 had -- the correct physical assets had been
10 transferred, that that had occurred?

11 A. (Burlingame) There are records of both companies, plant
12 records, that people could check and make sure that
13 each item has been transferred. There's also inventory
14 records as well for the transfer of inventory. The
15 transaction itself is a stock sale. So, everything
16 just essentially changes ownership of stock. And, so,
17 those assets go along with the stock of the company.

18 Q. Okay. And, just again, more for the record than
19 anything else, when you talk about "Day N" just now for
20 the Pool C funds, that actually, in the Settlement
21 Agreement, there's a description of what that includes
22 or excludes, is that a fair statement?

23 A. (Burlingame) Yes, it is.

24 MR. CAMERINO: Okay. Thank you.

[WITNESS PANEL: Eichler~Burlingame~Mullen~Frink]

1 CHAIRMAN IGNATIUS: Can I ask one
2 follow-up to that?

3 BY CHAIRMAN IGNATIUS:

4 Q. Earlier we had heard that "Day N" could mean a
5 different date for different portions of the
6 transaction or multiple transactions. So, is there a
7 sort of ultimate "N" that comes at the close of all of
8 the other Ns that you work off of?

9 A. (Burlingame) There are individual -- there's 154
10 different transition services that we've agreed to.
11 And, so, each one of those will have, you know, their
12 individual "Day N". So, you know, we'll have a
13 sign-off by Liberty and by National Grid. When all of
14 those services are complete, that's what we're calling
15 "Day N".

16 Q. All right. So, this "180 days" would be at that
17 ultimate --

18 A. (Burlingame) So, it would "Day N plus". "Day N", which
19 is all the services being completed, plus 180 days.

20 CHAIRMAN IGNATIUS: Okay. Thank you.

21 Then, I think, with that, the witnesses are excused.

22 Thank you.

23 We're going to have one more panel, is
24 that correct? And, then, Mr. Spottiswood. Why don't we

1 take a 10-minute break to let the panel shift over, give
2 the court reporter a bit of a rest. And, so, we will see
3 everyone back here at 10:55. Thank you.

4 (Whereupon a recess was taken at 10:45
5 a.m. and the hearing resumed at 11:03
6 a.m.)

7 CHAIRMAN IGNATIUS: We are back on the
8 record. And, Mr. Linder.

9 MR. LINDER: Yes. I just wanted to
10 notify the Commission that my client had to leave.
11 Several staff members are ill, and one had to go to the
12 hospital this morning. And, so, she's needed back at the
13 office. And, it's not -- she has not left because of lack
14 of interest.

15 CHAIRMAN IGNATIUS: Okay. Well, I hope
16 everything turns out to be okay, and there's no problem
17 with her having to leave.

18 MR. LINDER: Thank you.

19 CHAIRMAN IGNATIUS: I see the new panel
20 is seated. Are there any matters before we begin?

21 (No verbal response)

22 CHAIRMAN IGNATIUS: If not, and in terms
23 of scheduling today, my hope is that we run until 12:30.
24 And, if we're not finished, take a break, and resume for

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 the afternoon. Does that work with everyone?

2 MS. HOLLENBERG: Yes.

3 CHAIRMAN IGNATIUS: All right. Then,
4 Mr. Taylor, Ms. Fabrizio, who wants to do the direct?

5 MS. FABRIZIO: Staff calls Amanda Noonan
6 and Randy Knepper to the stand.

7 MR. TAYLOR: The Joint Petitioners call
8 William Sherry and Daniel Saad to the stand.

9 (Whereupon *Amanda O. Noonan*,
10 *Randall S. Knepper*, *William T. Sherry*,
11 and *Daniel Saad* were duly sworn by the
12 Court Reporter.)

13 MS. FABRIZIO: Thank you.

14 **AMANDA O. NOONAN, SWORN**

15 **RANDALL S. KNEPPER, SWORN**

16 **WILLIAM T. SHERRY, SWORN**

17 **DANIEL SAAD, SWORN**

18 **DIRECT EXAMINATION**

19 BY MS. FABRIZIO:

20 Q. Ms. Noonan, could you please state your name and
21 business address for the record please.

22 A. (Noonan) Yes. My name is Amanda Noonan. My business
23 address is 21 South Fruit Street, Concord, New
24 Hampshire.

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 Q. And, by whom are you employed and in what capacity?

2 A. (Noonan) I'm employed by the New Hampshire Public
3 Utilities Commission as the Director of the Consumer
4 Affairs Division.

5 Q. And, what has been your involvement in this proceeding?

6 A. (Noonan) I have been involved in this proceeding since
7 the beginning. Propounded discovery requests,
8 responded to discovery requests, submitted testimony,
9 and participated in settlement discussions.

10 Q. Thank you. And, you filed testimony in this docket, is
11 that correct?

12 A. (Noonan) Yes, I did.

13 Q. And, was that testimony prepared by you or under your
14 direction?

15 A. (Noonan) Yes, it was.

16 MS. FABRIZIO: I would like to request
17 that the October 7, 2011 Direct Testimony of Amanda Noonan
18 be marked for identification as "Exhibit 17". Is that
19 right, 17?

20 MS. DENO: I did it prior. We marked it
21 prior.

22 CHAIRMAN IGNATIUS: Oh. Okay. So, that
23 will be -- yes. We're jumping order, because of some
24 premarking?

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 MS. FABRIZIO: Right.

2 CHAIRMAN IGNATIUS: That's fine. So
3 marked.

4 (The document, as described, was
5 herewith marked as **Exhibit 17** for
6 identification.)

7 MS. FABRIZIO: Thank you.

8 BY MS. FABRIZIO:

9 Q. And, Ms. Noonan, do you have any corrections or changes
10 you would like to make to your testimony?

11 A. (Noonan) No, I do not.

12 Q. And, is that testimony true and accurate to the best of
13 your knowledge?

14 A. (Noonan) Yes, it is.

15 Q. Thank you. In your October testimony, you raised a
16 number of concerns regarding the potential impact on
17 customers and customer service as a result of the
18 proposed transaction. Could you briefly outline those
19 concerns for the benefit of the Commissioners?

20 A. (Noonan) Certainly. The concerns that I raised in my
21 October 7th, 2011 testimony primarily relate to the
22 lack of experience that Liberty had in owning and
23 operating gas and electric utilities, and the
24 challenges that would occur that might present to them

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 and how that might impact the interests of customers.

2 And, also, I express concerns about the
3 successful conversion of their IT systems and the
4 transition of the data, and how a less than seamless or
5 transparent conversion could potentially impact
6 customers negatively, and how that might also impact
7 service levels to customers.

8 The final point of my testimony focused
9 on the low income initiatives that National Grid had
10 available to customers in its service territory, and
11 whether or not those continued initiatives -- or, those
12 initiatives would continue to be offered by Liberty.

13 Q. Thank you. And, does the Settlement Agreement filed in
14 this proceeding address those concerns?

15 A. (Noonan) Yes, it does.

16 Q. And, could you discuss the particular commitments and
17 conditions in the Agreement that address those
18 concerns?

19 A. (Noonan) Certainly. As has been mentioned by some of
20 the other or earlier Staff members offering testimony,
21 Liberty has limited experience in operating an electric
22 utility, and no experience in operating a gas utility.
23 However, as we've looked at the individuals that
24 Liberty has hired over the past few months, their

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 staffing does offer assurance to us that they're
2 actively seeking and have acquired the gas and electric
3 experience that they need to operate their New
4 Hampshire utilities.

5 To address the issues of the successful
6 conversion, and making sure that it was smooth and
7 transparent to customers, National Grid has established
8 a senior IT partner to oversee the transition and work
9 with Liberty, and to continue through the period we
10 discussed before the break of "global Day N plus 365
11 days". So, that commitment by Grid to be an active and
12 committed partner, not just through the transition, but
13 post transition, to help address any issues that may
14 arise, does significantly alleviate some of the
15 concerns that I had.

16 In addition to those, we've established
17 a number of metrics, and I'll address the customer
18 service metrics specifically, that both Liberty and
19 Grid have responsibility for meeting. National Grid is
20 responsible, obviously, during the transition period.
21 Liberty will continue to meet the metrics established
22 by Grid -- established for Grid in the period Day N
23 plus 365. And, those metrics are designed to help
24 identify potential problems before they become very big

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 problems. They focus on areas such as billing, with
2 metrics regarding the billing accuracy, percentage of
3 bills that are estimated, bills with exceptions. They
4 also focus on call center responsiveness, with the
5 carryover of the commitments that National Grid had
6 from 06-107 for certain service levels in their call
7 center. Liberty continues those commitments. And,
8 that commitment will extend beyond global Day N plus
9 365, that will be a continuing obligation of Liberty.
10 Whereas these others are only through the global Day N
11 plus 365 day period.

12 And, in addition, there's a metric which
13 looks at the responsiveness of National Grid and
14 Liberty, both during the transition period and after
15 the transition period, during major storm events, and
16 focuses on calls that come into the Commission that's
17 often an indication that the utility doesn't have the
18 resources or the information available to meet customer
19 needs and inquiries during a storm event.

20 So, those various metrics go a long way
21 to addressing some of the concerns we had or I had
22 about potential impacts on customers as a result of the
23 transition over and the conversion of systems and data
24 and processes.

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 To support those customer service
2 metrics, Mr. Frink and Mr. Mullen this morning talked
3 about the escrow provisions. And, one of the escrow
4 provisions is specific for the customer service
5 metrics, as well as the safety metrics that Mr. Knepper
6 will be discussing later. And, that provides the
7 resources or commitment by Grid for the resources to
8 correct issues that may arise post cutover of a service
9 where there's a determination made that the data or the
10 systems or the process or the procedure is that the
11 problem there is attributable to Grid's failure to do
12 something during the transition period or the date of
13 conversion or so forth. So, those funds are available
14 to correct issues attributed to Grid. They're also
15 available for the Commission to use for possible
16 penalty considerations, if they deem that a
17 transgression was, you know, serious and significant
18 enough that Grid should be assessed some penalties.
19 So, even though Grid would no longer be a regulated
20 entity, there is still this pool of funds available to
21 the Commission to help protect customers post global
22 Day N.

23 Another component is the Customer
24 Satisfaction Survey that I mentioned in my testimony.

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 National Grid currently conducts a Customer
2 Satisfaction Survey. Liberty conducts Customer
3 Satisfaction Surveys for its other utility systems.
4 The two surveys are very, very different, and there was
5 some concern about how we could measure any potential
6 impact to customers. The Agreement sets forth a method
7 to do that, whereby Liberty would conduct a baseline
8 survey immediately following closing to, when Grid is
9 still providing all services fully, to get a baseline
10 assessment using their survey of what customer
11 satisfaction might be.

12 The other piece of the Settlement that
13 addresses some of my concerns are the low income
14 initiatives that Liberty has committed to going
15 forward. And, all of the issues -- all of the items,
16 in essence, outlined in my testimony are commitments
17 that Liberty has made on a going-forward basis. So,
18 they would have one full-time equivalent to perform the
19 functions described in my testimony, such as
20 specialized enrollment and education services, a
21 calling campaign to customers in the early fall
22 regarding the Low Income Home Energy Assistance Program
23 and so forth. They would continue their participation
24 in the Electric Assistance Program, the Gas Residential

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 Low Income Assistance Program,
2 Neighbor-Helping-Neighbor, and the CORE programs,
3 particularly the low income initiatives there. And,
4 they would also maintain the commitment made by
5 National Grid in DG 10-017, to meet twice yearly with
6 the New Hampshire Legal Assistance staff and the OCA to
7 discuss their outreach efforts for the Gas Low Income
8 Program, and collection practices and activities,
9 specifically as it might impact their low income
10 consumers.

11 Q. Thank you. Does that conclude your comments?

12 A. (Noonan) Yes, it does.

13 Q. Thank you. Mr. Knepper, could you please state your
14 name and business address for the record.

15 A. (Knepper) My name is Randy Knepper. And, I work at 21
16 South Fruit Street, here in Concord.

17 Q. And, by whom are you employed and in what capacity?

18 A. (Knepper) I'm employed by the Public Utilities
19 Commission of New Hampshire, New Hampshire Public
20 Utilities Commission, and I am the Director of Safety
21 and Security.

22 Q. And, what has been your involvement in this proceeding?

23 A. (Knepper) Like Amanda, from the get-go, I've been
24 involved with discovery requests, technical sessions,

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 negotiations, testimony, and settlement discussions.

2 Q. Thank you. And, you filed testimony in this docket, as
3 you just stated, is that correct?

4 A. (Knepper) That's correct.

5 Q. And, was that testimony prepared by you or under your
6 direction?

7 A. (Knepper) Yes.

8 MS. FABRIZIO: Thank you. I'd like to
9 request that the October 7, 2011 Direct Testimony of
10 Randall S. Knepper be marked for identification as
11 "Exhibit 17".

12 MS. DENO: Eighteen.

13 MS. FABRIZIO: Eighteen.

14 CHAIRMAN IGNATIUS: So marked.

15 (The document, as described, was
16 herewith marked as **Exhibit 18** for
17 identification.)

18 BY MS. FABRIZIO:

19 Q. Mr. Knepper, do you have any corrections or changes you
20 would like to make to your testimony?

21 A. (Knepper) I just have some comments. In my testimony,
22 when I referred to the "buyer", in some of my testimony
23 I refer to them as "Liberty", "Liberty Energy",
24 "Liberty New Hampshire". And, I think it should be

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 properly referred to as "Liberty Energy (New
2 Hampshire)" in most of my testimony, and "Liberty
3 Energy Utilities Company", and sometimes I used
4 "Liberty Utilities Company". So, should I -- going
5 back now, I should probably more align with the org.
6 chart that they have submitted dated April 5th, 2012.

7 Q. Thank you. And, is the testimony true and accurate to
8 the best of your knowledge?

9 A. (Knepper) Yes.

10 MS. FABRIZIO: And, Chairman, I believe
11 Mr. Knepper has a correction or two to make to the
12 Settlement Agreement. Is this an appropriate time?

13 CHAIRMAN IGNATIUS: That will be fine.

14 MS. FABRIZIO: Thank you.

15 WITNESS KNEPPER: You want me to do that
16 now, Lynn?

17 MS. FABRIZIO: Yes, please.

18 **BY THE WITNESS:**

19 A. (Knepper) I did find one typo. Actually, there's two,
20 as Lynn mentioned, there are two changes I'd like to
21 make. It's in Attachment J of the Settlement
22 Agreement, so, if I can find it here. And, that would
23 be on Page 521, Item (d), in parentheses there, where
24 it says "475", that number should be "425". And, then,

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 that would make -- that would align with all the other
2 numbers in (b), (c), (d), (e), and (f).

3 CHAIRMAN IGNATIUS: I'm sorry. I
4 understood the "475" should read "425 outstanding Grade 3
5 leaks".

6 WITNESS KNEPPER: "Grade 3 leaks", yes.

7 CHAIRMAN IGNATIUS: And, then, what was
8 the other, what you said about the next number?

9 WITNESS KNEPPER: Well, that's just --
10 the reason I picked that up is because we start out with
11 1,125, and we are going to reduce it by 700, and that's
12 how you get to 425, which is mentioned in the other
13 paragraphs.

14 CHAIRMAN IGNATIUS: Thank you.

15 **BY THE WITNESS:**

16 A. (Knepper) And, the other, the second change I would
17 like to make is on Page 527, Paragraph (h). I think we
18 can just eliminate the last sentence, because there are
19 no samples included in Attachment A of this Agreement.
20 So...

21 CHAIRMAN IGNATIUS: Any concerns by the
22 Joint Petitioners on those changes? Any other parties any
23 concerns?

24 MR. TAYLOR: We have no problems with

1 those changes.

2 CHAIRMAN IGNATIUS: All right. You may
3 continue. Thank you.

4 MS. FABRIZIO: Thank you.

5 BY MS. FABRIZIO:

6 Q. Mr. Knepper, in your October testimony, you raised a
7 number of concerns in the safety area. Could you
8 provide a brief overview of the conditions that are in
9 the Settlement Agreement that is now before the
10 Commission that address those concerns?

11 A. (Knepper) Yes. Many of my comments in the testimony
12 and concerns were on the emergency response, both from
13 a gas and electric. So, I looked at both sides, of
14 both Granite State and EnergyNorth. One of the largest
15 concerns that comes to mind is that National Grid is a
16 very large corporation, and Liberty Energy (New
17 Hampshire) is going to be a much smaller organization.
18 And, there is a competition for resources when you have
19 large, wide-scale outages. And, so, that was an
20 immediate concern, because we've experienced that in
21 our role during emergency operations. Within the last
22 three, three and a half years, we've had four major
23 storms. We had the December 2008 Ice Storm, the
24 February 2010 Wind Storm, we had the Tropical Storm

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 Irene, and, then, since my testimony, we've had the
2 October Snowstorm. So, we've had four major outages in
3 New Hampshire here, where these resources and getting
4 linemen into -- are critical. So, one of my concerns
5 was that, and I believe we've addressed that in one of
6 the -- in the electrical performance metric.

7 As well as I was concerned with the
8 plans that they had weren't as robust. I was concerned
9 with some of their authorities to purchase, and those
10 -- along those lines.

11 So, we tried to address that through
12 both electrical safety conditions and gas safety
13 conditions, and electrical performance metrics and gas
14 safety performance metrics.

15 So, would you like me to go through
16 those?

17 Q. Yes, please.

18 A. (Knepper) If you go to the safety conditions, they're
19 found on Page 32 and 33 of the Bates stamped Settlement
20 Agreement, under the subheader "Safety". And, they're
21 just briefly labeled (a) through (e) there. Basically,
22 (a) through (d) addresses the concerns that I've
23 encountered with previous transitions, and it provides
24 for a continuation of past practices involving

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 Emergency Response activities, basically centered
2 around Granite State Electric, but may apply, in a rare
3 event, to EnergyNorth. Condition (d) is especially
4 important in continuing situational awareness during
5 large-scale outages that extend beyond 24 hours, where
6 the PUC needs continuous communication updates and
7 status of emergencies when we're fulfilling our
8 obligations under the New Hampshire Emergency Response
9 Plan. That is one of the roles I have here at the
10 Public Utilities Commission, is also to fill the role
11 of the energy sector and telecommunications sector
12 within a New Hampshire Emergency Response Plan.

13 And, then, you get to (e) in that
14 Settlement condition, and that basically references
15 "Attachment J". And, Attachment J is where we were,
16 it's Pages 512 through 520 of the Settlement Agreement.
17 And, I consider these the "meat" of the safety
18 conditions going forward. And, these are comprised of
19 20 conditions that apply to gas safety for EnergyNorth.
20 They have a "I" header, and one condition regarding
21 electric safety for Granite State Electric, and that
22 pertains to "underground damage prevention".

23 So, I think I'll take some time to
24 briefly categorize and describe the gas safety

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 conditions. The first condition is a "General
2 Condition", which replaces previous gas safety
3 conditions that we had imposed upon prior EnergyNorth
4 entities in the older past Settlement Agreements that
5 go back almost 12 years. The Safety Division found
6 that this was an opportune time to update, modify, and
7 delete any outdated language, remove conditions that
8 are no longer relevant, and that are not relevant to
9 this particular transaction. And, maintain those that
10 are important, clarifying others, and adding some
11 conditions that were not previously included. So, in
12 essence, Condition (1) is a general condition that
13 allows both Staff and EnergyNorth to kind of do a
14 refresh and perform a reset, without having to fumble
15 through old agreements, interpreting things which both
16 staffs may not have the complete understanding of the
17 origin and the reason for the language used. So,
18 that's the general condition, (1).

19 That being said, I can categorize the
20 other conditions into four basic categories. The
21 categories would be those in which we eliminated from
22 those older agreements; those where we made some minor
23 or small modifications; those where we made some medium
24 modifications; and those that are new. We eliminated

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 about six conditions from the older agreements. We
2 made modifications to eight that I consider "minor".
3 Six were what I consider "medium" modifications. And,
4 six are new imposed modifications.

5 So, if we quickly go through the
6 elimination, the type of things that we eliminated was
7 we eliminated the condition regarding maintenance of
8 engineering records within New Hampshire, since those
9 jobs are coming back and the locations will be coming
10 back, as we've heard before in testimony. There was a
11 provision for that. We eliminated language regarding
12 an "experienced corrosion engineer". There was
13 language in there with "as is" and "to be", and
14 language provisions that are no longer applicable. So,
15 we cleaned up all that, and eliminated -- one of the
16 things that we eliminated from the last merger
17 agreement, I guess, was we eliminated the ReDig Quality
18 Assurance Program that National Grid uses. We have
19 found that, in the Safety Division, to be, it kind of
20 sounds good, but it's really kind of costly, doesn't
21 really provide a lot of value. So, we don't want to
22 continue that going forward.

23 The ones that we had minor
24 modifications, those are basically restatements of past

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 conditions that had little to no modifications. Those
2 would be the ones that are labeled "Conditions 5", "6",
3 "7", and "8". I put them in that category. Those
4 regard "Load Curtailment Plan", "Internet Access"
5 required plans, eliminate any loopholes for not
6 following O&M manuals, cross-referencing OQ plans with
7 O&M, and provide specific abnormal operating
8 conditions. So, those are kind of just some minor
9 changes to existing language.

10 Condition (10) continues to use the use
11 of in-house locators, where both parties agree is the
12 "best practice", especially as this is for the gas
13 side. These are all gas safety conditions that we're
14 talking about. And, for at least another four years,
15 we would continue that practice, that best practice.

16 Conditions (11) and (12) basically mimic
17 existing conditions in place currently for the cast
18 iron encroachments and ownership of services. A lot of
19 people don't know why we have the "ownership of
20 services" in there, but it's because of some things
21 that kind of go on in other states that we really don't
22 want to creep into how we do things here in New
23 Hampshire.

24 Condition (14) continually -- continues

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 the practice of submitting daily crew reports for staff
2 inspections and for frequent updates of org. charts.
3 So, I kind of classify those as "minor" modifications.

4 Those that come under the classification
5 of "medium", I would say Conditions (2) and (3),
6 pertains to New Hampshire based design criteria for
7 sectionalizing sections within the gas system, and
8 maintenance criteria of the critical valves. The whole
9 idea of Conditions (2) and (3) is to minimize or limit
10 impacts of gas system outages by memorializing the
11 design and maintenance considerations. This, coupled
12 with emergency response standards in effect, serve as
13 the distribution system equivalent to doing remote
14 control valve language that's now being done at the
15 federal level, as directed by Congress in the latest
16 Pipeline Safety Act signed January of 2012.

17 Condition (13) provides tracking and
18 reporting of Aldyl A plastic piping. We have that here
19 in New Hampshire. It is a -- it's a type of pipe that
20 was used by the previous companies here, probably late
21 '60s/early '70s. And, it's prone to -- it's
22 susceptible to brittle cracking failures. And, so,
23 we've asked Liberty going forward to kind of get a
24 handle on that, and to give some reporting and tracking

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 to see if it's a major problem or a minor problem, so
2 we can kind of put a program together in the future.

3 Condition (18) clarifies the evaluation
4 method of emergency response standards. And, I'm sure
5 that people are flipping through, they're flipping
6 through pages, so I apologize. But, when we put these
7 together, they were just done kind of haphazardly, I
8 guess, were not trying to put them together for
9 purposes of talking about it now. Condition (18)
10 clarifies the evaluation method for emergency response
11 standards, and place the importance by emphasizing
12 penalties can be incurred for poor performance.
13 National Grid has performed well in this area, and we
14 expect Liberty to continue that same practice.

15 Condition (19) enhances the leak
16 reporting that's currently provided. Right now, we're
17 getting leak reporting at such a high level, it's
18 really not meaningful to the Safety Division for
19 looking at trending that we can use for cast iron/bare
20 steel replacement programs or distributed integrity
21 management programs.

22 And, then, Condition (20) is the Cast
23 Iron/Bare Steel Program itself, which I believe is in
24 its fourth or fifth year. Is that correct, Steve? I

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 think fourth or fifth. This, again, memorializes the
2 changes to the program that we've made since its
3 inception, and that we had originally conceptualized
4 during the last merger. And, I hope Liberty takes
5 advantage of that program and has an ability to really
6 get the costs under control for the expenditures under
7 that program.

8 The new conditions that we've imposed
9 are Condition (4), recordkeeping. We're requiring
10 Liberty to develop a plan and implement a plan to
11 incorporate GPS reads into the GIS systems. We think
12 that's a good practice. They will be able to find
13 locations wherever new pipe installations go, whenever
14 pipeline is exposed, looking at critical points, where
15 Ts are, valves, catch basins, crossing of the
16 utilities. And, hopefully, that will lead to an
17 improvement of records, which will reduce damages in
18 the future and allow for more accurate construction
19 estimates.

20 Condition (9) requires a Quality
21 Assurance Plan for new construction activities be
22 submitted, and requires a span of control of four crews
23 per supervisor. I guess this was a Settlement
24 Agreement, so I guess Mr. Saad caught me in a good

1 mood.

2 Condition (15) reverts odorization
3 monitoring to frequencies employed 12 years ago.

4 Condition (16) requires meter set
5 protections for snow and ice.

6 (17) requires a reduction over a long
7 period of time of Grade 3 leaks. So, I think that's an
8 important thing that we agreed upon.

9 And, we did have one electrical safety
10 condition which is new, and that was for Granite State
11 to implement a residential marking program for
12 underground electric facilities, by extending the
13 markouts to the service entrance where right now it
14 stops at the property line. It's not for commercial
15 applications. We estimated this to be about a \$10,000
16 annual cost. And, we think it's an example that a
17 utility can provide an increased level of safety,
18 reduce confusion of excavators, and provide a service
19 that's not currently available.

20 So, those are some of the new conditions
21 that there, if you add them all up, that's 20, 20 some
22 -- 20 conditions, and that's quite an extensive list.
23 And, so, I think I feel comfortable with that, because
24 we've made it pretty -- we're assured that there's

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 going to be some good performance.

2 If you'd like, I can get into the safety
3 performance metrics?

4 BY MS. FABRIZIO:

5 Q. Thank you. I was going to say that, now that you've
6 provided an outline of the safety commitments that
7 Liberty is undertaking going forward, perhaps you can
8 address how the performance metrics that are in the
9 Agreement address the concern --

10 A. (Knepper) Right.

11 Q. -- that safety performance not decline during the
12 transition period.

13 A. (Knepper) Yes. Now, these apply to National Grid, and
14 not Liberty. The ones that I just -- all the safety
15 performances -- or, "safety conditions", I should say,
16 that we previously had talked about is Liberty going
17 forward. So, now we put some performance metrics in to
18 -- for National Grid while they're going through this
19 transition period. And, the first two, I guess, are
20 what are listed in Attachment O, and they begin on
21 stamp 42, Bates stamp 42 of that Attachment O.

22 CHAIRMAN IGNATIUS: Before you go on,
23 let's make sure we're all talking about the same thing.

24 WITNESS KNEPPER: Hopefully, I'm right.

1 Let me look.

2 CHAIRMAN IGNATIUS: Page 42 of the
3 Settlement Agreement, and then Attachment O, which is
4 actually Page 556?

5 WITNESS KNEPPER: Yes.

6 CHAIRMAN IGNATIUS: Okay. Go ahead.

7 WITNESS KNEPPER: Yep. That's it.

8 **BY THE WITNESS:**

9 A. (Knepper) The first two are for electrical performance
10 metrics. And, these are relating to the wide-scale
11 emergencies that I had already talked about for the
12 Granite State Electric system. And, this is to --
13 first one pertains to crew attainment. So, you know,
14 one of the things that with them being a large company,
15 National Grid, does bring to the table is the ability
16 to get crews. They -- definitely, this is an area of
17 the country where you have a large number of, if you're
18 a bigger company, you're going to get -- you have the
19 potential to compete against in getting crews. There's
20 a shortage of crews whenever there are large-scale
21 outages. And, so, we put a metric together that says,
22 if there was a potential loss of 20 percent or more
23 customers, and those are the -- that's what we looked
24 at actual figures for those four storms that I referred

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 to, and that approximately is about 8,000 customers,
2 that may occur from some impending weather event,
3 National Grid is to provide Liberty, upon request, up
4 to 27 line crews. We determined that by just averaging
5 out what they have done for performance in the past,
6 over the last those four major storms. This is not
7 some new tree crews. And, so, what this does is, in
8 effect, it earmarks crews for the New Hampshire system.
9 And, I think that benefits, for the short term, during
10 the transition agreement, customers in New Hampshire.

11 Now, if Liberty doesn't request the
12 crews, then, of course, National Grid does not have to
13 provide those. They can, you know, reallocate them to
14 other -- other places. We did request that the crews
15 must be physically arrived within the state within 24
16 hours of the onset of the event. It doesn't do us a
17 whole lot of good if they're coming four or five days
18 later. We want them here early and in the beginning,
19 because we find that if you have, you put your
20 resources up front, outages and restorations go a lot
21 quicker, and things -- a whole lot of things go a lot
22 better, and they don't drag on for a long period of
23 time. So, Liberty can request them early. And, Staff
24 would expect Liberty to take advantage of this. This

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 is kind of -- we think it's the best performance. This
2 goes for what we talked about before, Day N, which is
3 that global ultimate Day N plus 365. So, that allows
4 Liberty some time to get into the market and develop
5 their plan on how they're going to, but, in the
6 beginning, they can lean on National Grid.

7 The other one relates to these same
8 outages, and the communications aspect of it, and
9 keeping the website up with OMS integration on a
10 continuous basis --

11 (Court reporter interruption.)

12 **CONTINUED BY THE WITNESS:**

13 A. (Knepper) OMS, Outage Management System. An "OMS" is
14 an "Outage Management System". And, they take that
15 Outage Management System and they portray it to the
16 public through a website, and it tells you how many
17 customers are out, tells you the location within your
18 service territory. If people haven't used it, we find
19 it very helpful. And, that is only growing with the
20 customer base, that the more things go on the Internet,
21 people are getting things to their smartphones and
22 things like that, that demand is only continuing and
23 growing with every event. So, we want to make sure
24 that National Grid maintains that. Whatever their

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 aspect is, whether it's data capacity or bandwidth or
2 Web availability, so people can have access to this
3 information. And, it's really crucial to us in the
4 Safety Division for handling State Emergency Response,
5 and I think it's very important to customers.

6 So, on the gas side, there were seven
7 related performance metrics. And, these are slightly
8 different than Amanda's metrics that they're using for
9 Consumer Affairs, and because ours are more on/off
10 switches. These are triggers that we don't expect ever
11 to happen, but, if they did, they would be clearly a
12 sign that this thing is not going very well. And,
13 three of them use the time period of Day N plus 365,
14 and the other four just go to Day N.

15 The three that pertain to Day N plus
16 365, one is for locator errors, 15 more annually or
17 greater, or they could result in an explosion. We're
18 only counting those that are the result of some NG
19 transition service that's being provided at the time.
20 So, if the e-mail system goes down or the Customer
21 Information System doesn't get built fast enough and
22 they're going to the wrong address, or whatever might,
23 you know, indirectly affect that, those are the kind of
24 things that we were looking at.

{DG 11-040} [Day 2] {04-19-12}

1 The second one was for any incidence
2 that results of National Grid attributing to that. We
3 don't have incidents here in New Hampshire. They're
4 very unusual. And, we don't want to have any. We
5 haven't had any, so we expect that to continue during
6 this transition.

7 Zero outages as a result of National
8 Grid's systems for the -- we haven't had large outages
9 on the gas side in a long time, so we expect that to be
10 not triggered. And, any time these things get
11 triggered, it would definitely be, you know, you can
12 have some irreparable harm that occurs.

13 And, then, the four remaining revolve
14 around LNG spills. We've never experienced LNG spills
15 within the Company's premises. Making sure that all
16 LNG operators are fully qualified, because I saw the
17 transition services that National Grid was going to
18 provide training. We've had no security breaches, so
19 we want to make sure that that continues, and no
20 over-pressurizations on the distribution systems.

21 So, like I said before, these are kind
22 of rare or unusual events. They should not happen. I
23 don't expect any of these things to trigger. But we
24 thought that would give some protections, if they did.

1 BY MS. FABRIZIO:

2 Q. Thank you. And, given the safety conditions and
3 metrics that you've just discussed, do you any further
4 comments or conclusions with respect to the Settlement
5 Agreement itself?

6 A. (Knepper) Well, you know, my aspect was looking at the
7 safety and system reliability. I think the risks of
8 this transaction are mitigated by these, by the number
9 of safety conditions that we have applied to both
10 Liberty Energy and going forward. I think that,
11 coupled with the performance metrics that we have
12 applied to National Grid during the transition, should
13 cause National Grid to be attentive to the details of
14 the transition in such a manner that will minimize the
15 potential disruption or cause harm regarding safety
16 hazards or system reliability. So, in that effort --
17 or, in that context, I support the Settlement
18 Agreement. I think it allows me to conclude that
19 Liberty Energy and National Grid are capable of making
20 this transition successful and workable.

21 Q. Thank you. And, does that conclude your comments this
22 morning?

23 A. (Knepper) Yes.

24 MS. FABRIZIO: Thank you.

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 WITNESS KNEPPER: I think that's enough.

2 CHAIRMAN IGNATIUS: Thank you. Is there
3 direct from Mr. Taylor, --

4 MR. TAYLOR: Yes, Commissioner.

5 CHAIRMAN IGNATIUS: -- as to your two
6 Company witnesses? Sorry for drawing a blank there.

7 MR. TAYLOR: That's all right.

8 BY MR. TAYLOR:

9 Q. I'll first direct my questions to Mr. Saad. Mr. Saad,
10 could you please state your name and business address
11 for the record.

12 A. (Saad) Daniel Saad, 40 Sylvan Road, Waltham,
13 Massachusetts.

14 Q. And, by whom are you employed and in what capacity?

15 A. (Saad) National Grid, Vice President - Gas Operations.

16 Q. Mr. Saad, what is your role in the transaction that is
17 presently before the Commission?

18 A. (Saad) Well, currently, I am the Team Lead for the
19 Operations Team, responsible for the successful
20 development of Day 1 and Day N plans and their
21 successful implementation. Post close I will become
22 the VP of Operations & Engineering for Liberty Energy
23 (New Hampshire).

24 Q. And, Mr. Saad, can you please expand upon your role in

1 the transition planning?

2 A. (Saad) Certainly. The transition planning I've been
3 involved since its inception, approximately February of
4 2011. Leading five Operations and Engineering Teams,
5 and, beneath those teams, approximately 15 transition
6 plans. Holding routine meetings -- excuse me, holding
7 routine workshops to develop those plans, as well as
8 routine status meetings to make sure that we stayed on
9 track.

10 Q. Thank you, Mr. Saad. Could you please provide an
11 overview of your professional experience.

12 A. (Saad) Certainly. I have approximately 30 years of
13 professional experience, starting my first six years in
14 the nuclear business, where I led an engineering/design
15 team. The last 24 years or so in the gas utility
16 business, where I've held numerous positions. For
17 example, Engineering Director for New England, with
18 both Boston Gas and KeySpan, across two states,
19 managing things such as the planning integrity for the
20 distribution system, the Project Engineering Group, the
21 City/State Construction Management Team, the GIS
22 Mapping Group, the Codes and Standards Team, as well as
23 Corrosion Control.

24 The other key position was Director of

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 Production & Control, overseeing four states for
2 KeySpan. That included the -- it included 26 LNG and
3 propane plants across four states, and that included
4 the FERC plant in Rhode Island, as well as three gas
5 control centers. And, then, lastly, VP of Operations &
6 Construction for New England, overseeing approximately
7 a thousand people, with an OpEx budget of approximately
8 \$85 million, and a CapEx budget in the neighborhood of
9 \$200 million.

10 Q. Mr. Saad, the joint filing marked as "Exhibit 1"
11 contains testimony bearing your name. Was this
12 testimony prepared by you or under your direction?

13 A. (Saad) Yes, it was.

14 Q. Do you have any corrections that you'd like to make to
15 that testimony at this time?

16 A. (Saad) No, I do not.

17 Q. And, is that testimony true and accurate to the best of
18 your belief?

19 A. (Saad) Yes, it is.

20 Q. Mr. Saad, could you please provide an overview of the
21 management structure that's in place at Liberty Energy
22 (New Hampshire) with respect to gas and electric
23 operations.

24 A. (Saad) Sure. If I could draw everyone's attention to

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 Exhibit Number 7, it depicts an org. chart for
2 "Operations & Engineering".

3 WITNESS SAAD: You all set?

4 CHAIRMAN IGNATIUS: Yes.

5 **BY THE WITNESS:**

6 A. (Saad) Okay. So, I will start on the far left. This
7 is a simplified version of the Operations & Engineering
8 org. structure. My position sits at the top, and I
9 have five direct reports over the five main areas. If
10 you go to the far left, you'll see our "field
11 operations", our "gas operations" team, headed up by
12 Rich MacDonald, who -- Rich has over 35 years of
13 professional experience, 30 of those years dedicated to
14 EnergyNorth. Actually, Rich started in EnergyNorth in
15 the late '70s, and is well known, as you heard today,
16 well known by Commission Staff.

17 Underneath Rich, you see the traditional
18 field operations functions, "Maintenance,
19 "Construction", "Customer Metering Services", "Meter
20 Shop", as well as "Damage Prevention". To the right of
21 Rich, we have the "Electric Operations" Team, that's
22 headed up by Kurt Demmer. Kurt has some 24 years of
23 utility experience, and six of those dedicated to
24 Granite State Electric. Under Kurt, you see similar

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 functions to Rich, with the addition of "Vegetation
2 Management". Middle box is Chris Brouillard's area,
3 that's the engineering area. Chris has approximately
4 30 years of experience, and 13 of those related to
5 Granite State Electric. Under Chris, you see the
6 traditional engineering functions, "Planning",
7 "Integrity", "Project Engineering, "City/State
8 Construction", our "Mapping" group, and then, lastly,
9 "Corrosion Control".

10 To the right of Chris, we have Tim
11 Deppmeyer, who will be overseeing our "Compliance",
12 "Quality", and "Emergency Management" area. Tim has
13 some 32 years of experience, 22 of those related to
14 Granite State Electric, specifically the Lebanon area.
15 Tim actually spent some 22 years up there, knows the
16 system well. Underneath Tim, we have the "Emergency
17 Management" area, "Compliance" programs, "Codes &
18 Standards", and our "Quality" programs.

19 And, then, lastly, to the far right,
20 Norm Gallagher, who will oversee our "Production",
21 "Control", and "Dispatch" areas. Those are the LNG and
22 propane plants. Norm has some 32 years of experience,
23 and the last 10 or so dedicated to EnergyNorth. He's
24 currently running those plants up here today. And,

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 underneath Norm, you will see the "Plants" I mentioned,
2 the "Instrument/Regulation" group, "System Control",
3 "Dispatch & Scheduling" is also in there.

4 Q. Mr. Saad, are there any changes planned at the -- are
5 there any operational or personnel changes planned at
6 the field level?

7 A. (Saad) No. The folks on the ground performing the
8 activities today will continue as is in the future. No
9 change is planned.

10 Q. Have the field level employees been supportive of the
11 transition?

12 A. (Saad) Yes, they have. Both informal, you know,
13 through informal meetings and formal meetings, all the
14 feedback from the employees have been very supportive.

15 Q. Mr. Saad, previous witnesses have stated that over 60
16 jobs are being brought back to New Hampshire. Does
17 that mean that there are operations-related functions
18 that are currently performed outside New Hampshire by
19 National Grid that are being brought back into the
20 state?

21 A. (Saad) Yes. And, I'll run through those for you. If
22 you refer back to Exhibit 7, the first I'd like to
23 mention -- the first two I'd like to mention is the
24 meter shops, under Kurt and Rich, for both gas and

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 electric. Those will be moving back into New
2 Hampshire. Under Chris Brouillard, the entire
3 Engineering -- the entire Engineering Department,
4 including Chris's position as well, will be moving back
5 into New Hampshire. Similarly, with Tim Deppmeyer,
6 that entire group will be moving back into New
7 Hampshire. And, under Norm, System Control, Dispatch &
8 Scheduling, those two items, for both gas and electric,
9 will be moving back into New Hampshire. And, I'd also
10 like to point out that the leadership team, as well as
11 my position, on this org. chart. So, those six
12 leadership positions will also be sitting in New
13 Hampshire.

14 Q. Mr. Saad, how will customers benefit from having these
15 services provided from within the state?

16 A. (Saad) Well, I think two things, just from the org.
17 chart that you can see, is the leadership is local.
18 So, the decision-making will be much quicker. And,
19 everyone on the org. chart will be working on New
20 Hampshire-specific activities. So, we feel that
21 generates a very responsive organization. Hence, our
22 stakeholder satisfaction will improve.

23 Q. Mr. Saad, can you provide the Commission with a
24 description of the emergency planning and response

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 resources that Liberty Energy (New Hampshire) has
2 available to it, when -- and, specifically, what
3 planning has been done to ensure that Granite State is
4 able to respond to major storm-related outages?

5 A. (Saad) Sure. I'd like to break the emergency
6 management discussion into three pieces. The first I
7 would like to point out that we have allocated -- put
8 on the org. chart Tim Deppmeyer's position. That's a
9 dedicated -- he is the Emergency Manager for the
10 utility. So, we have a dedicated position on the org.
11 chart. And, Tim's responsibility is to make sure that
12 the emergency management process is ready and able to
13 go, if, in fact, we get a storm. Tim is ICS certified,
14 that is Incident Command System certified, which is a
15 nationally recognized, standardized program that's out
16 there that we follow when we build our emergency
17 management process.

18 The second item is the emergency plan
19 itself. We have just recently finished Liberty Energy
20 New Hampshire's emergency plan. So, that plan is
21 completed. It is New Hampshire-specific. It is also
22 ICS compliant. It includes 2008 After Action
23 recommendations. And, I'd also like to note that the
24 training for that plan, the associated drills, is

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 happening in the next two to three weeks, probably
2 spill into May, and then we'll have our first June --
3 excuse me, our first drill post June.

4 And, then, the last piece I'd like to
5 mention, Item 3, is our resource plan. About a year
6 ago, actually, ten months ago, we built our resource
7 projection for various levels of storms. So, whether
8 it be a Level 1, 2, or Level 3, we went ahead and built
9 our projections, for line crews and tree crews,
10 *etcetera*. And, then, the next step is when we went
11 ahead and developed resource pools, we go ahead and
12 fulfill those projections. One resource pool that I'd
13 like to mention is the contractor pool. We currently
14 have a list of 28 contractors. Some in the state, most
15 of them outside the state, a significant amount out
16 west. And, the reason we did that is we wanted to
17 diversify geographically, just in case we get a storm
18 from south to north, the contractors in Connecticut
19 aren't going to be too available. So, we diversified
20 ourself geographically, and we also diversified ourself
21 resource poolwise, I'm only talking about one resource
22 pool, we have three or four others. But the contractor
23 pool is the biggest. And, we've identified 28, we've
24 been in touch with 24, sharing information right now,

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 no formal agreements in place, but all are eager to put
2 some kind of formal agreements in place to make sure we
3 have those crews. And, as you heard Mr. Knepper
4 mention a few moments ago, we have a TSA in place that
5 will bridge us from Day 1 to the point where we will be
6 stand-alone.

7 Q. Mr. Saad, the Settlement sets forth a number of safety
8 conditions that apply to Liberty Energy (New
9 Hampshire), and you heard Mr. Knepper speak to those
10 earlier. How do these conditions benefit and protect
11 customers?

12 A. (Saad) Well, I think Mr. Knepper covered it fairly
13 well. But, to summarize, the 21 conditions, the 20 gas
14 and the one electric conditions, the objective of those
15 21 conditions is to make sure that, from a safety
16 standpoint, that the utilities functions exactly like
17 they are today. So, what you see today for performance
18 will continue into the future. And, of course, there's
19 been a couple of enhancements.

20 But, just to highlight a few, the
21 emergency response metrics is one, where we're
22 currently responding to odor calls in a certain amount
23 of time, and it's being measured and we report on that.
24 So, that performance, those metrics are in place in the

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 Settlement Agreement, as it is today, so that great
2 performance that we're seeing today will continue.

3 The Grade 3 Leak Program that Mr.
4 Knepper talked about is a new program. That was not in
5 place in the past, so that's an enhancement. And,
6 then, lastly, the underground electric services owned
7 by homeowners, not owned by Granite State Electric, in
8 the past -- or, today, I should say, Granite State does
9 not mark those out. In the Settlement Agreement,
10 Granite State has agreed to mark out those homeowner
11 services, provided the appropriate notifications are
12 met.

13 MR. TAYLOR: Thank you, Mr. Saad. That
14 concludes my questioning for Mr. Saad.

15 CHAIRMAN IGNATIUS: All right.

16 MR. TAYLOR: I'll move onto questions
17 for Mr. Sherry?

18 CHAIRMAN IGNATIUS: Please.

19 BY MR. TAYLOR:

20 Q. Mr. Sherry, please state for the record your name and
21 business address.

22 A. (Sherry) William T. Sherry, 9 Lowell Road, Salem, New
23 Hampshire.

24 Q. And, by whom are you employed and in what capacity?

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 A. (Sherry) I'm employed by National Grid U.S.A. Service
2 Company. I'm currently titled as a Director. And,
3 since the transaction was announced, I've been assigned
4 full-time to the New Hampshire Transition Team with the
5 lead in the Customer Care area.

6 Q. And, what is your role in the transaction that is
7 presently before the Commission?

8 A. (Sherry) As part of the New Hampshire Transition Team,
9 I have primary responsibility for working with Liberty
10 Utilities' customer organization and National Grid's
11 customer organization, in particular, in developing out
12 all of the requirements for the Transition Services
13 Agreements, and putting in place all the plans for Day
14 1, to ensure that we're ready to begin that transition
15 at Day 1 from National Grid to Liberty, as well as
16 developing the initial stages of plans now for Day N
17 and building out towards the ultimate separation of
18 Liberty Utilities from National Grid. At the end, I
19 will be titled "Vice President of Customer Care" for
20 Liberty (New Hampshire).

21 Q. Mr. Sherry, could you please provide an overview of
22 your professional experience in the utility industry.

23 A. (Sherry) Yes. I have approximately 30 years of
24 experience working for National Grid and its

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 predecessor companies. First 18 years were providing
2 direct customer service to all different levels of
3 National Grid's customers, with a primary focus on
4 commercial and industrial customers, residential
5 customers, municipal customers, and other aspects of
6 local customer service. I've been involved in the
7 Company's energy efficiency programs since their
8 inception in the late 1980s. In fact, I've appeared
9 before this Commission on numerous times talking about
10 our energy efficiency programs. So, I have response --
11 I have experience in not only program delivery, but
12 program development and program reporting. Most
13 recently, I also have experience in government
14 relations, regulatory relations, and working in the
15 Corporate Citizenship group for National Grid.

16 Q. Thank you. Mr. Sherry, the joint filing marked as
17 "Exhibit 1" contains testimony bearing your name. Was
18 this testimony prepared by you or under your direction?

19 A. (Sherry) Yes, it was.

20 Q. And, do you have any corrections or changes that you'd
21 like to make to that testimony at this time?

22 A. (Sherry) I do not.

23 Q. Is that testimony true and accurate to the best of your
24 knowledge and belief?

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 A. (Sherry) Yes, it is.

2 Q. Mr. Sherry, could you please provide an overview of the
3 management structure that Liberty Energy (New
4 Hampshire) has in place for its customer service
5 functions?

6 A. (Sherry) Gladly. I'd like to draw the Commissioners'
7 attention to Exhibit Number 8. This describes
8 functionally the future vision of our Customer Care
9 organization for New Hampshire. And, I'd just like to
10 note that this organization is totally focused on
11 providing service for our New Hampshire customers. It
12 will all be based in New Hampshire. All the employees
13 will be located in New Hampshire. And, our sole
14 focuses are the various aspects of Customer Care for
15 New Hampshire.

16 So, going across, similar to what Mr.
17 Saad did with his organizational chart, I'll start you
18 from the left. "Customer Service", our manager is a
19 person named Nicole Harris. Nicole brings 22 years of
20 experience to the table. She is a New Hampshire
21 resident. She started out her career in Eastern
22 Utilities Associates, and came to National Grid as part
23 of that transaction in the early 2000s. Most notably,
24 she has extensive experience in accounts processing,

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 and worked or lived through two major system
2 conversions during her tenure with National Grid.
3 Within the Customer Service organization in New
4 Hampshire, we'll have the Walk-In Centers, the Call
5 Centers, billing operations, accounts processing,
6 credit/collections, and focus on the low income
7 programs.

8 Moving across the chart next will be a
9 dedicated "Sales & Marketing" team for New Hampshire.
10 We're in the process of actively recruiting now for a
11 manager for the Sales & Marketing organization. We've
12 had significant interest on *monster.com* for that
13 position. We've seen, based on the resumé's, there's a
14 number of talented applicants that we have interested
15 in the position. That's a small team of five, solely
16 focused on gas and electric sales, a separate team for
17 gas sales, a separate team for electric sales; key
18 accounts; residential developers; and municipalities as
19 customers. That team's been in place, on the ground in
20 New Hampshire, since last September, and they have been
21 working every day with customers, building those
22 relationships, providing those services.

23 Next, moving across, is a team dedicated
24 to our "Energy Efficiency & Customer Programs". Our

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 manager is Eric Stanley, who has also appeared before
2 this Commission already. And, Eric brings 15 years of
3 professional experience to the table; 11 of those years
4 working with KeySpan and National Grid, with a primary
5 focus on gas sales and marketing, marketing strategy,
6 as well as energy efficiency program marketing and
7 delivery. Within the team in New Hampshire, the Energy
8 Efficiency group will be responsible for program
9 management; program delivery; vendor management, as it
10 relates to the energy efficiency program vendors, most
11 of the residential and small C&I programs are delivered
12 by vendors; reporting & analysis, which is a very
13 important part of all that we do. That team will be
14 actively responsible for participating with the other
15 utilities on the CORE programs, and looking ahead to
16 make sure that we're continuing our commitments to both
17 the gas and electric energy efficiency programs.

18 Next is a small team, called "Meter Data
19 Services". You might have also heard that referred to
20 as "Load Data Services", "Meter Data Management".
21 Their focus is on data gathering and reporting. Dan
22 Mahoney, who will be leading that team, has 25 years of
23 experience with National Grid and its predecessor
24 companies, primarily in engineering and project

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 management. But, of note, when it was still New
2 England Electric System, Dan actually worked in the
3 group that put the first NV90 in place for New England
4 Electric System in New England. So, he has experience
5 working in the Meter Data Services arena and working
6 with that technology. That team will be responsible
7 for basically providing all the data, for load data
8 reporting, interval billing reporting, load research
9 support, as well as the data that's necessary for
10 ISO-New England reporting.

11 Dan's team will work closely with Chico
12 Dafonte's team, which you heard about earlier, in
13 energy procurement, and, in particular, John Warshaw
14 for electric procurement. John has extensive
15 experience dealing with the ISO-New England and the
16 reporting requirements that are needed to perform those
17 duties.

18 And, last, but far from least, is our
19 "Marketing & Communications" group. It's led by
20 Maureen Kirk. Maureen has 30 years of professional
21 experience, and 17 of those in the energy industry.
22 Her focus is on customer communications, Web
23 communications, marketing plans, as well as media
24 relations.

{DG 11-040} [Day 2] {04-19-12}

1 Q. Thank you, Mr. Sherry. Previous witnesses have
2 discussed "walk-in centers" as an example of the
3 Company's focus on the interest of customers. What is
4 the status of planning for the walk-in centers? And,
5 do you really believe that these walk-in centers are
6 something that customers are going to have an interest
7 in?

8 A. (Sherry) Let me answer the second question first. I
9 believe strongly that customers are looking for this
10 service. Granite State Electric closed its last
11 walk-in center in 1997, and EnergyNorth closed its last
12 walk-in center in 1999. I was working in Salem, New
13 Hampshire, when we had to close down the Salem, New
14 Hampshire walk-in center. For years, following the
15 closure of that center, we had customers coming to the
16 door, knocking on windows, trying to pay a bill, trying
17 to get questions answered. And, so, that's continued.
18 So, I think, from the standpoint of a service,
19 customers are very anxiously awaiting the opportunity
20 to be able to come in and talk and ask questions and
21 pay their bill, not just about a billing question, but
22 about a new house service or a new gas product or
23 something else they may be interested in.

24 I did have the opportunity during the

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 transition planning process to visit Liberty Utilities'
2 operations in Arizona, as well as California. In
3 Arizona, I visited the water operations, where the
4 walk-in centers had been up and running for many years.
5 Think of a bank lobby type of appearance when you come
6 in, open counters, customer employees, customer service
7 representatives, right behind the counter, welcoming
8 customers. And, in between handling walk-in customers,
9 also able to perform other customer service functions,
10 answering phones, taking care of back-office
11 processing.

12 In California, as you've heard
13 discussed, the California transition was relatively new
14 at that time. But one of the walk-in centers was just
15 in the process of being opened. So, I had a chance to
16 see the newly remodeled offices and see what the
17 Liberty feel was like for customers. And, in the North
18 Lake Tahoe area, in particular, customers were very
19 welcoming and very excited about it, because it was
20 something that had been closed down some years further,
21 and customers were actively showing up at the building,
22 coming in, you know, looking to speak to somebody. The
23 day that I was there, a contractor came in looking for
24 some information about a residential house service.

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 And, very quickly, the Customer Service Rep. up front
2 got the engineer, they sat down at a table, they talked
3 about the service, and they were out the door in 15
4 minutes, and everybody was happy.

5 So, as we look at New Hampshire, we're
6 looking, in particular, at our existing locations;
7 three gas location, in Tilton, Manchester, and Nashua,
8 and the two electric locations, in Salem and Lebanon.
9 Now, as you can imagine, there are facilities
10 renovations required in each of those locations to
11 accommodate walk-in customer traffic. So, we've
12 conducted an initial assessment of all of those
13 facilities. We have initial plans in place on what's
14 going to be needed to do some renovations; some are
15 more minor, some are more extensive. Our hope is that,
16 approximately three to six months after Day 1, we'll
17 begin opening those walk-in centers. Probably the
18 first one would be in Tilton, New Hampshire, because
19 that would be the least amount of renovations required
20 to the existing facility.

21 Q. Thank you. Mr. Sherry, could you please describe the
22 planning that has occurred to ensure that there's no
23 customer confusion or disruption of billing and other
24 customer-related services after Liberty Energy (New

1 Hampshire) takes over?

2 A. (Sherry) Gladly. As you can imagine, the need to
3 minimize customer confusion and introduce the name
4 change to a utility is a major undertaking. And, we
5 began discussions with a combined team of Liberty
6 Utilities, both existing staff and future staff,
7 meaning folks like myself who are coming along with the
8 transaction, along with National Grid's Customer
9 Service organization. We began those discussions in
10 February of last year. Taking a very comprehensive
11 look at "How do we communicate with our customers? All
12 the different vehicles that we use to communicate with
13 our customers, and when would be the appropriate time
14 to communicate with customers?"

15 So, if you think about the customer
16 communications planning, I'll break it down into three
17 phases. The first phase is, immediately after what we
18 hope is a successful resolution of this case and PUC
19 approval, Day 1, which would be when the deal actually
20 closes, and then Day 1 plus 30. Now, the Day 1 plus 30
21 is important because that ties into billing cycles.
22 Customers are used to hearing from us primarily when
23 they see their gas bill or they see their electric
24 bill.

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 So, upon conclusion and upon the receipt
2 of an order, we'd issue a press release to the New
3 Hampshire media market. We have a planned series of
4 visits by Liberty executives to town officials, safety
5 offices, with updated contact books for the Company,
6 updated local information. So, a lot of direct contact
7 by Company management right out to the community. Our
8 key account managers are already lined up to talk to
9 directly all of our key accounts, electric and gas.
10 They have been hearing about the transaction as it's
11 been working its way through the process. They will
12 get updated information on e-mails, phone numbers, any
13 updated marketing materials for the Company, all of
14 that would occur right at that time. And, also,
15 e-mails and direct contact to all the Community Action
16 Agencies and the local community relations liaisons in
17 the various cities and towns that have to help
18 customers who may be dealing with low income issues or
19 assistance. So, that occurs very quickly after an
20 order is issued.

21 On Day 1, or the day of the closing,
22 there will be a joint letter to all of the natural gas
23 and electric customers in New Hampshire, with an FAQ
24 sheet. That letter would be co-authored by Tim Horan

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 from National Grid and Vic DelVecchio from Liberty,
2 announcing the transaction, introducing the Company,
3 along with an FAQ sheet explaining what's going on.
4 Again, press releases, a press conference announcing
5 the closing, opportunities for others to come in and
6 meet with the Company leadership.

7 As Mr. Pasieka mentioned yesterday, all
8 of the high-visibility branding will change right
9 around Day 1, hardhats, trucks, vehicle signage, all of
10 those external images that customers are used to seeing
11 will all change around Day 1. Liberty Utilities'
12 website will launch. The branding and the Web
13 banner on National Grid's website will change,
14 announcing Liberty Utilities as now serving New
15 Hampshire. Liberty Utilities will launch its presence
16 in the social media, Facebook and Twitter. I don't
17 tweet and I don't have a page on Facebook, but I'll
18 learn. But we'll have a presence in social media
19 space.

20 As well as a direct contact with all the
21 electric and gas contractors doing business with us in
22 New Hampshire. Rebrand -- as well as contact with all
23 municipal inspectors' offices. Most of the phone
24 numbers are not changing. So, the number they use to

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 call National Grid today will be the same number they
2 will call in tomorrow. But the fact that it's now
3 Liberty Utilities, or National Grid may be providing
4 some of these services for Liberty Utilities during the
5 transition period, will all be part of that
6 communications.

7 Rebranding of the IVR, or the automated
8 voice response system, which is currently a National
9 Grid platform. Those are all cued up, the programming
10 is in place, it's ready to be turned on. That's both
11 for the gas side and for the electric customers.
12 National Grid actually has two IVRs right now, because
13 the gas and electric customer systems are separate.
14 So, those two IVRs are ready to be reprogrammed on Day
15 1. We also use a third party vendor, called "21st
16 Century", for outage reporting during high-volume
17 storms. They will be answering the phones on behalf of
18 Liberty, as part of the service with National Grid, as
19 well as the IVR that handles inquiries for natural gas
20 conversion sales.

21 Lastly, the last bill that the customer
22 receives from National Grid during those billing cycles
23 in that first month will indicate that the sale has
24 taken place and that this is the last bill you'll be

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 receiving from National Grid. So, that takes us
2 through the first month.

3 At Day 1 plus 30, which is the beginning
4 of the first billing cycle, at 30 days out,
5 approximately the second month, the customers will
6 begin to receive their first bills with the Liberty
7 Utilities logo on them. Those will be generated and
8 printed and mailed by National Grid as part of the TSA.
9 But everything the customer sees will say "Liberty
10 Utilities" on it. Messaging on the bill, both on the
11 bill itself, messaging announcing "This is your first
12 bill from Liberty Utilities." Bill inserts or box
13 slips that go into the envelope announcing the
14 transaction. All other correspondence, including all
15 print and electronic communications to customers, will
16 be rebranded with the Liberty logo beginning at that
17 time period.

18 In terms of assuring that there's
19 minimal confusion when the phones are answered, we've
20 done an extensive development of an e-learning module
21 for National Grid's Customer Service Representatives.
22 That's National Grid delivers e-learning modules in its
23 Customer Service contact numbers. So, the reps that
24 will be handling New Hampshire calls have already been

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 through that training and they're ready to go. As we
2 get closer to Day 1, and once the date is confirmed,
3 then there will be hands-on training in person in the
4 call centers. The team leads or the coaches in the
5 call center will have team meetings and huddles with
6 their Customer Service Reps running up to Day 1, so
7 that we make sure everybody's ready.

8 Nicole Harris, who I mentioned earlier,
9 who will be our Customer Service Manager, will actually
10 be working with her team in the National Grid Customer
11 Service Center on and around Day 1, so to handle any
12 inquiries or any questions that come up. So, they will
13 be there side-by-side during that process.

14 Existing reporting, all the reports that
15 we generate for customer service-related matters will
16 continue to be generated by National Grid, monitored
17 and provided through the Liberty staff, and then
18 Liberty will provide the reports to the Commission
19 Staff.

20 What will change on Day 1 is any
21 customer-escalated calls. Any calls that may come in
22 to Ms. Noonan's team here at the Commission, any
23 escalated calls to Company executives about a customer
24 issue, those will be handled by the Liberty team in New

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 Hampshire on Day 1, through our Customer Service team,
2 through the Sales & Marketing team, directly into my
3 office. So, we've got the protocols already in place
4 to handle those calls on Day 1.

5 MR. TAYLOR: That's concludes my
6 questioning for Mr. Sherry. Thank you very much.

7 CHAIRMAN IGNATIUS: Mr. Taylor, this is
8 a little bit odd, with a panel and a mix of people
9 presenting them, are you prepared to do any
10 cross-examination of the Staff witnesses right now, and
11 just do that while you're on, rather than looping all the
12 way back again?

13 MR. TAYLOR: Before I do that, I'd like
14 to take a moment just to confer with my co-counsel, if
15 that's all right?

16 CHAIRMAN IGNATIUS: Sure.

17 (Atty. Taylor conferring with Atty.
18 Coleman.)

19 MR. TAYLOR: I have no cross.

20 CHAIRMAN IGNATIUS: All right. Then,
21 let me go to Mr. Linder.

22 MR. LINDER: Yes. Thank you. I have a
23 few questions. Mr. Sherry, good morning.

24 WITNESS SHERRY: Good morning.

CROSS-EXAMINATION

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BY MR. LINDER:

Q. Could I ask you to look at the Settlement Agreement and specifically Bates stamp Pages 30 and 31, that's the number in the lower right corner of the page.

A. (Sherry) I have it in front of me.

Q. And, just directing your attention near the bottom of Page 30, to subparagraph (f), and then paragraph (g).

A. (Sherry) I have it.

Q. You see where I'm at?

A. (Sherry) Yes, I do.

Q. Okay. Ms. Noonan was kind enough to give the Commission a general overview of those subparagraphs that pertain to the low income initiatives. Do you recall that general testimony?

A. (Sherry) I do.

Q. Is there anything that you would like to add with respect to paragraphs (f) or (g) regarding the low income initiatives?

A. (Sherry) The only thing I would add is that I'm fully aware of these commitments under the Settlement Agreement, and ultimately -- ultimate responsibility within the Liberty organization falls under my organization, for making sure we deliver on these.

1 Q. Thank you. And, the second question I have is, I
2 believe you indicated that you have quite extensive
3 experience with energy efficiency programs?

4 A. (Sherry) Yes.

5 Q. And, in that regard, I would just like to ask you to
6 look at Bates stamp Pages 33 and 34, and, specifically,
7 with respect to energy efficiency, subparagraph (b), as
8 in "boy", near the bottom of the page, and also
9 subparagraph (d), as in "dog", on the top of Bates
10 stamp Page 34. And, I wonder if you could just, those
11 two subparagraphs pertain to energy efficiency, and
12 could you just briefly address each of those two
13 subparagraphs?

14 A. (Sherry) Gladly. Paragraph (b), on Page 33 of Bates,
15 references Granite State Electric's commitment to
16 maintain its existing energy efficiency programs within
17 budget and achieving its kilowatt-hour savings. I'm
18 familiar with that. And, we've agreed to commit to
19 that. Paragraph (d), on Page 34, references the
20 Company's willingness to review its current levels
21 under -- in the CORE electric and gas energy efficiency
22 programs, and to, in particular, with a particular
23 emphasis on the low income programs, looking ahead for
24 any potential adjustments. So, we're aware of those

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 commitments, and we'll be undertaking that review as
2 part of the process looking ahead to 2013.

3 MR. LINDER: Okay. Thank you very much,
4 Mr. Sherry. I have no further questions.

5 CHAIRMAN IGNATIUS: Thank you. Mr.
6 Simpson, questions?

7 MR. SIMPSON: No questions at this time.

8 CHAIRMAN IGNATIUS: All right.
9 Mr. Sullivan?

10 MR. SULLIVAN: Yes, I have question for
11 Mr. Knepper.

12 BY MR. SULLIVAN:

13 Q. With regard to the safety and performance standards
14 that you put in, what is the percentage of those that
15 were just carryovers from what you're doing with
16 National Grid?

17 A. (Knepper) Performance metrics?

18 Q. Yes.

19 A. (Knepper) They're all new.

20 Q. Okay. All right. And, where did the data come from in
21 putting those in?

22 A. (Knepper) A lot of them were simple, because we didn't
23 have any of those type of events. So, it was easy to
24 get the data. The other ones, for like the DigSafes,

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 came from -- we process all the damage prevention
2 incidents in the state, so we used our databases.

3 Q. And, something like safety and emergency response
4 times, where does that body of knowledge come from?

5 A. (Knepper) You're talking about the performance metrics
6 or you're talking about the safety conditions? The
7 emergency response standards are in the safety
8 conditions.

9 Q. Yes. The safety conditions.

10 A. (Knepper) Okay. The safety conditions have been built
11 over time, and, from the last merger that we had, and
12 we put them in, we have four years' worth of data. So,
13 we used that data.

14 Q. And, in terms of the harm that you're trying to prevent
15 or the benefit that you're trying to get, what do the
16 emergency response times -- what are they designed to
17 do?

18 A. (Knepper) Well, I believe, I guess it's a philosophical
19 thing, I believe that you should have as quick a
20 response time as you can get. And, so, they're
21 tailored to the service territories of New Hampshire,
22 not necessarily anywhere else, and the distances in
23 between of the geographic locations. And, we have
24 tailored them to be, you know, a 60-minute event is a

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 rare or unusual event, and you have to do extra
2 reporting on that. The majority of the calls have to
3 be done within 30 minutes, and there are some that have
4 to be done within 45 minutes. So, I think, when it
5 comes to emergency response, every minute and second
6 counts.

7 Part of a bigger overall response,
8 there's time periods that come before a call is made,
9 there are things that have to be done after someone
10 arrives. So, we're looking to shorten that and keep
11 that window as tight as possible.

12 Q. And, what type events would you need to be responding
13 to or attending to personally in that?

14 A. (Knepper) That I would be responding?

15 Q. Yes. Right.

16 A. (Knepper) I don't typically respond to those events. I
17 get calls on evacuations. And, I have the option of
18 going out. And, typically, we'll go out on large-scale
19 ones. We just had an outage, not with National Grid,
20 but with another utility, I went out last Thursday.

21 Q. And, how many years of experience do you have in
22 performing that role?

23 A. (Knepper) Performing the role of an emergency
24 responder?

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 Q. Well, of the position that you're in now?

2 A. (Knepper) I've been in this position since 2004. So,
3 that would be roughly eight.

4 MR. SULLIVAN: Very good. Thank you,
5 sir.

6 CHAIRMAN IGNATIUS: Thank you.
7 Ms. Hollenberg, questions?

8 MS. HOLLENBERG: No thank you.

9 CHAIRMAN IGNATIUS: Ms. Fabrizio, do you
10 have questions of the Company witnesses?

11 MS. FABRIZIO: Yes, I have a few.

12 BY MS. FABRIZIO:

13 Q. Mr. Saad, you heard Mr. Knepper express some concern
14 about the costs of the Cast Iron/Bare Steel Program
15 going forward. How does EnergyNorth plan to control
16 costs under that program in the future?

17 A. (Saad) Well, sure. I'd like to break that into three
18 pieces. First of all, that work is all contracted out.
19 So, contractor management is a key component when you
20 explore costs. The contract was just rebid by National
21 Grid. And, although I can't discuss prices, that was
22 the first step in bringing those costs back into line.
23 And, I can say, based on the review of the contract,
24 I'm pretty comfortable with, for the next three years,

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 that's how long the contract will last, will take a big
2 bite out of bringing that contractor prices back into
3 line.

4 The second thing is, something that
5 Liberty will do post Day 1, is we've already assigned
6 the individual, but we are going to have a dedicated
7 City/State Construction Project Engineer. That person
8 will be fully aware of all the city/state construction,
9 where the municipal jobs and state jobs that are
10 happening in the 30 or so cities and towns. So, we
11 look to leverage that knowledge to help reduce some of
12 our costs. So, if we can, you know, sort of the work
13 within the towns and make a project happen, pick a
14 better route, avoid some paving costs to lower the
15 expenses, we are going to go ahead and do that.

16 And, then, lastly, I'd like to mention
17 "best practices/technology". So, we still need to
18 explore and deploy some best practices and technology.
19 Whether that be pipe lining, directional drilling, pipe
20 bursting, insertion, *etcetera, etcetera*, that would be
21 the third component that we would go ahead and do.
22 And, if we can get those implemented, that should take
23 a significant bite out of some of the costs.

24 So, those are kind of the three major

1 highlights that we'd be focusing on.

2 Q. Thank you. Is your "best practices" review currently
3 underway?

4 A. (Saad) No, it isn't. We want to get the engineers in
5 place, and we'll kick that off post Day 1. I mean, we
6 know directionally where we're going, but we don't have
7 the written plan quite finished.

8 Q. Thank you. And, could you tell us what EnergyNorth's
9 current main extension policy is?

10 A. (Saad) Sure. We currently follow what's the guidelines
11 in the tariff, which is a 25 percent test, and I'll
12 summarize that as simple as I can. The "25 percent
13 test", excluding abnormal costs, is essentially a
14 four-year payback. So, it's a profit margin versus the
15 cost of the job, and we follow that. So, if there's --
16 if it doesn't meet the test, the customer would
17 contribute to the job. So, we can technically go five
18 miles, if the customer wanted to contribute. Or, if,
19 in fact, the load was big enough that it paid for it,
20 we would go the five miles. Sometimes a half a mile
21 doesn't pass the test. But that -- we basically follow
22 the existing tariff.

23 Q. And, how much does a customer typically contribute?

24 A. (Saad) I couldn't -- I couldn't give you that off the

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 top of my head. I mean, every job is different. It
2 would be hard to --

3 Q. Okay. And, does Liberty plan to modify that policy to
4 enable system growth and accommodate customer demand in
5 New Hampshire going forward?

6 A. (Saad) Yes. I have no knowledge of that. But I am
7 going to ask Mr. Sherry, who oversees our growth
8 planning, to comment on that.

9 A. (Sherry) I think, if I could expand, if I'm hearing
10 your question properly, "what are Liberty's plans for
11 future growth and expansion?" Not just the main
12 extension policy. So, let me speak to the overall
13 plans for growth and expansion.

14 Q. Sure.

15 A. (Sherry) And, then relate the main extension component
16 as part of that. As you heard Mr. Robertson discuss
17 yesterday, New Hampshire is strategic for Liberty
18 Energy and for the utilities. This is 25 to 30 percent
19 of Liberty Utilities' business now. So, growing the
20 business is a key component of what we need to do.

21 First and foremost, in terms of any
22 customer sales or customer marketing activity, is
23 knowing your customers. So, having a dedicated Sales &
24 Marketing team, with the Sales & Marketing Manager

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 located here in New Hampshire, focusing on those
2 customers is a key component to that.

3 And, then, let me talk about various
4 aspects of how we'll be targeting our load growth and
5 our sales growth as it relates to gas, organic growth.
6 This is looking at our service territory, and looking
7 where we have existing gas mains in place, but where
8 there are customers within reach of the existing gas
9 mains that may not be taking gas service. So, what
10 types of programs and initiatives can we put in place
11 to attract those customers, to buy gas appliances, put
12 in some gas commercial equipment, and become a
13 customer?

14 Along that same line of organic growth,
15 is increased gas sales to existing low use customers.
16 In the case of a home, somebody who might have a gas
17 range, but doesn't have gas heating.

18 So, initially targeting sales in growth
19 and marketing in growth, it's really leveraging the
20 investment off the existing infrastructure to increase
21 the throughput through those existing mains.

22 When we look at main extensions or
23 building into new areas, it really tying the main
24 extension plan to a sound capital plan, and balancing

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 our customer needs and the growth opportunities with
2 growth in the area and what real customer demand is out
3 there. So, it's a balance. And, we're continuing to
4 look at that closely now. We will continue to look at
5 it closely going further.

6 MS. FABRIZIO: Thank you. Could I have
7 one minute?

8 (Atty. Fabrizio conferring with PUC
9 Staff.)

10 MS. FABRIZIO: That concludes Staff's
11 questions.

12 CHAIRMAN IGNATIUS: Thank you. It's
13 almost 12:30. I think we should take a break for lunch.
14 And, if we can shoot for returning in an hour and 15
15 minutes from now, which would be 12 -- I'm sorry, 1:40,
16 that would be great. Thank you.

17 (Whereupon a lunch recess was taken at
18 12:26 p.m. and the hearing resumed at
19 1:52 p.m.)

20 CHAIRMAN IGNATIUS: So, we are at the
21 point of questions to the panel from the Commissioners.
22 Commissioner Harrington.

23 BY CMSR. HARRINGTON:

24 Q. Let's see. This is sort of left over from this

1 morning, for Ms. Noonan. On the Settlement Summary,
2 which I know is not anything, so I'll just call it
3 that, "Settlement Summary". On Page 5, on the top
4 there, it says "Liberty Energy will assist in
5 determining the root cause of any failure to achieve
6 the performance levels set forth." And, I asked this
7 morning, and it was said you were better off answering
8 the question. They will assist with whom? Are they
9 responsible for it or is somebody else responsible? It
10 just wasn't clear to me.

11 A. (Noonan) Sure. They will assist National Grid. And,
12 so, this refers to the period of time where a service
13 may have transitioned over to Liberty, or the services
14 have transitioned over to Liberty, but we're still in
15 global Day N plus 365. So, if there was a miss of a
16 metric, Liberty would actually have the data in its
17 systems that would be needed to review and do the
18 investigation to determine why the miss occurred. So,
19 they would work with National Grid.

20 Q. Oh, I see. Oh, so, because it would still be in that,
21 whatever it is, Big N Day plus 365, --

22 A. (Noonan) That's the one.

23 Q. -- that National Grid would be responsible for doing
24 it, but Liberty would be responsible for assisting them

1 and supplying them with the data?

2 A. (Noonan) Yes.

3 Q. Okay. Well, that answered my question on that. Thank
4 you. And, another question for you. There's been a
5 lot of talk over the last couple of days about the
6 value of returning more of the services to local,
7 having the walk-in customer places, and the fact that
8 the people answering the phones and so forth would be
9 in New Hampshire. Can you comment on what value you
10 think that actually brings?

11 A. (Noonan) We've seen, as call centers have moved
12 out-of-state, as companies have consolidated and gotten
13 bigger, that our New Hampshire customers are not always
14 happy with the move to people that aren't local and in
15 the state, that don't know the geography of the state,
16 the regions that they're talking about, the towns.
17 They don't like the accents of the people answering the
18 phone. So, you know, these are relatively intangible
19 things, but they are things customers pick up on. So,
20 I think, to be talking to customers in the state will
21 provide them with some level of benefit. You know, I
22 think, as Mr. Frink said earlier, rates are really
23 driving their satisfaction level. So, how do these
24 things all work together? It's hard to know, from a

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 customer satisfaction perspective. But, certainly, it
2 will improve their experience when talking to the
3 Company.

4 Q. Okay. Well, I can certainly empathize with that. I
5 remember making a phone call, trying to get information
6 for a telephone number in Gloucester, and the people
7 were located in Kansas, which I didn't know, at the
8 call center, and they had no idea what "Gloucester"
9 was.

10 A. (Noonan) Or how to say it.

11 Q. I had to repronounce it "Glouchester", and then they
12 found it. Mr. Knepper, I had a few questions on gas
13 safety. From looking at the organizational chart, it
14 appears that Mr. Saad is the highest ranking member of
15 management that has any extensive experience with
16 running or managing gas utilities. And, you know, we
17 heard testimony earlier in the hearing that, you know,
18 a gas utility is somewhat different than, for example,
19 running a water utility, because of the requirements
20 for safety. And, no one is going to get blown up by a
21 water leak, but, obviously, something bad could happen,
22 and has happened in other parts of the country, with a
23 gasoline -- with a gas leak. So, how -- do you feel as
24 though the utility, where everyone from the New

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 Hampshire president up has very limited, if any at all,
2 experience with natural gas utilities, will they have
3 the right safety culture to understand that safety has
4 to come first when dealing with the gas lines?

5 A. (Knepper) I think they're learning it. I think, I
6 can't answer if they have had it beforehand and had
7 experience in that. If you come from a telecom
8 background, you may not have the same sense of urgency
9 or the same, you know, sense of caution. I mean, for
10 me, I think about it every day. I never get away from
11 it. So, it's part of what we do in the Safety Division
12 all the time. So, I don't come away with, from the
13 Vice President of Operations, I guess, you know, I
14 believe that the gas operations still takes that
15 significantly here. I don't see that changing. Or,
16 maybe they have to bring it up, and I don't see anybody
17 disagreeing with them.

18 Q. Well, as a follow-up to that, Mr. Saad, again, you
19 appear to be the highest member of management with
20 extensive experience in managing natural gas utilities,
21 and let's stop with that, is that correct?

22 A. (Saad) Yes, it is.

23 Q. And, what specific authority will you have to ensure
24 that safety is a top priority? Given, and I say that

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 with the idea that people that are not familiar with
2 the safety culture required, I know, I come from a
3 nuclear background, as you said you did yourself, that,
4 you know, safety has to come first. And, the people
5 that dispense the money higher up, if they're not
6 familiar with that, it would be your job to convince
7 them of that. So, what type of authority will you have
8 to be able to make sure that safety issues are
9 addressed at the highest priority, and that, you know,
10 money is not the overriding circumstance there?

11 A. (Saad) Well, I have the ultimate authority for the
12 safety of the system, as well as the capital plans that
13 we will put together to make sure that safety
14 continues. And, it would be my job to demonstrate to
15 the folks above me that these capital investments that
16 we put on the table are appropriate.

17 There has been no indication, with my
18 dealings with the Liberty folks, they're very capable
19 of fully understanding, and we've already had
20 discussions about the capital plans in the past, we've
21 already run it by them. They grasp material very
22 quickly. So, I don't expect any issues in the future
23 about, you know, not appreciating the value of safety.

24 Q. Okay. Thank you. Mr. Sherry, a quick question for you

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 from -- you mentioned, when you were talking about all
2 the transition and the labeling and logos and
3 everything, is it safe to say then, from a customer
4 point of view, there will be no, you know, Granite
5 State or EnergyNorth, but just Liberty Utilities?

6 A. (Sherry) I mean, that's correct, Commissioner.
7 National Grid today does not use the name "EnergyNorth"
8 or "Granite State".

9 Q. Oh, okay.

10 A. (Sherry) All customers see today is "National Grid".

11 Q. It will just continue that process.

12 A. (Sherry) So, it will continue. So, the brand that
13 customers see will be "Liberty Utilities".

14 Q. Okay. And, one last question. Mr. Knepper, throughout
15 your testimony, you have made, and I'm referring to
16 Exhibit 18, from October 7th, for example, on Page 10,
17 talking about "technical sessions have not erased the
18 concerns I have" -- or, "I continue to have about
19 Liberty's resource procurement capabilities." And,
20 throughout there you talk about "being a small company"
21 and that they'd "be in competition for the same type of
22 resources". Another quote, "I do have reservations
23 concerning Liberty New Hampshire's ability to ensure
24 adequate resource procurement during wide-scale

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 emergency events." You went on, in your earlier
2 testimony here today, to discuss what would be done in
3 Attachment O. But most of what was done there seemed
4 to be through the transition period, some of what's
5 transition period, and, again, Day Big N plus one year.
6 What happens after that? And, you still have Liberty
7 Utilities, which is a small -- smaller, when compared
8 to National Grid, Northeast Utilities, the other ones,
9 they're still in competition with these same groups for
10 the same resources. Have your concerns expressed
11 there, what has made them go away or are they still
12 there?

13 A. (Knepper) Well, I mean, I guess the concern is "small"
14 or "large". And, bigger utilities tend to grab more
15 resources quicker than the smaller utilities. They
16 have more leverage, they can promise more work. If I'm
17 a contractor, and I can get more hours out of somebody
18 and get more maintenance and more other benefits, those
19 all play into who's vying for them. So, one of --

20 Q. I agree with you on that. And, my point is that, that
21 kind of goes along with what you were saying in your
22 October testimony. And, in your discussion of the
23 Settlement Agreement, there were a lot of things that
24 address it during the short term, during the transition

1 period. But, for the longer term, what has made those
2 concerns go away?

3 A. (Knepper) Well, I guess, that being said, I always have
4 that concern for the smaller guys, because they have to
5 be more nimble, they have to kind of be smarter, they
6 have to do it -- they can't just do it with Mass. We
7 do have utilities in the state already that are smaller
8 than some of our biggest other ones in the electric
9 arena and do quite well. So, we have experience that,
10 on the other end, that even though you're small, they
11 have been able to pull the trigger quicker. They make
12 the decision. They don't have as many trees, they
13 don't have as many layers, they don't have as many of
14 those things. And, I don't know how it's going to
15 exactly work. But maybe, you know, maybe they leverage
16 their relationship with Emera, which is Bangor Hydro,
17 and be able to bring some of those crews down. I don't
18 think they have those details worked out, but I do
19 think there's possibilities there.

20 Q. Would you say that then the transition period to Day N
21 plus one year would give them sort of time to learn the
22 best way to approach this, while it was still able to
23 rely on National Grid?

24 A. (Knepper) I think they have a lot of pieces of the

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 puzzle to put together. They have to put a plan
2 together. They have outage management systems to put
3 in. They have all those things. And, resource
4 attainment is one component of it. And, I think, as
5 Dan alluded to earlier, you know, they haven't signed
6 any agreements with contractors, but you got to start,
7 you know, you got to start thinking about those things
8 and getting those commitments and making those things.
9 There's lots of things you can do. Sometimes the
10 smaller companies will have them bring them in and do
11 maintenance. So, I push up a project, have them here
12 and doing maintenance while they're in the state, now
13 you're there for the emergency response. So, because
14 the whole key is to get them here. Because, if you
15 don't get them here, they're going to somewhere else.
16 And, as you've seen on these last storms, they're not
17 just New Hampshire, they're Mass., Connecticut, New
18 York, they're big. And, the latest one, in October,
19 they were getting, you know, you're getting crews from
20 far west. So, that whole Canadian relationships, they
21 might be able to bring some people down from Canada,
22 because that is -- most of the storms come south to
23 north. And, so, that might be a resource that they can
24 tap into. But I think they're going to have to develop

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 that and form those relationships. And, you know, they
2 can't just rely on big brother.

3 Q. Is there anything specific in the Settlement Agreement
4 that requires some type of an action plan to address
5 storm management post the relationship with National
6 Grid?

7 A. (Knepper) Well, in terms of -- in terms of what?

8 Q. Well, there's a lot of requirements in there for the
9 utility to submit plans and reports --

10 A. (Knepper) Yes.

11 Q. -- on how they're doing this and how they're
12 progressing on this.

13 A. (Knepper) Yes. We, as a Commission, require them, all
14 the utilities, to submit their emergency response
15 plans, and we'll review them and go over them. That's
16 part of our After Action 2008 Report. And, they have
17 to submit these annually. And, that they're supposed
18 to review them and go through them.

19 That being said, there's a lot of good
20 components that they can take out of National Grid.
21 National Grid has a very robust plan, it's 300 plus
22 pages. And, they're, as Dan said, they're stripping it
23 down from -- going from Levels 1, 2, 3, 4, and 5, what
24 National Grid has and some of the nomenclature and some

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 -- all the hierarchy. And, they're pulling out, I
2 think, the framework and the important components and
3 trying to fit them to New Hampshire. So, I haven't
4 seen it. But I expect to see it, and we'll sit down
5 and review it. Because I don't like to review it after
6 the fact, we've got to review it before the fact.

7 CMSR. HARRINGTON: All right. Thank
8 you. That's all the questions I have.

9 CHAIRMAN IGNATIUS: Commissioner Scott.

10 BY CMSR. SCOTT:

11 Q. Mr. Saad, following that discussion on service
12 restoral, on your joint testimony, on Page 105, there's
13 mention that you "plan to join the Edison Electric
14 Institute", which will allow you to be part of the --
15 "included in the Northeast Mutual Assistance Group." I
16 was curious what the status of that was?

17 A. (Saad) It's on our Day 1 plan -- or, excuse me, our Day
18 1, it isn't something we would do Day 1, but it would
19 be certainly shortly thereafter. So, it is on the plan
20 to be -- that will happen.

21 Q. Could you, given the discussion 60 seconds ago, can you
22 -- how would that help that situation?

23 A. (Saad) It's interesting. If you talk to local
24 utilities about mutual assistance, they will all defer

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 to NEMAG. So, NEMAG will govern sort of the New
2 England utilities. So, if any utility needs crews from
3 another utility, so the NEMAG will sit on top of that
4 and orchestrate that. So, it's unlikely that you can
5 go to a nearby utility and pull crews, unless the storm
6 is isolated to your area or it's a smaller event. But,
7 if it's big enough, everybody jumps under the NEMAG
8 umbrella, and so that will orchestrate the local --
9 where the local crews go. Or, you can get crews from
10 the other utilities, you've got to go out farther west
11 to bring them in, like, for example, from Pennsylvania.
12 So, we'll see if we can develop those relationships.
13 And, you can get those as a utility-to-utility
14 agreement, as opposed to being under a mutual
15 assistance group.

16 Q. Thank you. Also, the discussion with Commissioner
17 Harrington regarding gas, obviously, being a little bit
18 different of an animal than certainly water. I was
19 wondering, as a company, are you seeing -- I was
20 curious how you handle liability insurance? Is there a
21 marked difference with being a gas utility? How do you
22 insure that, as far as if there's a claim against you
23 because something happens?

24 A. (Saad) That would actually go through our claims group,

1 that really wouldn't be an operations thing.

2 Q. Okay. And, in that case?

3 A. (Knepper) You want me to chip in? It is standard in
4 the gas business that utilities have high enough
5 insurance rates to cover their liabilities. So, it
6 kind of goes with being in that business. So, I would
7 expect them to have nothing different than any other
8 gas utility.

9 Q. Thank you. And, for Ms. Noonan, I was curious,
10 obviously, with the price of natural gas being low, at
11 least today, sounds like it will stay that way for a
12 while, I was curious, do you get much feedback from the
13 public, not with the service they have, but "gee, I
14 would like to get gas service, and I can't get gas
15 service"?

16 A. (Noonan) It seems to come and go in cycles. We get a
17 number of inquiries from developers periodically. When
18 they're looking to build a new development, they prefer
19 to run natural gas. We hear from customers relocating
20 to the state, from outside of the New England area,
21 that they have a preference for natural gas service,
22 and they're finding it difficult to find. It could be
23 a result of the main extension policies, it could be
24 they've just located themselves in a section of the

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 state where there is no natural gas service. But we do
2 get inquiries in a kind of rhythmical pattern, I guess.

3 Q. That's helpful. Thank you. And, I say that in line
4 with Mr. Sherry articulating, it seems like the
5 Company's desire is to expand their customer base. In
6 that context, would that help some of those concerns
7 that, to the extent you did get those from the public?

8 A. (Noonan) I think a lot of it's dependent on what the
9 customer's expenditure would have to be to get that
10 service extended to them, and developers, building
11 residential neighborhoods, what their commitment might
12 be to get that extended, that service extended to the
13 area they're looking to build in. You know, we do feel
14 there's some pent-up demand, and a lot of it's economic
15 problems, too.

16 CMSR. SCOTT: Thank you.

17 BY CHAIRMAN IGNATIUS:

18 Q. I have some questions, first, Ms. Noonan, about
19 transition matters, really, and the changeover, if all
20 of this were to go through. First of all, do you know
21 if folks who will be involved in management of Liberty
22 have been working to understand our administrative
23 rules, as well as our statutory requirements?

24 A. (Noonan) I believe that they have. That may be a

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 question better suited for Mr. Sherry, to talk about
2 what efforts they have undertaken at the Company. I
3 did, early on, perhaps last June or July, have some
4 conversations with Mr. Sherry and Mr. Wood from Liberty
5 about some of our rules and requirements. And, it's my
6 understanding that they then carried them out in
7 training sessions with folks either joining Liberty
8 from National Grid or already at Liberty.

9 Q. All right. And, to the extent they're people who are
10 currently working in EnergyNorth or Granite State, they
11 would be similar requirements?

12 A. (Noonan) Yes.

13 Q. Mr. Sherry, I don't know if your folks have already
14 started to look at that question, of how to become
15 familiar, particularly in Customer Affairs, there are
16 very many rules that are specific to this state, and
17 may not carry over from state to state?

18 A. (Sherry) Yes, we have, Commissioner. And, in fact,
19 that was part of the very beginnings of the transition
20 planning process, was to incorporate the rules, the New
21 Hampshire rules, not only as we look at eventually
22 training new staff that will have to come on, but the
23 eventual design and build of the new Customer
24 Information System has to have embedded in it all of

1 the New Hampshire rules and requirements.

2 Our regulatory team in New Hampshire has
3 already developed a complete assessment of all of our
4 regulatory requirements and reporting requirements, and
5 we've assigned those to individuals within the
6 organization. So, we already have assigned leads to
7 the various areas for the customer, and most of those
8 would fall under me. So, we know what those reporting
9 requirements are. We know what the rule requirements
10 are. And, one of our Staff members who's coming over,
11 Joanne Vaclavik, does this today for us for New
12 Hampshire, and she deals with Ms. Noonan's staff on a
13 regular basis. So, we have that familiarity both for
14 the gas and electric rules on a day-to-day basis.

15 Q. In the Settlement Agreement, there's a provision that
16 says, "if it becomes necessary to retain an expert",
17 and I didn't dig out the reference, so I can't remember
18 if it's specific to one particular area, but there's a
19 provision about something in the transition, "if it's
20 necessary for the Staff of the Commission or the
21 Commission to retain an expert, it wouldn't be at the
22 expense of National Grid." Ms. Noonan, are you
23 familiar with that provision is?

24 A. (Noonan) Yes. I am.

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 Q. Is it specific to the IT issues and transition?

2 A. (Noonan) Yes. It was more specifically related to the
3 potential need to contract with someone post close to
4 monitor IT implementation, and to also participate in
5 any review and investigation that might have to occur
6 in the event of a performance metrics miss.

7 Q. All right. The way it was written was odd to say
8 "well, we know who's not going to pay for it." But
9 there's nothing about who might be responsible for it.
10 Was that -- I won't ask you to get into things in
11 settlement discussions, but is it your understanding
12 that, if a consultant were necessary for the
13 Commission, that that would be assessed against
14 Liberty?

15 A. (Noonan) Yes, I believe that's accurate.

16 Q. Ms. Sherry, any reason to think otherwise?

17 A. (Sherry) Commissioner, I wasn't privy to those
18 negotiations, so I can't speak to them. I think we'd
19 have to defer to Mr. Eichler or Mr. Burlingame from the
20 prior panel --

21 Q. All right.

22 A. (Sherry) -- to speak to that.

23 CHAIRMAN IGNATIUS: All right. If there
24 is a difference of view from the Company on that, then we

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 should, I guess, later hear an offer from the counsel that
2 there may be something otherwise, and we'll figure out
3 what to do next, if that's the case.

4 BY CHAIRMAN IGNATIUS:

5 Q. Ms. Noonan, more on the transition issues that could
6 arise. You've been through some mergers, and some that
7 have gone better than others. You've seen the
8 difficulty in stale data being made a part of the
9 transition or not updated as much as it needed to be,
10 causing some real difficulties for customers. Do you
11 have concerns that that could play out again, if this
12 were to go forward?

13 A. (Noonan) Well, that was certainly an initial concern as
14 we started this whole process, and one of the items
15 that G-3 was tasked with looking at. I am comfortable
16 at this point, given the analyses that have been done,
17 the research that has been done, and the way that the
18 services are going to be implemented, that the data
19 that's transferred to Liberty from National Grid will
20 be the current data.

21 I think we heard Mr. Connolly testify on
22 Monday that, to use just a simple example, the billing
23 systems. Liberty will run its billing systems in
24 parallel for a period of time with National Grid. If

{DG 11-040} [Day 2] {04-19-12}

1 National Grid was issuing, generating to send out the
2 bills, Liberty will do the same thing in its
3 back-office to make sure what they're doing matches
4 what National Grid is doing. So that, at the time the
5 service is actually handed off, the data should be the
6 same between the two entities.

7 Q. If things were to go wrong in the course of that
8 transition, and wrong to a point that it couldn't be
9 resolved just by a little more work by people running
10 to try to fix a particular problem, what mechanisms are
11 in place to remedy the -- you know, if we have really a
12 significant problem?

13 A. (Noonan) As I think earlier panels have testified to,
14 if there's a significant problem with the cutover of a
15 transition service, Liberty has the ability to have
16 National Grid, and National Grid has committed to
17 taking that service back until the issues can be worked
18 out on the Liberty side, and everyone is comfortable
19 that they can move on with the transitioning of the
20 service.

21 Q. Is there also any expectation of extra staffing for
22 covering a particular spike in calls or some sort of
23 glitch like that that might lead to a higher level of
24 customer problem?

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 A. (Noonan) Uh-huh. That's a discussion that Staff is
2 going to be having with Liberty. It was a condition in
3 the Settlement that, I believe, in six months following
4 close, Liberty and Staff would meet to discuss what we
5 termed "contingency staffing", in the event that they
6 had some situation just like that, that drove a
7 significantly higher number of calls to the call
8 center. How they would staff for that, how they would
9 still be able to provide the same service levels to
10 customers.

11 Q. In your view, are those provisions adequate to
12 alleviate concerns that things might -- could get out
13 of control?

14 A. (Noonan) I think they go a long way to mitigating the
15 risk.

16 Q. Mr. Sherry, is Ms. Noonan's description of those
17 mechanisms in place match your understanding?

18 A. (Sherry) Yes, they are, Commissioner. And, I would add
19 to that, that as mentioned by the testimony from G-3 on
20 Monday, as part of this process with the two companies
21 working with Staff, we have a very robust governance
22 and planning process in place. So that, you know,
23 leading up to that point, we will have done a number of
24 things. And, that's with team members, business leads

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 here in New Hampshire, as well as in -- at Liberty's
2 main offices in Oakville, working with IT, working with
3 IT and National Grid, you've heard mention of Madalyn
4 Hanley and David Carleton. That's really that combined
5 effort, I think, between the business and between IT,
6 to make sure that we have that strong project
7 management process in place, as well as that strong
8 governance process in place that Mr. Pasieka and Mr.
9 Horan had talked about, so that, if we find something,
10 we're escalating it soon, and we're not getting to that
11 point. And, then, I mean, if I mind a problem, I can
12 escalate it right to Mr. Pasieka, right to
13 Mr. Carleton. We don't have to wait.

14 So, I think, to augment what Ms. Noonan
15 said, I think we're comfortable as we can be at this
16 point.

17 Q. Mr. Saad, who will be responsible for Renewable
18 Portfolio Standard requirements, RPS requirements?

19 A. (Saad) Relative to?

20 Q. For electric supply.

21 A. (Sherry) I think I can answer that, Commissioner.

22 Q. All right.

23 A. (Sherry) The RPS requirements, as far as energy
24 procurement, that will fall under Mr. Dafonte's

1 organization.

2 Q. And, how about other -- well, let's stick with
3 procurement for a moment. Is the concern that Granite
4 State Hydropower Association raised related to purchase
5 of power or purchase of Renewable Energy Credits or yet
6 some other issue that --

7 A. (Sherry) I think I would have to defer to counsel or
8 the rest of the team. I'm not familiar with those
9 questions, Commissioner.

10 Q. Okay. How about other environmental matters, other
11 environmental issues, such as EnergyNorth in the past
12 having manufactured gas contaminated sites, who will be
13 responsible for those?

14 A. (Saad) There's a -- If you referred it back to Exhibit
15 6, I believe, is the org. chart. There should be an
16 environmental position on the org. chart. I'm just
17 trying to find out where it is here. It's actually to
18 the far right, "Manager Environmental/Health/Safety
19 Security" is "Michael Knott", the far right, just to
20 the left of the "Assistant General Counsel".

21 Q. All right. So, that includes not just environmental
22 issues of the administration of the business, but
23 environmental issues related to the utility services as
24 well?

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 A. (Saad) Yes.

2 A. (Sherry) And, if I can add to that, Commissioner, too?

3 Q. Please.

4 A. (Sherry) Mr. Knott, while he'll report directly to Mr.
5 DelVecchio here in New Hampshire, also has a dual
6 reporting relationship to the head of Environmental
7 Health & Safety, one --

8 (Court reporter interruption.)

9 **CONTINUED BY THE WITNESS:**

10 A. (Sherry) I'm sorry. Mr. Knott, who's our head of
11 Environmental Health & Safety here in New Hampshire,
12 will report directly to Vic DelVecchio, our President.
13 And, he'll also have a dual reporting relationship back
14 in Oakville with a gentleman named Gaetan Mercier,
15 that's M-e-r-c-i-e-r, who is the head of Environmental
16 Health & Safety for all of Liberty Utilities across the
17 U.S., to ensure consistency. And, any support that we
18 need that we can't provide here in New Hampshire, we
19 can provide through the larger Liberty organization, up
20 to and including outside consultants or experts, if we
21 need them.

22 BY CHAIRMAN IGNATIUS:

23 Q. All right. Mr. Knepper, a few questions about storm
24 response. I know that, in the past few years, you've

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 been doing a lot of work to develop a GIS system to
2 better map utility services, physical plant, and have a
3 much better handle on where problems may arise. Do you
4 see any way in which this transaction could help or
5 hurt that effort?

6 A. (Knepper) Well, I believe they'll be inheriting the GIS
7 system. They both use the same vendor. So, they will
8 -- they will have it. Commissioner, they will have it
9 at a level of detail that we don't keep here at the
10 Commission. We don't want to duplicate and replicate
11 what they have. We just pick the critical pieces of
12 the components, I guess, to keep track of. And, so,
13 you know, if a certain circuit goes down, and it's a
14 certain voltage, we think that's critical, because
15 that's going to affect large populations or large
16 geographic areas, they're going to have to -- they're
17 going to be able to get it down to the street level.
18 And, that will all roll into an outage management
19 system, as well as doing, I'm assuming, everyday
20 distribution work. So, these tend to be big, big
21 systems. But they do seem to be using similar vendors,
22 which is a good thing.

23 Q. How about the coordination that you've developed for,
24 in the midst of a storm or other crisis, of

1 communications into the -- almost a real-time ability
2 to see into the system of the utility? I know it's
3 referenced in one of the conditions. Do you -- are you
4 comfortable that it can be carried out seamlessly?
5 There will be no degradation in that ability that
6 you've developed over the last few years?

7 A. (Knepper) Well, I think this might be an opportunity,
8 since they have to build that system, that they can
9 gauge our needs into the process as they're building
10 it. So, it actually might be a benefit, versus trying
11 to put an add-on to something that's existing.

12 So, you know, what we put on was the
13 ability to be able to see some of the actual outage
14 management system information that they would see back
15 in their office, that's not put out on the public
16 websites. And, that can be done, I'm assuming, with
17 the proper security clearances and internet access and
18 VPN kind of connections, and that will be beneficial.
19 What it does is it streamlines communications. I'm
20 sure, from a utility standpoint, they have to get
21 comfortable that we're not sitting around sending this
22 information out all over the place and doing things
23 with it. But what it does is it just gives us a better
24 overall general sense, and I think it will go a long

1 way.

2 Q. Is it correct to look at your conditions,
3 safety-related conditions, as trying to pull together
4 all of the requirements that may be either preexisting
5 that carry forward and newly created, and have them all
6 in one location? Or, will it still be necessary for
7 the Company to go looking through other documents to be
8 able to get a handle on all of the commitments on
9 safety?

10 A. (Knepper) I think this is it. Now, it doesn't mean
11 that we don't have rules in place that are on top of
12 this and things like that. But these are ones that are
13 specific to this company, that they don't have to go
14 through, and we did all that research, and I don't want
15 to have to do it. So, I kind of did it more for me
16 than for them. So, this should be it. So, this is
17 what -- that's kind of what I termed a "refresh" or a
18 "restart". You should be able to just go to this
19 document.

20 Q. In your view, are you comfortable that this transaction
21 is in the public interest?

22 A. (Knepper) Well, I mean, that's always a debate that
23 you're always going through in your mind. And, I think
24 the Company has made very good efforts to reach out,

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 and our negotiations went very well. I think our
2 philosophies were very similar, when we talked about
3 issues and programs and what needs to be done. I
4 wasn't having to convince them of a lot of things. I
5 think the main concern, from a smaller company, is, I'd
6 like to do even more, but I have financial issues and
7 restraints that I always have to look at. And, so,
8 every time we have a different program or something
9 new, that's a lot for a smaller company, versus, for a
10 larger company, it isn't. But, at the same time, you
11 know, National Grid really didn't want to do a lot of
12 the things special in New Hampshire that may be
13 applicable here, because it would upset the standards
14 or the other things that they are doing in other
15 states. It's a lot easier for them to try to make New
16 Hampshire fit other models, than fit things to a New
17 Hampshire model. So, from my standpoint is, I think
18 those things go a long way in effecting the operations.

19 The other thing that, you know, they
20 talk about "local is good for the customers and
21 things". I think local is good for the workers. I'm a
22 little concerned that, you know, the strategy is coming
23 from New Hampshire and it's kind of being filtered down
24 -- or, coming from Canada and filtered down. But, I do

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 think, if the people that are empowered with the
2 authority live in the area, and have some recognition
3 of the needs of the people that they're serving, that
4 has a lot of benefit. It just permeates throughout the
5 organization. And, so, when you lose that, it's hard
6 to gain that back. And, they're going to have to
7 rebuild that. They're going to have to rebuild those
8 relationships. You just don't flick them on like a
9 switch. They're going to have to rebuild it with all
10 the municipalities, they're going to have to rebuild it
11 with the customer base, they're going to have to
12 rebuild it with everybody that they do business with,
13 including us regulators and those kind of things.

14 Did I answer your question
15 sufficiently?

16 Q. Well, I think you did. I think, on balance, you're
17 finding that there are benefits that exceed some risks
18 of a small company.

19 A. (Knepper) I think they have overcome most of my
20 earliest -- my earlier concerns. And, they have tried
21 to do things that we feel are important. They're
22 listening, they're hearing, which is a good thing. So,
23 I do get that. So, I'm hopeful. But the biggest
24 concern I have is, you know, the highest management,

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 the Algonquin and the Liberty, does not have that
2 experience. Now, they're relying upon all their
3 people, and that's not a bad thing. It's just, it's
4 more comforting if someone got to those positions by
5 going up through the ranks and stepping in the shoes
6 and wearing the boots.

7 Q. Ms. Noonan, similar question. Have you, after all of
8 these months, come to a view of whether or not this
9 satisfies the public interest, and maybe explain how
10 you get to whatever your conclusions are at this point?

11 A. (Noonan) Sure. I think that the numerous conditions
12 that were put into the Settlement Agreement go a long
13 way to addressing the concerns that I had. You can't
14 ever say "there's no risk", but I think we've done a
15 lot to mitigate the risk to customers, impact to
16 customers.

17 Along the lines of Commissioner
18 Harrington's question earlier, I think there are some
19 intangible benefits, potential benefits to customers
20 that will come from a more local feel and local
21 operations and local call center and local staff.

22 So, I think, overall, yes, I find this
23 in the public interest.

24 CHAIRMAN IGNATIUS: Thank you. I have

1 no other questions. Commissioner Scott.

2 BY CMSR. SCOTT:

3 Q. Ms. Noonan, just to follow up on that, and, again, you
4 have a lot more experience at this than I do at this
5 point. Again, maybe it's an intangible, but would you
6 agree also, without -- I'm not trying to characterize
7 National Grid at all, but, clearly, they have signaled
8 an interest in leaving the community. That's an
9 impact, I assume, or at least a concern to ratepayers
10 also?

11 A. (Noonan) Certainly, to keep a utility that doesn't want
12 to be here has consequences to customers as well, not
13 positive consequences.

14 CMSR. SCOTT: Thank you.

15 CHAIRMAN IGNATIUS: All right. I think
16 that's it from the Bench. Redirect from, let's say, the
17 Staff, as to Staff witnesses, any redirect?

18 MS. FABRIZIO: Yes.

19 **REDIRECT EXAMINATION**

20 BY MS. FABRIZIO:

21 Q. Mr. Knepper, you referred in your earlier testimony to
22 timelines for the safety metrics as going through Day N
23 plus 365 days. Does that timeline hold true for all of
24 the metrics?

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 A. (Knepper) No. If I wasn't clear, and if you go through
2 the Settlement Agreement, that Attachment, is it "O"?

3 Q. Yes.

4 A. (Knepper) "O". There's three -- there's seven on the
5 gas side, and three of those apply to the ultimate Day
6 N plus 365. The other ones, the other four would just
7 apply to whatever Day N is of that particular
8 transition service that's providing that metric. And,
9 we went to the extent of listing what that transition
10 service was. So, not all of them do.

11 The two on the electric performance ones
12 do go to that ultimate Day N plus 365. Does that
13 clarify it?

14 Q. So, specific timelines for each metric are included in
15 that document, Attachment O?

16 A. (Knepper) Yes. They're included in that Attachment O.
17 So, it didn't make sense to go a year past on some of
18 the ones, if that service was completely in Liberty's
19 control, and they had already done the transition, and
20 National Grid has nothing to do with it, it just did
21 not make sense. But those things that had a latency
22 effect or a lingering effect, that National Grid could
23 be partially responsible for, those are the ones that
24 we felt were applicable.

{DG 11-040} [Day 2] {04-19-12}

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 Q. Great. Thank you. Ms. Noonan, do you have a copy of
2 the Settlement Agreement before you?

3 A. (Noonan) Yes, I do.

4 Q. Could you please open to Bates Page 19 of the Agreement
5 itself.

6 A. (Noonan) Yes.

7 Q. And, could you please read aloud Paragraph D.1.a?

8 A. (Noonan) Yes. D.1.a states: "The Companies shall not
9 seek rate recovery for any transaction costs, which, as
10 used herein refers to financing, legal and regulatory
11 costs incurred in connection with the closing of the
12 transaction; the acquisition premium; or transition
13 costs, which as used herein refers to, temporary costs
14 incurred to effect the transaction."

15 Q. Thank you. And, if the Commission were to decide to
16 hire a consultant to assist in the IT implementation
17 and transition process, would that be considered a
18 "transition cost"?

19 A. (Noonan) Yes, it would.

20 Q. Thank you. And, in the event Liberty were to terminate
21 off a transition service under the TSAs, but then finds
22 later on down the road that it would have to go back
23 onto that service, what is your understanding of the
24 cost difference, if any?

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 A. (Noonan) It's my understanding there would not be any
2 cost difference between what they had been paying to
3 National Grid for that transition service and what they
4 would subsequently pay if they had to go back to that
5 service. That they're both cost-based, they're
6 provided on a cost basis.

7 Q. Thank you. And, if Liberty were to need to go back
8 onto a transition service -- excuse me, would that be
9 considered a "transition cost" under the paragraph that
10 you just read?

11 A. (Noonan) Yes, I believe so.

12 MS. FABRIZIO: Thank you. Chairman, I
13 think there's been a request for a break.

14 MR. CAMERINO: Before Attorney Fabrizio
15 is finished, we just wanted a minute to confer off the
16 record, if we could?

17 CHAIRMAN IGNATIUS: All right. Do you
18 want to -- that's fine. Let's go off the record.

19 (Brief off-the-record discussion ensued)

20 CHAIRMAN IGNATIUS: Why don't we
21 regather at 2:45.

22 (Whereupon a recess was taken at 2:35
23 p.m. and the hearing resumed at 3:04
24 p.m.)

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 CHAIRMAN IGNATIUS: We are back.

2 Ms. Fabrizio, are we still in redirect of your witnesses?

3 MS. FABRIZIO: Yes. I just have one
4 additional question for Ms. Noonan.

5 BY MS. FABRIZIO:

6 Q. Ms. Noonan, before we took a break, you had mentioned
7 -- you discussed transition costs and an IT consultant,
8 and whether an IT consultant cost would be covered by
9 the paragraph that you read aloud into the record. Are
10 there circumstances to your knowledge where it could be
11 that an IT consultant hired by the Commission could be
12 recoverable through ratepayers, would not be considered
13 a "transition cost" under this language?

14 A. (Noonan) I think that the Commission would have the
15 discretion to determine a portion of those costs or
16 some of those costs perhaps not to be transition costs.
17 And, in the event that the Commission did that, if
18 those costs were part of the test year in any rate
19 filing, they could be considered for recovery from
20 ratepayers.

21 MS. FABRIZIO: Thank you. I have no
22 further questions.

23 CHAIRMAN IGNATIUS: All right. Does the
24 Company have any redirect of its witnesses?

[WITNESS PANEL: Noonan~Knepper~Sherry~Saad]

1 MR. TAYLOR: No redirect of the
2 witnesses.

3 CHAIRMAN IGNATIUS: All right. Then, I
4 think we are finished with this panel. Thank you very
5 much for your testimony.

6 WITNESS SHERRY: Thank you,
7 Commissioners.

8 WITNESS SAAD: Thank you.

9 CHAIRMAN IGNATIUS: And, we have Mr.
10 Spottiswood as a witness, is that the next order of
11 business? Looks like it is. Please come forward.

12 (Whereupon *Kevin Spottiswood* was duly
13 sworn by the Court Reporter.)

14 **KEVIN SPOTTISWOOD, SWORN**

15 **DIRECT EXAMINATION**

16 BY MR. SULLIVAN:

17 Q. Would you please state your name for us.

18 A. My name is Kevin Spottiswood.

19 Q. Kevin, where do you work?

20 A. I work at 130 Elm Street, in Manchester, New Hampshire.

21 Q. And, who do you work for?

22 A. I work for National Grid.

23 Q. And, did you direct some testimony to be prepared for
24 you in relation to this proceeding?

[WITNESS: Spottiswood]

1 A. Yes, I did.

2 Q. And, was that the testimony submitted on October 17,
3 2011?

4 A. Yes.

5 Q. And, was that testimony true to the best of your
6 knowledge and belief?

7 A. Yes, it was.

8 Q. Can you tell us, what is your job title with National
9 Grid?

10 A. I am a Foreman in the Street Department.

11 Q. And, does a Foreman in the Street Department there
12 where clothes like you've got on today?

13 A. No. I think they want to, but we're going to push back
14 on that.

15 Q. What's does a Foreman in the Street Department do?

16 A. Some of my duties include corrosion work, retiring
17 mains, retiring services, responding to gas leaks, hit
18 lines, on-call responsibilities.

19 CHAIRMAN IGNATIUS: One moment. Is your
20 microphone on?

21 WITNESS SPOTTISWOOD: Do I have to do it
22 over?

23 MR. PATNAUDE: No.

24 CHAIRMAN IGNATIUS: There you go.

[WITNESS: Spottiswood]

1 BY MR. SULLIVAN:

2 Q. Let me start with a question. What are some of the
3 responsibilities that you have?

4 A. Some of my responsibilities are responding to gas
5 leaks, maintenance-type work, like corrosion work,
6 retirements, hit lines, hit mains, and on-call
7 responsibilities.

8 Q. Are you one of these people that would be responding
9 to, say, a -- on Main Street, if someone else digs up a
10 gas pipe?

11 A. Yes.

12 Q. How long have you been with the Company?

13 A. I was hired in 1990 with EnergyNorth. So, it will be
14 22 years this year.

15 Q. In terms of the length of time that you've been there,
16 have you been through other acquisitions of your
17 company?

18 A. Yes. Personally, I mean, I've been through when it was
19 EnergyNorth, then it went to Eastern Enterprises,
20 KeySpan, National Grid, and now, potentially, Liberty
21 Utilities.

22 Q. Have you ever testified in front of this Commission
23 before?

24 A. Yes.

{DG 11-040} [Day 2] {04-19-12}

[WITNESS: Spottiswood]

1 Q. And, in which proceeding was that?

2 A. That was when KeySpan was merging with National Grid.

3 Q. And, do you recall whether you opposed or were in favor
4 of that transaction at the time?

5 A. I was opposed.

6 Q. Are you opposed to today's transaction going forward?

7 A. No, I am not.

8 Q. Can you tell me, what is your title as a union person?

9 A. I am the Union Chair -- Unit Chair of my Local. We're
10 an amalgamated Local, so I am the Chair of Unit 3.

11 Q. All right. And, how many people are in Unit 3?

12 A. Eighty-four.

13 Q. What do those 84 people in Unit 3 do for work?

14 A. Well, we cover the Meter Department, INR Production
15 Department, Street Department, Service Department.
16 That pretty much covers it.

17 Q. And, are these people, do they live within New
18 Hampshire?

19 A. The majority, I would say 90 plus percent do, to the
20 best of my knowledge.

21 Q. We've heard a term earlier "field personnel", people
22 talk about it. Are you people the "field personnel"?

23 A. Yes. We're on the ground, yes.

24 Q. Can you give me an idea, you told us when you started,

[WITNESS: Spottiswood]

1 where do you fit in terms of the seniority level within
2 your workforce?

3 A. I'm probably in the middle. So, I'd say there's 40
4 plus above me and 40 plus below me. So, 40 plus with
5 more than the 22 years, and the 40 below me have, you
6 know, anywhere from six months, up to 17, 18 years.

7 Q. Were you involved in any meetings with the people from
8 Liberty Mutual as they -- excuse me, from Liberty
9 Energy --

10 FROM THE FLOOR: The other Liberty.

11 MR. SULLIVAN: Yes, the other Liberty.

12 MR. DELVECCHIO: Another affiliate.

13 (Laughter.)

14 BY MR. SULLIVAN:

15 Q. Liberty. The Liberty people that want to buy this
16 Cadillac, were you involved in meetings when they came
17 down to evaluate the workforce and the operation?

18 A. Yes. From the start, when the potential sale was
19 announced, when, I think the first day, I think Ian
20 Robertson and Dave Pasieka came to Manchester, and I
21 had a brief meeting with those guys for maybe 15 or 20
22 minutes. And, then, what they did is they started a
23 conference call with all the other sites. So,
24 Manchester, Nashua, Tilton, I think Salem and Lebanon,

[WITNESS: Spottiswood]

1 and we had a conference call, and they kind of laid
2 out, you know, who they were. They gave everybody a
3 rundown of, you know, their beliefs and what their
4 visions were and stuff. And, they have kept that going
5 since, every month, they have come to one of the yards
6 and kept everybody informed with how the proceedings
7 and everything were going.

8 Q. In addition to that, can you tell us what you have done
9 and participated in as an intervenor in this
10 proceeding?

11 A. I've been part of all the process. And, I don't know
12 all the technical words, but I guess it would be
13 discovery, and -- I'm not really sure of the technical
14 words, to be honest with you. But I've been part of
15 the whole process.

16 Q. Now, as part of that, the process we just talked about,
17 and then the meetings with Liberty and your people, can
18 you tell us, what are the benefits to the workforce
19 from continuing to work with this Liberty group?

20 A. Well, the benefit -- one of the benefits is they have
21 been very forthcoming. There's been no -- they have
22 been very transparent. I think they have -- when
23 they've come in and they've talked to us, they have
24 answered the questions that the workforce has had for

[WITNESS: Spottiswood]

1 them. If they didn't have the answer, they got back to
2 that particular individual. They haven't shied away
3 from anything, some of the uncomfortable questions that
4 they were asked. You know, unlike in the past, whereas
5 sometimes communication has not always been the
6 strongest. It's, on the surface, it seems like it's
7 going to be a great benefit to us, the openness of the
8 company and the answers. And, you know, it just seems
9 like a better feel at this point.

10 Q. Okay. Let me move on. Were you here for the
11 presentation that Mr. Knepper put forward about the
12 safety and performance issues?

13 A. Yes.

14 Q. What is your stand generally on the importance of the
15 safety performance metrics?

16 A. I wholeheartedly believe in the metrics. Back in
17 2006/2007, I'll be honest, that was the stuff that I
18 was really focused on. The financial side of the
19 business and all that, that's not my expertise. I
20 leave that to the professionals. But the safety
21 metrics and the performance issues are something that I
22 really take a liking to. Because that's something that
23 we can see and then we can have a part in, you know,
24 administering. And, if they're supposed to do

[WITNESS: Spottiswood]

1 something, much like I'm supposed to do something, I
2 think they should be held accountable. And, if they
3 agree to it, then the more people watching, the better,
4 I think.

5 Q. In terms of the expertise that Mr. Saad brought to
6 developing part of that plan, is he the right man for
7 the job, to work with Randy and do that?

8 A. I think so. I've known Mr. Saad for about six years
9 now. And, he's held roles high up in the National Grid
10 company. And, he's been, you know, he's been a fair
11 person to work with. I think his vision, I think he's
12 done a real good job with the maintenance side of the
13 business. I have no doubts in my mind that Dan won't
14 do a fine job. I think he'll do a really, really good
15 job in the position he's in.

16 Q. Okay. Let me focus on the business side and the
17 productivity side of this potential transaction. From
18 your perspective as the speaker of the union workforce,
19 what does Liberty offer in terms of meeting the union's
20 goal for what a successful company would be?

21 A. Well, I think part of it is, when we started this
22 process, and you're in the union, and you're the --
23 you're hoping to get -- you have certain parts of your
24 contract that you hope that the company adopts. We

[WITNESS: Spottiswood]

1 have successor language in our contract. They have
2 adopted that. We had pension issues, we had benefit
3 issues, they have agreed to the standards that we have
4 today. I like the fact that there's a potential of the
5 infrastructure growth, I think that's a positive. And,
6 to be honest with you, being here for the 22 years, I
7 like the way EnergyNorth ran the business, I like the
8 way that they had interaction with the company. I like
9 the way that they had, you know, dispatching in the
10 state, you know, engineers in the state, people you
11 could actually go to and talk to in the state. And, I
12 think a lot of the people, a lot of the employees, and
13 I think a lot of the customers, you know, want to see
14 that come back. I really do.

15 MR. SULLIVAN: I have no more questions
16 at this time. Everyone else is free to ask him.

17 CHAIRMAN IGNATIUS: Thank you. Mr.
18 Linder, any questions?

19 MR. LINDER: No thank you.

20 CHAIRMAN IGNATIUS: Mr. Simpson?

21 MR. SIMPSON: None at this time for my
22 union brother.

23 CHAIRMAN IGNATIUS: All right.
24 Ms. Hollenberg?

[WITNESS: Spottiswood]

1 MS. HOLLENBERG: No thank you.

2 CHAIRMAN IGNATIUS: Ms. Fabrizio?

3 MS. FABRIZIO: I think there's a
4 question in the pipeline.

5 CHAIRMAN IGNATIUS: So to speak.

6 (Short pause.)

7 CHAIRMAN IGNATIUS: While he's
8 cogitating on that, I had forgotten to ask, Mr. Sullivan,
9 are you introducing this as an exhibit?

10 MR. SULLIVAN: Yes. I would ask that
11 Mr. Spottiswood's October 17th be admitted in this
12 hearing.

13 CHAIRMAN IGNATIUS: And, is that number
14 20? All right. We'll mark that as "Exhibit Number 20"
15 for identification.

16 (The document, as described, was
17 herewith marked as **Exhibit 20** for
18 identification.)

19 MS. FABRIZIO: Now comes the
20 interpretation.

21 **CROSS-EXAMINATION**

22 BY MS. FABRIZIO:

23 Q. Mr. Spottiswood, are you aware of any benefits that
24 Grid actually brings to the table to EnergyNorth that

[WITNESS: Spottiswood]

1 -- and Granite State that Liberty cannot bring to these
2 companies?

3 A. You said "from National Grid"?

4 Q. Yes.

5 A. Okay. I don't know that there's any -- I mean, I think
6 the concerns are concerns, that as far as -- but I
7 don't think there's any benefits that they can't bring,
8 not to my knowledge. I mean, I think we'll be okay, as
9 far as that goes. I can't, off the top of my head,
10 think of anything.

11 Q. I think, just to clarify, you're not as concerned as we
12 have heard some of the witnesses testify, as to the
13 smaller size of the company and the resources
14 available?

15 A. Well, I think -- yes, I mean, I'm glad you brought that
16 up, I'm glad you clarified that. Because, as much as
17 everybody is concerned with how the business will be
18 run, and don't get me -- don't get me wrong, we have 84
19 people in our local that are very concerned about how
20 the company will be run. There's a lot of jobs at
21 stake there, there's a lot of livelihoods at stake
22 there. So, we're as, you know, involved in that
23 process as any of the ratepayers or anybody in this
24 room would be.

{DG 11-040} [Day 2] {04-19-12}

[WITNESS: Spottiswood]

1 But I feel comfortable, I feel
2 comfortable, because I know the people that are running
3 the business. I have worked with the people that are
4 running the business for the last 20 something years,
5 for the most part, on the gas side. And, I don't
6 really see a lot of degradation of services because
7 somebody bought us. Now, at my level, that's the best
8 I can do, I guess. I leave it up to the higher-ups at
9 the Liberty side of it. But the people that they have
10 on the ground or the Mark Smiths and the Dan Saads and
11 the Rich MacDonalds and those fellows, I don't have any
12 -- I don't have any issues with those people at all. I
13 have worked with those people for years and years and
14 years.

15 I think safety, the one thing about
16 National Grid, National Grid taught us how to be safe.
17 They really did a great job of teaching us, as workers,
18 how to be safe, getting us the right equipment, getting
19 us -- putting us in positions that we can succeed at.
20 So, I don't see that going south. I see it staying the
21 same or getting better. Just by dealing -- talking
22 with Dave Pasieka and Mark Smith and Dan on those
23 subjects, I've been assured that we won't step back.
24 We'll go forward with the safety programs, the, you

{DG 11-040} [Day 2] {04-19-12}

[WITNESS: Spottiswood]

1 know, the way we do business today.

2 So, I'm not, and I think I can speak for
3 the whole local, we're not as concerned about that,
4 because we actually have a relationship with the people
5 that are there and are going to run the business.

6 MS. FABRIZIO: Great. Thank you very
7 much.

8 WITNESS SPOTTISWOOD: Thank you.

9 CHAIRMAN IGNATIUS: Does the Company
10 have any questions?

11 MR. TAYLOR: We have no questions for
12 Mr. Spottiswood.

13 CHAIRMAN IGNATIUS: Commissioner
14 Harrington.

15 CMSR. HARRINGTON: Good afternoon.

16 BY CMSR. HARRINGTON:

17 Q. I believe you were here when the discussion of the
18 "safety culture" was had with the earlier witnesses.
19 And, you know, it's very easy for someone higher up in
20 the company to say "Oh, we hold safety to the highest
21 esteem", because what everyone wants to hear and
22 expects to hear. You, on the other hand, are going to
23 have to live with that on a daily basis. During this
24 period that you've been involved, as you say, since the

[WITNESS: Spottiswood]

1 beginning, and, by the way, I don't know all the
2 technical terms in this legal stuff either, so don't
3 feel bad, have you got any indication from your
4 dealings with the higher management levels of Liberty
5 that there was any -- that the safety -- that they
6 really didn't have the right safety culture, that they
7 were simply just saying the right words, but weren't
8 really going to back it up?

9 A. I don't get that impression, I really don't. And, I
10 think I have to, you know, base it on, I've known the,
11 higher-ups, the Dave Pasiekas and the Ian Robertsons,
12 it's going on two years now, maybe, since this started,
13 I'm not exactly sure. But I haven't heard anything.
14 You know, they have been very open. I can go with face
15 value. You know, I guess you have to go with how you
16 feel. I think they have been very transparent. I
17 don't think they would, you know, I don't think they
18 would hide the ball on something like that. It sounds
19 like that's part of their vision for their other
20 enterprises, and I don't think it would -- it would be
21 any different here.

22 And, you know what, we, as a union, and
23 that's one of the backbones of the union, is to provide
24 safety for the workforce. And, if I found that it was

[WITNESS: Spottiswood]

1 different, I mean, we would hold them to the standard
2 that they said they would keep with us going forward.

3 CMSR. HARRINGTON: Thank you. That was
4 all I had.

5 CHAIRMAN IGNATIUS: Commissioner Scott?
6 No questions. Mr. Spottiswood, I don't have any
7 questions, but I do want to thank you for bringing the
8 perspective of the union to the hearings today. And,
9 particularly, because at times, as you said in another one
10 of the cases that you were personally involved in, you had
11 real concerns and opposed, and, in this case, have come to
12 a different conclusion. And, that's good to hear.

13 WITNESS SPOTTISWOOD: Thank you.

14 CHAIRMAN IGNATIUS: With that, I think
15 you're excused. And, are there any other witnesses coming
16 forward?

17 (No verbal response)

18 CHAIRMAN IGNATIUS: All right. Seeing
19 none, then I think we have a few administrative details to
20 work out, and then closing statements. Am I right?

21 MS. COLEMAN: Yes.

22 CHAIRMAN IGNATIUS: Of the things that I
23 know that still need to be tended to, and then there are
24 probably others, on my list are final definition of what

1 the Record Request Number 19 is going to involve. And,
2 dealing with the two Motions for Confidentiality that have
3 been submitted. I confess, I didn't go back to check to
4 see if the first motion had ever been acted on. I don't
5 know if, Mr. Taylor, if you're aware, the one from 2011,
6 regarding personnel matters?

7 MR. TAYLOR: I don't know the answer to
8 that question. It would be easy for me to find out,
9 though.

10 CHAIRMAN IGNATIUS: Actually, I
11 misspoke. That was a motion for a waiver of some of the
12 filing details that dealt with personnel matters, and
13 whether or not we had ever actually ruled on it, if not,
14 we can address it in the final order here.

15 So, I guess, for today's purposes, if it
16 hasn't yet been addressed, I'll hear any responses anyone
17 may have on the waiver request. My guess is we've
18 probably have already addressed it, and maybe in the
19 initial Order of Notice, I just didn't go back and check.
20 To the extent it has not already been formally ruled on, I
21 assume parties would have raised that as a concern,
22 because discovery would not have been able to go into
23 things that had never been filed. So, I'm assuming this
24 is a non-issue at this late date. But anybody have

1 anything they want to add to that?

2 (No verbal response)

3 CHAIRMAN IGNATIUS: And, we'll just
4 double check the record on that. On the Motion for
5 Confidentiality, and I guess we do have one of those from
6 March of 2011, having to do with employee salaries,
7 environmental liabilities, legal proceedings, taxes, labor
8 negotiations. Again, I didn't double check to see whether
9 that's been addressed. Is anyone aware of the status of
10 that? Mr. Taylor.

11 MR. TAYLOR: We can check the record. I
12 don't recall. I don't believe it's been ruled on yet.

13 CHAIRMAN IGNATIUS: All right. Is there
14 any -- does anyone have any objection to granting the
15 motion as requested?

16 (No verbal response)

17 CHAIRMAN IGNATIUS: All right. Seeing
18 none, we will take that under advisement. And, then, the
19 new filing just made today, which is a request for
20 confidentiality having to do, again, with some
21 employee/personnel issues, some financial matters,
22 proprietary manuals, they're all related to discovery. I
23 haven't gotten through the full thing. Mr. Taylor, do you
24 want to summarize the request?

1 MR. TAYLOR: Certainly. The Motion for
2 Protective Order and Confidential Treatment that we
3 submitted this morning, and I did distribute copies to
4 Staff, OCA, and New Hampshire Legal Assistance, and we'll
5 also distribute them to others on the service list,
6 addresses eight responses to discovery requests that were
7 submitted throughout the proceeding. And, they all deal
8 with issues that we believe come within exemptions under
9 91-A, all pertaining to personnel information, things like
10 salaries. There's one request that was submitted that had
11 Social Security numbers in it. There are also data
12 requests that we responded to that had confidential --
13 confidential, competitively sensitive and financial
14 information, we've asked for protective treatment of that
15 as well. And, that's all laid out in the Motion for
16 Protective Treatment.

17 So, that's what it covers. It's pretty
18 straightforward. And, it was submitted at the end of the
19 proceeding, we elected to do that, rather than submit a
20 separate motion accompanying each data response throughout
21 the proceeding.

22 CHAIRMAN IGNATIUS: Any response to the
23 request for confidential treatment?

24 (No verbal response)

1 CHAIRMAN IGNATIUS: All right. We will
2 take it under advisement. Thank you. There also was a
3 request for a waiver attached to that. And, was that as
4 to the copies of materials?

5 MR. TAYLOR: Yes. Sorry. The Motion
6 for Waiver, we felt that, if we were to provide seven
7 copies of all the confidential documents, we calculated it
8 to be approximately 25,000 pages. And, so, we spoke with
9 Staff, and I did speak with Attorney Hollenberg as well
10 about this, and we reached an alternative that we think is
11 fair. And, if we need to provide additional copies of
12 anything, we're happy to do so.

13 CHAIRMAN IGNATIUS: No, I think we're
14 good. Thank you for not just automatically delivering the
15 boxes.

16 How about the record request? There was
17 a concern that it might not be clear exactly what was
18 being requested. Have you had a chance to confer on that?

19 MR. CAMERINO: I spoke to
20 Mr. Burlingame, and he can tackle me first, if I get it
21 wrong, and then Ms. Fabrizio next, if we jointly get it
22 wrong. So, what we were planning to provide was a listing
23 of the systems for which IT data needs to be transferred,
24 the cost incurred to date that National Grid will be

1 bearing for those, and the estimates of the costs in the
2 future for data yet to be transferred or work yet to be
3 done.

4 MR. BURLINGAME: That's fair.

5 MR. CAMERINO: I'm good so far?

6 CHAIRMAN IGNATIUS: These costs to be
7 incurred in the future, meaning to a certain date or --

8 MR. CAMERINO: The data -- the idea is
9 that the data belongs to the Company, and needs to be
10 transferred over, and that's an obligation of National
11 Grid. And, I guess that process has begun and some costs
12 have been incurred, so that cost will be indicated. But
13 the process will continue even post closing, and so the
14 estimate will reflect that process.

15 CHAIRMAN IGNATIUS: Ms. Fabrizio, a
16 response?

17 MS. FABRIZIO: Staff is happy with that
18 definition of what Grid will provide.

19 CHAIRMAN IGNATIUS: All right. Any
20 other response?

21 (No verbal response)

22 CHAIRMAN IGNATIUS: If that's clear
23 then, that's been reserved as "Exhibit Number 19". And,
24 any projection on when that can be produced?

1 MR. CAMERINO: The middle of next week.

2 CHAIRMAN IGNATIUS: That sounds fine.

3 Thank you. Other than closings, do we have anything else?

4 MS. FABRIZIO: Yes, Chairman. My notes
5 indicate that there were two questions asked, I think both
6 might have been asked by Commissioner Harrington. That
7 Staff promised to get back to him with more information,
8 and another one that Liberty promised to get back to. The
9 first, Staff owes a response, we were not able to contact
10 our consultant during the break. This goes to the
11 security assessment and compliance with applicable
12 standards, whether that means the testing method itself or
13 the testing result to comply the applicable standard.
14 And, then, Liberty I believe promised to get back with a
15 clarification on whether the Cost Allocation Manual
16 provided is the most recent, and the status?

17 MR. EICHLER: Yes. That's correct, It
18 is the most recent.

19 MS. FABRIZIO: Thanks. That one was
20 easy. So, Staff is happy to provide something in writing
21 to the Commission. Do you have a preference for format or
22 form?

23 CHAIRMAN IGNATIUS: Well, we could
24 reserve an exhibit for a record response on that as well.

1 MS. FABRIZIO: Okay.

2 CHAIRMAN IGNATIUS: All right. Why
3 don't we reserve number 21.

4 **(Exhibit 21 reserved)**

5 CHAIRMAN IGNATIUS: And, is that clear
6 on what will be produced? Staff is the one making the
7 offer, so it must be clear to you.

8 MS. FABRIZIO: Yes. We'll do our best.

9 MS. COLEMAN: Attorney Fabrizio, I think
10 I could shed some light on that question, if you would
11 like me to?

12 MS. FABRIZIO: That would be great.

13 MS. COLEMAN: It's our understanding
14 that the standards that are referenced in the Settlement
15 Agreement govern the development of processes. So, they
16 would develop -- they would govern sort of the development
17 of the testing plan and the procedures we would use to
18 test. They don't actually govern the outcome of those
19 tests. And, similar for the IEE [IEEE?] 830 that's in
20 there, which should actually be "829", and the ISO 1-2700
21 [2700-1?]. And, while I have you for a moment -- oh,
22 sorry.

23 CHAIRMAN IGNATIUS: No, please go ahead.

24 MS. COLEMAN: I believe there was also a

1 question outstanding about Granite State Hydro's
2 interests. And, Liberty's understanding is that their
3 concern was with power purchase agreements, and that we
4 fairly allocate power purchase agreements amongst all
5 hydro facilities in the state.

6 CHAIRMAN IGNATIUS: All right.

7 CMSR. HARRINGTON: Just to follow up on
8 that. I understand what the response is, and I guess, and
9 maybe this could be -- if someone could follow up on this,
10 and maybe if someone could direct me to someplace else in
11 the Settlement Agreement. Then, what are the acceptance
12 criterias for these security assessments and the testing?
13 If the standards referenced provide the methodology for
14 performing them, what provides the acceptance criteria or
15 what is the acceptance criteria as to whether they're
16 acceptable or not acceptable? So, maybe that could be
17 followed up in that exhibit that we're talking about, what
18 was it, 20?

19 CHAIRMAN IGNATIUS: Twenty --
20 twenty-one, actually.

21 CMSR. HARRINGTON: Twenty-one, I'm
22 sorry.

23 MS. FABRIZIO: Sure. I would suggest
24 that Staff work with Liberty to develop a record request

1 to that.

2 MS. COLEMAN: Yes.

3 CMSR. HARRINGTON: Thank you.

4 CHAIRMAN IGNATIUS: All right. Thank
5 you. I know, Mr. Linder, you have another commitment.
6 And, so, we're happy to take you out of order in closing,
7 so that you don't have to worry about that.

8 MR. TAYLOR: If I --

9 CHAIRMAN IGNATIUS: Yes, Mr. Taylor.

10 MR. TAYLOR: Sorry, I just had -- there
11 was one more administrative issue. That has to do with
12 Exhibit Number 2, which is the actual Settlement
13 Agreement. There were a couple of corrections that we
14 caught early on, and we were going to submit an updated
15 version. We've actually done that, but then there were a
16 couple of additional corrections that Mr. Knepper, you
17 know, very capably pointed out. And, so, the question is,
18 how to deal with, whether we create new Settlement
19 Agreement books, or, if we can work something out with an
20 errata sheet? And, we're happy to work with the Staff as
21 to what -- in terms of the best way to do that, so we
22 minimize confusion.

23 CHAIRMAN IGNATIUS: All right.

24 MR. TAYLOR: But we'll provide that when

1 we work that out.

2 CHAIRMAN IGNATIUS: All right. Thank
3 you. Then, I think -- yes, the only other, I think, issue
4 before closings, is there any objection to striking the
5 identification from the exhibits and making them full
6 exhibits in the record?

7 (No verbal response)

8 CHAIRMAN IGNATIUS: Seeing no concern,
9 we will do so. And, we now are left with closing
10 statements. Mr. Linder, if you would like to go ahead,
11 you may. If you'd rather not, you can wait. But I know
12 you've got a scheduled commitment, so --

13 MR. LINDER: Thank you. I have a
14 doctor's appointment. The Way Home and Pamela Locke fully
15 support the Settlement Agreement. We are a signatory to
16 the Settlement Agreement. We've been involved in this
17 case, in all aspects of this case. Our clients are very
18 enthusiastic about the fact that the Liberty family is
19 going to be a local operation as much as possible. The
20 ability to be able to contact persons who will listen,
21 address concerns, and make decisions, is welcomed. We
22 know a number of the people who are involved, and we look
23 forward to working them, if the transaction is approved by
24 the Commission.

1 We were very pleased that the Liberty
2 family immediately embraced the request made early on that
3 they assume full commitment responsibilities for the
4 existing low income programs that National Grid was
5 enthusiastically and effectively operating. The Liberty
6 commitment to energy efficiency for the low income
7 programs on the electric and gas side has been -- is very
8 welcome, and we feel that the enthusiasm that they are
9 showing, and folks who are going to be assigned to those
10 areas, will result in a positive situation.

11 We do feel that the -- there are, that
12 this transaction offers benefits to the customers, and,
13 particularly, to the low income community. And, so, we
14 fully support the Settlement Agreement, and would request
15 that the Commission look favorably on the transaction.
16 Thank you very much. And, thank you for allowing me to go
17 out of order.

18 CHAIRMAN IGNATIUS: You're welcome.
19 Thank you for your statement. Mr. Simpson, any closing
20 remarks?

21 MR. SIMPSON: I want to thank the
22 Commission for allowing me to do this. As I said earlier
23 this morning, my name is James Simpson. I'm the Business
24 Manager and Financial Secretary for Local 326 of the

1 International Brotherhood of Electrical Workers.

2 Just as a note of qualifications, I've
3 worked in the electric industry for 30 years, in the
4 utility industry, starting with New England Power back in
5 1983. Been through the sale of -- the deregulation
6 negotiations in 1998, and the sale of the power plants and
7 the hydro plants. Never, in my 30 years in the business
8 and as the full-time Business Manager of the Local for the
9 last nine years, have I met a management group as open and
10 as willing to sit down and work with the unions, to iron
11 out and to ferret out what issues might be, since Liberty
12 came along. And, I don't say that lightly.

13 From day one, as my brother, Kevin, said
14 earlier, they were right up front with us, they called us
15 up, they held employee meetings, they held conference
16 calls. I can assure you that Mr. Pasieka works very safe.
17 He showed up and worked on a line truck one day all day
18 with steel-toed boots on, didn't violate any safety rules.
19 You know, I can't tell you when the last time was I saw an
20 upper level management person in work clothes on a line
21 truck. That just doesn't happen today.

22 You know, Local 326 is strongly in favor
23 of this transaction. We support it. I can't -- I don't
24 think I can say enough to try to allay -- allie [sic] some

1 people's fears of the smaller company coming in where
2 National -- where a large international company, like
3 National Grid, is leaving. But what I can tell you is, by
4 going to the smaller company, if you can remember back
5 when most of the utilities were small, local companies,
6 the infrastructure in this area was built to fit the
7 geography where it was put. National Grid, a large
8 company, comes in and buys all this up and tried to run it
9 as "one size fits all", and that's an impossibility in New
10 England. By being a small company, I believe Liberty will
11 be able to be more nimble to respond to emergencies and
12 have less layers of bureaucracy to deal with during those
13 bureaucracies, and their reliability ratings will go up.

14 So, as I said, my Local strongly
15 supports this sale, and would ask the Commission to do the
16 same.

17 CHAIRMAN IGNATIUS: Thank you. Mr.
18 Sullivan.

19 MR. SULLIVAN: Thank you. I, too, thank
20 everyone here for the participation that they have allowed
21 us to have. I'm proud to be standing here with the Unit
22 Chair of Local 12012, Kevin Spottiswood, who is an
23 excellent representative of both National Grid and,
24 hopefully, Liberty.

1 In terms of the net benefit to this,
2 what we have seen through wrangling, negotiations,
3 discussions, talks, and listening, is higher standards for
4 better service and safer service. And, this is not just
5 about the 84 members of Local 12012, it's about their
6 families, and how all those higher standards affect all of
7 the customers. And, how those higher standards for
8 service, and, mainly, primarily safety, how that affects
9 the general public. We wouldn't be here saying that we
10 supported it if we didn't. Mr. Spottiswood is the man, or
11 one of the men, people who is on the ground and is in
12 charge of keeping things safe.

13 This represents the first time that this
14 Local has graced one of these proposed acquisitions. And,
15 I can say, parenthetically, that we fought it very hard
16 early on, fought it just as hard the last time, and this
17 time we heard what we needed to hear and we got the
18 cooperation that we needed to have.

19 So, in terms of a net overall benefit, I
20 think the citizens of the State of New Hampshire, be they
21 employees, customers, or the general public, will have a
22 benefit if this transaction goes through. Thank you.

23 CHAIRMAN IGNATIUS: Thank you.

24 Ms. Hollenberg.

1 MS. HOLLENBERG: Thank you. The Office
2 of Consumer Advocate supports as a signatory the
3 Settlement Agreement and ask that the Commission approve
4 it. We are particularly pleased with the provisions in
5 the Agreement that limit or require rate case stay-outs,
6 limit rate case expenses, and provide a cap on recovery
7 for the cost of unaccounted for gas.

8 We also appreciate the respect and
9 professionalism that was showed by all the parties toward
10 the OCA during the process. We really appreciate that.
11 Thank you.

12 CHAIRMAN IGNATIUS: Thank you
13 Ms. Fabrizio.

14 MS. FABRIZIO: Thank you. There are
15 risks involved in any transfer of utility ownership. And,
16 when the acquiring company lacks experience, those risks
17 are heightened. Staff has closely reviewed the Joint
18 Petitioners' filings in this docket, and with other
19 parties to the proceeding, have engaged in extensive
20 discovery through data requests, as well as numerous
21 technical sessions.

22 The Settlement presented to the
23 Commission this week includes a number of conditions
24 designed to establish a transparent and closely monitored

1 transition process as Liberty assumes ownership of
2 National Grid's New Hampshire utility assets. Additional
3 provisions will help to ensure that National Grid remains
4 fully committed to facilitating a smooth transfer of those
5 assets and their associated IT systems to Liberty.

6 For the reasons reflected in the filed
7 testimony and at hearing this week, Staff supports the
8 Settlement and believes that it is appropriate for the
9 Commission to approve it. That said, there is no question
10 that this acquisition presents major challenges for
11 Liberty, in terms of achieving a smooth transition and
12 successful assumption of ownership.

13 Staff believes the conditions set forth
14 in the Settlement provides sufficient protection to ensure
15 the public will not be harmed by the proposed transaction,
16 thereby satisfying the "no net harm" standard.

17 Accordingly, Staff recommends Commission approval of the
18 Settlement Agreement presented in this proceeding. Thank
19 you.

20 CHAIRMAN IGNATIUS: Thank you.

21 Mr. Camerino.

22 MR. CAMERINO: Thank you. And, I think,
23 with regard to closings, I'm going to present a closing on
24 behalf of National Grid, and Ms. Coleman will speak on

1 behalf of Liberty Utilities, if we may?

2 CHAIRMAN IGNATIUS: That's fine.

3 MR. CAMERINO: So, I have two
4 preliminary matters. The first is, I think anybody who's
5 been involved in a case like this has some understanding
6 of the magnitude of the effort involved. And, I think,
7 when the other parties were thanking each other for their
8 efforts, I think it would -- it really is necessary for
9 the two companies sitting here to recognize the
10 extraordinary efforts of the other parties, and
11 particularly the Staff, the amount of time involved. I
12 think everybody in this room knows the amount of paper
13 that is behind what went on in the last two days. So, we
14 really do appreciate that and thank them for it.

15 The second is, I think I have the
16 indelicate job of giving you some sense of when we would
17 appreciate receiving an order, if possible. And, you
18 heard that the -- what's sometime called the "drop-dead
19 date" in the Agreement is "June 30th". And, as corporate
20 lawyers know, there's a need to wait 30 days for the
21 rehearing period to expire. Which means that, just in
22 terms of absolutes, if an order were not received by the
23 second half of May, this deal couldn't close by that date.

24 So, to be honest, this case has been

1 pending since March of 2011. I know all of you haven't
2 been on the job quite that long, and you have quite a
3 backlog here to deal with. And, so, we know that what
4 we're asking for may not fit with your needs and
5 situation, but, if there were a way to get an order within
6 30 days, I think that really would be extremely helpful at
7 this stage. We understand you're going to do what you're
8 going to do, but we thought we would at least give you our
9 sense of timing and thinking on that.

10 CHAIRMAN IGNATIUS: And, just one thing
11 to note on that, if you haven't already spoken with the
12 court reporters who are involved in this case, to the
13 extent they can expedite things, we should do so.

14 MR. CAMERINO: Mr. Patnaude said he
15 could have the transcripts by tomorrow morning.

16 (Laughter.)

17 CHAIRMAN IGNATIUS: You have to write
18 that down.

19 (Laughter.)

20 MS. HOLLENBERG: You should check that
21 transcript.

22 CHAIRMAN IGNATIUS: Please continue.

23 MR. CAMERINO: So, with that said, you
24 know, I think this is a notable case, but not because it

1 involves the simultaneous transfer of a gas and electric
2 utility. It's notable because it presents an opportunity
3 to bring back to the state the control of two venerable
4 New Hampshire companies, while continuing their operations
5 under essentially the same personnel who have been
6 operating them under their current owner.

7 It's notable for the breadth and length
8 of the commitment by National Grid to see the transition
9 process through to a successful completion. And, frankly,
10 it's also notable because of the unanimity of the support
11 for the transaction. There's nobody before you suggesting
12 that you should not approve this transaction. And, for
13 something of this magnitude, that's somewhat unusual.

14 The standard of review that the
15 Commission needs to apply to this case is set out in
16 Paragraphs 18 to 24 of the Joint Petition, as well as a
17 summary of how the transaction meets that standard of
18 review. And, I won't repeat it in detail. As you know,
19 the basic standard is "no net harm", and we believe that
20 the Joint Petitioners have satisfied that amply.

21 How have they done that? First of all,
22 the transaction is structured to ensure that customers
23 will continue to receive the same service, from the same
24 people, after the merger as before. The same field and

1 operating personnel are going to be kept in place.
2 Largely, the same management personnel as who were
3 providing services previously.

4 With regard to the IT and other systems,
5 internal systems that are going to be changing, National
6 Grid has committed to provide a very broad scope of
7 services, and to continue to support the two utilities
8 until they have their own systems fully in place. And,
9 so, even there, nothing will change when the deal closes.

10 Under ownership by Liberty, Granite
11 State and EnergyNorth will become locally managed, with a
12 greatly enhanced local presence, that will result in
13 individuals who are responsible for providing service to
14 the customers, being in direct contact with the customers
15 that they serve.

16 Under Liberty's operating model, there's
17 likely to be an increased ease of regulation, because more
18 of the costs will be incurred locally, rather than coming
19 from multiple service companies with complex cost
20 allocations. And, as a result, auditing and cost tracking
21 and verification are likely to be more transparent.

22 The testimony you've heard supports the
23 finding that the new structure won't adversely impact
24 rates, particularly with the protections that are set

1 forth in the Settlement Agreement. And, National Grid has
2 committed to remain closely engaged until the transition
3 has been successfully completed.

4 As I noted, all of the parties, active
5 parties to this case, are signatories to this Agreement,
6 and that's remarkable. And, I think sometimes we take
7 settlements for granted, but they don't happen
8 automatically, and especially in a case like this. Here
9 you have the Staff of your Commission recommending that
10 you approve the transaction. You have the representative
11 of residential ratepayers, the Consumer Advocate,
12 recommending that you approve this transaction. You have
13 two major unions covering all of the field personnel of
14 these companies supporting the transaction. Low income
15 intervenors, three different low income intervenors
16 supporting the transaction. And, a hydroelectric
17 generation owners association supporting the transaction.
18 That's a very diverse group of interests. In addition,
19 the Business & Industry Association was an intervenor in
20 this case and did not oppose the transaction.

21 The terms of that Agreement are
22 comprehensive and extremely detailed. They impose
23 rigorous performance standards and reporting requirements.
24 And, those are intended to give the Staff kind of an early

1 warning system, to see if there's a change in the quality
2 of service, and give them the opportunity and you the
3 opportunity to take corrective action.

4 The metrics and reports with regard to
5 the customer service and safety conditions are such that
6 those are fairly straightforward, they don't require a lot
7 of analysis. And, it's readily obvious, as those reports
8 get filed, if the level of service is diminishing. And,
9 so that it's an easy agreement, even though it's fairly
10 long and detailed, it's actually an easy agreement to
11 implement with regard to quality of service issues.

12 In addition, National Grid is putting up
13 10 percent of the purchase price, that's 28 and a half
14 million dollars. It's a lot of money. It's nothing to
15 sneeze at. And, given the nature of this deal, that is a
16 lot of security for this Commission that National Grid is
17 committed and will remain committed through to the end of
18 the transition process.

19 National Grid has already demonstrated
20 that commitment. You've heard the words of Mr. Horan, who
21 talked about his personal commitment, and he's
22 demonstrated that so far. They have demonstrated that
23 commitment in terms of money. As Mr. Horan noted, they
24 have already -- National Grid has already spent \$6 million

1 to cover the payroll for the 48 individuals who have been
2 working for Liberty since this deal was announced. So,
3 even though they are technically National Grid employees,
4 people like Mr. Saad and Mr. Sherry, who you heard from,
5 are actually being paid by National Grid, and there is no
6 reimbursement for that.

7 And, National Grid has demonstrated its
8 commitment in deed, by committing people like Madalyn
9 Hanley and other staff people post closing, significant
10 people within their organization, to remain involved to
11 ensure that the transition goes off smoothly.

12 So, this transaction, if you look at it
13 in terms of what's really happening at the corporate
14 level, it's a change in shareholders. Mr. Rubin noted
15 that the shareholder, National Grid, has made a decision
16 to sell, and that it's not in the public interest to
17 require National Grid to continue to operate the utility
18 if they have decided to move on. Well, Mr. Rubin may have
19 it right technically, but we all recognize that a public
20 utility can't just walk away when they have decided to
21 leave a jurisdiction. They need your approval, and they
22 have to leave in a way that protects customers' interests.

23 So, there's -- we think that this deal
24 does just that, and the Staff has taken further steps to

1 ensure that the measures that were put in place to ensure
2 that that happens were codified in a document that the
3 Commission could enforce, not just a contract between the
4 parties, and, in some ways, added to that.

5 So, there are two questions for the
6 Commission in judging that agreement. The first, as we
7 talked about, is "no net harm". And, the second, which is
8 subsumed in that, is "are the utilities, after this
9 transaction, going to have the technical, financial, and
10 managerial capability to operate this utility?" So, even
11 though that's not explicitly in the statute, you obviously
12 would expect the utilities to continue to meet that
13 standard. And, we think the answer to both of those
14 questions is a clear "yes". And, the parties have gone to
15 great lengths in their contractual agreements to ensure
16 not only that the public interest is protected, but,
17 through the Settlement, they have tried to confirm that,
18 they have expanded it, they have provided a monitoring
19 mechanism, and then they have provided an enforcement
20 mechanism.

21 Why do I say that the utilities will
22 have the technical, managerial, and financial capability
23 to fulfill their obligations in operating the system?
24 First of all, with regard to the technical, we've said it

1 again and again, you've got the same field personnel.
2 And, at the managerial level, you've either got the same
3 people, or, in a few places, there are new people who are
4 known to the Commission and highly qualified. You've
5 heard a number of witnesses, including your own staff,
6 talk about their confidence in those individuals. Those
7 are the people that are responsible for managing the
8 utility. It's not the people at Liberty, some of whom do
9 have direct experience, it's the people at the Granite
10 State and EnergyNorth level. We believe that the people
11 at the Liberty level have that experience as well, but
12 that's not even an analysis that you need to reach.

13 On the managerial level, same thing.
14 You have senior management who are experienced in the
15 electric and gas industries who are leading this company,
16 and then you have management at the Liberty level, who are
17 proven in owning and operating utilities in other
18 jurisdictions, and have been active in the energy industry
19 for years.

20 On the financial level, you have a
21 commitment to capitalize these companies with 55 percent
22 equity, which, as you know, is fairly "thick" as they say
23 in the utility industry, and more equity than is typically
24 seen. Mr. Mullen testified that that would provide a

1 "healthy cushion" and is a "reasonable level of
2 capitalization".

3 The companies are going to be part of a
4 financially strong enterprise. Algonquin Power &
5 Utilities, as Mr. Robertson testified, has ready access to
6 the debt and capital market -- equity markets, and they
7 have demonstrated that. And, I would note that we're
8 talking about gas and electric utilities. This is not an
9 industry where there are problems, inherent problems in
10 the underlying business, somehow of shrinkage of a
11 customer base, inability to grow the business, *etcetera*.
12 These are strong businesses, with healthy earnings. One
13 of them needs a rate case. But, nonetheless, as Mr.
14 Mullen noted, there's no underlying problems with the
15 business model, and, in fact, you've heard there are
16 opportunities for growth.

17 So, in sum, a locally focused, largely
18 stand-alone utility is not a novel concept. That's what
19 customers were served by here in New Hampshire, at least
20 on the gas side, until the year 2000. And, as Mr. Frink
21 indicated on Monday, that company provided quality
22 service, at reasonable rates. They maintained strong
23 regulatory compliance and relationships. Frankly, they
24 did an excellent job. And, there's no reason that

1 reformulating that utility would lead to a different
2 result. We have a buyer who proposes to bring back almost
3 the same number of jobs that were eliminated when KeySpan
4 took over EnergyNorth. We have a buyer that proposes to
5 put in place true local management, with a local
6 president, whom the Commission knows well, and senior
7 management that consists largely of the very same people
8 who supported the utilities' operations in the past.
9 There's no question that these people are well-qualified
10 for their job. Staff has had direct experience with a
11 number of them and affirm that. Even Mr. Rubin said that
12 his comments about Liberty's limited experience in
13 operating gas and electric utilities was not meant to
14 indicate that the individuals at the New Hampshire level,
15 who are charged with actually operating the utility,
16 aren't qualified to do so.

17 The proposal before the Commission in
18 this case presents a significant opportunity to control --
19 bring back control and operation of these companies to New
20 Hampshire, and into the hands of a party that has
21 demonstrated an enthusiasm for the opportunities the
22 transaction presents to invest in this state. It's a
23 transaction that has been carefully structured, and that
24 will be comprehensively monitored on an ongoing basis.

1 The Commission should find that the transaction is
2 supported by the half dozen or so parties to the
3 Settlement Agreement, is consistent with the public
4 interest, and authorize the Joint Petitioners to proceed.
5 Thank you very much.

6 CHAIRMAN IGNATIUS: Thank you. Ms.
7 Coleman.

8 MS. COLEMAN: Thank you. I'd like to
9 take this opportunity, on behalf of Liberty Utilities, to
10 echo everyone's sentiments and thank everyone for their
11 hard work and time that they have put into this
12 proceeding. I think, as a result, we have a transaction
13 that's going to benefit all of the citizens of New
14 Hampshire. Perhaps most importantly, the customers of
15 Granite State and EnergyNorth will benefit. Liberty
16 Energy Utilities (New Hampshire) Corp., doing business as
17 Liberty Utilities, will bring back the local utility.
18 What that means for us, in terms of our customers, is that
19 we'll have walk-in centers, as you heard Mr. Sherry
20 explain. We'll have customer service reps who live and
21 work in the service territories of their customers. And,
22 I think that this does present a real benefit. Because
23 people who live in New Hampshire understand the weather,
24 they understand the geography, they understand the

1 concerns that may be facing their customers. Whereas,
2 someone who sits 500 or a thousand miles away in a call
3 center can't relate. So, I think there is a real element
4 of the local utility that we're bringing back.

5 Secondly, I think the employees benefit.
6 Our employees are engaged and empowered to make a
7 difference. This extends not only to our customer service
8 representatives who are empowered to make a decision to
9 keep an office open late to take a payment or to make a
10 decision on the spot to help a customer, but to our
11 operations personnel as well, who can make the decision
12 that they need to do something for the benefit of the
13 customer. I think that these sentiments are echoed in the
14 statements by the union representatives that are here
15 today. Now they feel that Liberty is really transparent
16 and working with them to make a difference.

17 Lastly, I think that there is economic
18 growth for the state as a whole. Liberty Utilities will
19 repatriate over 60 jobs to New Hampshire, which will be
20 beneficial to the economy. Also, as you've heard us
21 mention, EnergyNorth and Granite State represent
22 approximately 30 percent of the Liberty Utilities
23 portfolio, which means we're very focused and concerned on
24 the status of the business here. We're actively looking

1 for ways to expand our business, and to provide a low cost
2 fuel supply to the citizens of New Hampshire, of course,
3 and in a proven and responsible way.

4 Any benefits to a transaction must, of
5 course, be evaluated in light of any judgments that may
6 occur. As you've heard through the testimony of Staff and
7 the OCA, the Settlement Agreement before you in this
8 proceeding is designed to prevent any possible detriment.
9 There are four main categories of protection. First, to
10 ensure that there are no rate impacts to the customers,
11 Liberty Utilities has made a number of commitments. We
12 have committed that there will be no recovery of the
13 acquisition premium, transaction costs, or transition
14 costs. There will be no impact to Granite State's
15 election of a 338h10 tax election. There will be a
16 limitation on rate case expenses in the Company's first
17 base rate case post closing. The EnergyNorth stay-out is
18 designed to ensure that the test year accurately reflects
19 Liberty's cost of doing business. There's a cap on a
20 recovery for unaccounted for gas volumes. Lastly, there's
21 a cap on IT capital investments, which is a lower than the
22 anticipated cost of National Grid's impending IT capital
23 investment project. Therefore, we see this as a distinct
24 benefit to the ratepayers of New Hampshire.

1 In the area of Customer Service, Liberty
2 has committed to doing annual customer satisfaction
3 surveys, not just for Granite State, but for EnergyNorth,
4 which is not currently happening, annual customer
5 satisfaction surveys. We have committed to call answering
6 metrics. And, we have made a renewed commitment to the
7 low income initiatives, as Mr. Sherry and Mr. Linder
8 discussed.

9 In the area of the transition, we've
10 adopted a disciplined approach that we've been using for
11 over a year now. And, to ensure transparency and
12 predictability, we will be providing detailed reporting,
13 so that Staff can monitor this progress, and intervene
14 early, if necessary.

15 Also, National Grid has made a
16 significant financial commitment, as Mr. Camerino
17 explained, to guarantee that they will be available as
18 long as is necessary for Liberty to make a seamless
19 transition. I think you heard Mr. Horan say that, "while
20 the TSA do have time limits, they are not gone till
21 everything is working perfectly", and that's quite a
22 commitment.

23 Liberty has also committed to doing
24 biennial IT security assessments, once the IT Migration

1 Plan is in place, to ensure the safety and security of our
2 IT system, and to strong IT vendor protocols, to ensure
3 deliverables meet expectations prior to the release of
4 funds, and proper management of our IT vendors.

5 In the area of safety and operations, as
6 Mr. Knepper explained, there are some detailed gas and
7 electric safety commitments, including a new commitment to
8 mark residential customer-owned underground electric
9 facilities, and 24/7 response to odor calls, which, in the
10 gas business, is the first line of safety.

11 The local control model proposed by
12 Liberty has a proven track record, as Mr. Camerino
13 explained. When EnergyNorth previously was run as a
14 stand-alone entity, it was quite successful. And, I note
15 that, although the strategy may come from Oakville,
16 operations is on the ground. Liberty is truly committed
17 to the local approach. And, therefore, the same people
18 who have been running the system, will continue to run the
19 system. And, as you heard many people explain, they have
20 the necessary expertise to execute.

21 I also want to talk a little bit about
22 Liberty and the culture of safety that we have. Safety is
23 important no matter what business you're in, and it's
24 always been a first priority for us. We have a Director

1 of Environmental Health & Safety at the corporate level,
2 in addition we have a top managerial position for that at
3 Liberty New Hampshire. It's something that we take very
4 seriously and live every day. All of our meetings begin
5 with safety moments showing our unwavering commitment.

6 In closing, I would just like to say
7 that Liberty and its affiliates are excited and stand
8 ready to assume operations of these utilities. As you've
9 heard Mr. Robertson say, the equity is in the bank, the
10 debt is being procured, and contractual obligations are in
11 place. And, as Mr. Pasieka explained, we are very ready
12 for Day 1 and quite excited. We look forward to a long
13 history of working with the Commission. Thank you.

14 CHAIRMAN IGNATIUS: Thank you. I think
15 it's evident that an awful lot of time and effort and
16 willingness to be cooperative and creative has taken place
17 to get to this point. This is just -- we've sort of seen
18 it evolving over the last months, it's clear that this
19 reaching a point of a settlement agreement was something
20 that was hard fought. And, people who could have walked
21 away from time to time didn't. And, just to see the
22 breadth of issues that have been covered is impressive.
23 There's, obviously, efforts to try and resolve as many
24 concerns as possible.

1 Unless there's anything further?

2 (No verbal response)

3 CHAIRMAN IGNATIUS: We will take all
4 this under advisement. We appreciate your efforts and
5 willingness to work a couple of long days to get through
6 this in two days, rather than three. So, thank you. And,
7 we will await the two submissions that are still
8 outstanding, and then address everything in an order, as
9 soon as we get the transcripts tomorrow.

10 (Laughter.)

11 CHAIRMAN IGNATIUS: So, we stand
12 adjourned. Thank you.

13 (Whereupon the hearing ended at 4:04
14 p.m.)

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