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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 2, 2014 - 9:04 a.m.
Concord, New Hampshire

NHPUC DEC17'14 PM 4:21

RE: DG 13-313
ENERGYNORTH NATURAL GAS, INC.
d/b/a LIBERTY UTILITIES:
Integrated Resource Plan.

PRESENT: Commissioner Martin P. Honigberg, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas, Inc.
d/b/a Liberty Utilities:
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Stephen P. Frink, Asst. Dir./Gas & Water Div.
Al-Azad Iqbal, Gas & Water Div.

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

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P R O C E E D I N G

1
2 CMSR. HONIGBERG: Good morning,
3 everyone. We're here this morning on Docket Number DG
4 13-313, Liberty Utilities (EnergyNorth Natural Gas) Corp.
5 Integrated Resource Plan. This docket, as the number
6 indicates, goes back to 2013. The Company filed its LCIRP
7 at that time. And, the Staff asked a lot of questions,
8 they have gone back and forth, and the Staff filed a
9 recommendation. And, we decided that we wanted to hear
10 from the parties this morning, and we appreciate them
11 coming in.

12 So, before we get started, let's take
13 appearances.

14 MS. KNOWLTON: Good morning,
15 Commissioners. My name is Sarah Knowlton. I'm here today
16 for Liberty Utilities (EnergyNorth Natural Gas) Corp.
17 And, with me today from the Company are the Company's two
18 witnesses that we would propose to sit as a panel,
19 Francisco DaFonte and Eric Stanley. And, then, also at
20 counsel's table is Heather Tebbetts from the Company.

21 MR. BRENNAN: Good morning. Jim
22 Brennan, Office of Consumer Advocate.

23 MR. SPEIDEL: Good morning,
24 Commissioners. Alexander Speidel, representing the Staff

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 of the Commission. And, I have with me Steve Frink, the
2 Assistant Director of the Gas and Water Division; Al-Azad
3 Iqbal, Analyst at the Gas and Water Division; and also
4 co-counsel, Michael Sheehan.

5 CMSR. HONIGBERG: Are we going to be
6 hearing from a panel of the witnesses, Ms. Knowlton, is
7 that what you said?

8 MS. KNOWLTON: Yes. We would propose
9 that Mr. DaFonte and Mr. Stanley sit together as a panel.

10 MR. SPEIDEL: And, if the Company would
11 not object, and nor would the OCA, the Staff would like to
12 propose that Mr. Al-Azad Iqbal sit with them, if that's
13 possible?

14 MS. KNOWLTON: Certainly. That's fine.

15 CMSR. HONIGBERG: That's fine with us.
16 Thank you. Why don't we proceed that way then.

17 MS. KNOWLTON: In addition, if I may,
18 the Company proposes to mark for identification as
19 "Exhibit 1" the Company's Plan that was filed with the
20 Commission on November the 1st, 2013.

21 CMSR. HONIGBERG: Good enough. That
22 will be marked as "Exhibit 1".

23 (The document, as described, was
24 herewith marked as **Exhibit 1** for

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 identification.)

2 MS. KNOWLTON: The Company calls
3 Francisco DaFonte and Eric Stanley please.

4 MR. SPEIDEL: And, the Staff calls
5 Al-Azad Iqbal.

6 (Whereupon **Francisco C. DaFonte,**
7 **Eric M. Stanley,** and **Al-Azad Iqbal** were
8 duly sworn by the Court Reporter.)

9 **FRANCISCO C. DaFONTE, SWORN**

10 **ERIC M. STANLEY, SWORN**

11 **AL-AZAD IQBAL, SWORN**

12 **DIRECT EXAMINATION**

13 BY MS. KNOWLTON:

14 Q. Good afternoon, Mr. DaFonte. I'll start with you.
15 Would you please state your full name for the record.

16 A. (DaFonte) Francisco C. DaFonte.

17 Q. By whom are you employed?

18 A. (DaFonte) Liberty Energy Utilities (New Hampshire)
19 Corp.

20 Q. What is your position with the Company?

21 A. (DaFonte) I am the Vice President of Energy
22 Procurement.

23 Q. In that capacity, do you have any responsibilities that
24 relate to the EnergyNorth Least Cost Integrated

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1 Resource Plan?

2 A. (DaFonte) Yes. I oversaw the development of the Plan,
3 including the demand forecast, as well as the Resource
4 Plan itself.

5 Q. And, just make sure that you have the microphone on and
6 speak into it. It's a little bit faint. Do you have
7 any corrections or updates to the Plan?

8 A. (DaFonte) I do not.

9 Q. Good morning, Mr. Stanley. Would you state your name
10 for record.

11 A. (Stanley) Eric Matthew Stanley.

12 Q. What is your -- by whom are you employed?

13 A. (Stanley) I'm employed by Liberty Energy Utilities (New
14 Hampshire) Corp.

15 Q. What is your position with the Company?

16 A. (Stanley) I'm the Manager of Energy Efficiency and
17 Customer Programs.

18 Q. Did you have any role in the development of this Least
19 Cost Integrated Resource Plan that is before the
20 Commission today?

21 A. (Stanley) I provided input on the Company's energy
22 efficiency program plans and activities.

23 MS. KNOWLTON: Thank you. The Company
24 has no further questions for its witnesses.

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 MR. SPEIDEL: If it would be all right,
2 Staff would recommend that we proceed by having Staff
3 introduce its witness, and then there would be some light
4 cross-examination of the Company witnesses, and then the
5 floor would be open to OCA for cross of both, does that
6 sound about right? Mr. Brennan, what do you think about
7 that?

8 MR. BRENNAN: That sounds fine.

9 CMSR. HONIGBERG: All right. Thank you.
10 Why don't you proceed then, Mr. Speidel.

11 MR. SPEIDEL: Okay. Thank you very
12 much.

13 BY MR. SPEIDEL:

14 Q. Mr. Al-Azad Iqbal, could you please state your duties
15 at the Commission.

16 A. (Iqbal) I'm a Utility Analyst in the Gas Division,
17 and --

18 (Court reporter interruption.)

19 BY MR. SPEIDEL:

20 Q. And slowly please.

21 A. (Iqbal) I'm a Utility Analyst in the Gas Division, and
22 I'm involved in all aspect of Gas Division activities.

23 Q. Are you familiar with a document that you signed that
24 was dated November the 12th of 2014, that was addressed

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1 to Executive Director Debra Howland?

2 A. (Iqbal) Yes, I did.

3 Q. Was this a document that you prepared?

4 A. (Iqbal) Yes.

5 Q. And, it was part of your duties at the Commission to
6 prepare such a recommendation regarding this DG 13-313
7 docket?

8 A. (Iqbal) Yes.

9 MR. SPEIDEL: I would recommend that
10 this be adopted as hearing "Exhibit 2", if possible?

11 CMSR. HONIGBERG: We'll mark this as
12 "Exhibit 2". That's the November 12th letter.

13 (The document, as described, was
14 herewith marked as **Exhibit 2** for
15 identification.)

16 BY MR. SPEIDEL:

17 Q. Mr. Iqbal, would you be able to summarize, in general
18 terms, Staff's approach to this IRP as encapsulated in
19 the November 12 letter?

20 A. (Iqbal) Yes. Certainly. The Staff looked into this
21 Plan in details. And, in our review process, we went
22 through every details, including the programming level.
23 So, usually, we don't, for this type of dockets, that
24 level of details is usually not looked into, but this

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 time we did. And, we are happy to report, and in our
2 letter we also mention that, it was very helpful,
3 helpful to get all the responses from the utility.
4 And, our review shows that this Plan meets the
5 requirement of what we set up for the last docket.
6 And, we believe that, other than a few very minor
7 methodology mistakes or oversight, I think the whole
8 report -- the whole Plan is a good plan.

9 Q. And, that conclusion that "this is a good plan" stands
10 as of the date of this hearing today, correct?

11 A. (Iqbal) Yes.

12 Q. Excellent. And, so, you adopt these recommendations,
13 in general terms, obviously, we have gone forward with
14 a hearing, but the recommendations put forth in general
15 terms by Staff in Hearing Exhibit 2, you would adopt
16 them today?

17 A. (Iqbal) Yes.

18 MR. SPEIDEL: Excellent. Thank you. I
19 would now address these questions to the Company panel.
20 And, I invite either of you to reply as you see most
21 appropriate.

22 **CROSS-EXAMINATION**

23 BY MR. SPEIDEL:

24 Q. And, we'll begin with number one. Did any of the

1 assumptions, forecasting, resource or market-related,
2 used by the Company change after the IRP was filed?

3 A. (DaFonte) Yes. A couple of the changes relate to a
4 special contract that the Company entered into with
5 iNATGAS. That particular agreement had the effect of
6 increasing the firm demand requirements going forward
7 in the Plan. In addition, the Company finalized
8 negotiations with Tennessee Gas Pipeline, with regard
9 to a Precedent Agreement for new capacity on the
10 proposed Northeast Energy Delivery Project.

11 Q. Do any of those changes fundamentally impact the
12 conclusions of the IRP set forth by the Company?

13 A. (DaFonte) In terms of the IRP itself, fundamentally,
14 the process remains the same. It has not changed the
15 conclusions. In fact, within the IRP, we did have an
16 assumption that capacity would be required, and we did
17 model the Northeast Energy Delivery Project at a
18 assumed level at that time based on the demand
19 forecast. Otherwise, there really were no additional
20 impacts.

21 Q. If you could, as part of our second series of
22 questions, update the status of the iNATGAS venture.
23 Would you be able to describe how it would impact the
24 forecasting assumptions of the current IRP in a general

1 way?

2 A. (DaFonte) Sure. The iNATGAS agreement, obviously, was
3 approved by the Commission. The project is currently
4 on schedule to be completed by the end of March of
5 2015. So, it should go into service on or about
6 March 31st. As far as the impact itself, as I
7 mentioned previously, this is a utility sales customer
8 to start off. And, so, it will have an impact with
9 regard to the volume that will be required to serve the
10 facility itself. So, our demand forecast increased.

11 What is relatively unknown at this point
12 is the ultimate volume that will be required to serve
13 this facility. But there are assumptions based on the
14 demand for CNG and the expectations provided by the
15 facility as to their requirements going forward. So,
16 we would expect and do expect our demand forecast to
17 increase going forward.

18 Q. Now, has the Company, and by "Company" I mean the
19 franchise holder, EnergyNorth, and its successors and
20 predecessors, how has the Company managed a customer
21 like iNATGAS in the past, a customer of its class? Has
22 there ever been such an instance, such a customer of
23 such volumes?

24 A. (DaFonte) This is a unique customer. It's the first

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 compressed natural gas customer that we've had. So, as
2 a result, we don't have any real experience with this
3 particular type of customer. However, you know, we
4 deal with the customer like we would any other
5 customer, an industrial/commercial type load. We
6 determine what the requirements are. We factor those
7 requirements into our demand forecast. And, then, we
8 determine how we're going to serve that customer and
9 all customers in the least cost fashion through the
10 overall portfolio design.

11 Q. Has a protocol been developed in response to the
12 introduction of iNATGAS into the system, to manage
13 similar cases in situations where you have the large
14 industrial customer who's eager to buy large
15 quantities? Has it been formalized in any way?

16 A. (DaFonte) Well, I think the Integrated Resource Plan is
17 really the process that we use to outline our
18 methodology for dealing with incremental load, and
19 specifically any large customers that we expect to come
20 on line within the five-year forecast period. So, that
21 really develops the methodology that we would use to
22 serve the customer.

23 Q. Thank you. Would the Company have any updates to
24 provide regarding resource decisions that it has taken

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 after the filing of the IRP? And, to the Company's
2 knowledge, do any of these decisions require PUC
3 approval in the upcoming months or weeks?

4 A. (DaFonte) Well, as I mentioned, we did finalize a
5 Precedent Agreement with Tennessee Gas Pipeline. We
6 will be filing that Precedent Agreement shortly, within
7 the next couple weeks or so. So, that is one resource
8 decision that we have moved forward with.

9 With regard to the other resources that
10 we outlined in the IRP, specifically, on Bates Page 060
11 and 061, of Table IV.C.8, that table basically puts
12 forth all of the contracts within the portfolio that
13 require a decision to be made as to their renewal or
14 termination within the five-year period. Out of all of
15 those contracts, the only ones that haven't been
16 renewed are the Union contract, the TransCanada
17 contract, the Iroquois contract, a Tennessee contract
18 number 95346, another Tennessee contract 72694, and a
19 PNGTS contract. And, those have not been renewed
20 because the renewal date has not come up yet.

21 Q. Thank you. Would the Company be able to provide a
22 little bit of additional background in terms of the
23 concept of "best cost", and I use "best cost" in
24 quotation marks as a term of art. If you could provide

1 a little explanation of how the "best cost" objective
2 is achieved and developed within the context of the
3 Company's operations?

4 A. (DaFonte) Sure. You know, to put it simply, "best
5 cost" simply takes into account non-cost criteria in
6 developing the Company's decision on a given resource
7 within the portfolio. And, some of those, those
8 non-cost criteria include reliability of a particular
9 resource, the flexibility inherent in a particular
10 resource, and also the viability of a resource. So,
11 the Company simply doesn't look at the cost and make a
12 determination solely on that.

13 Q. Now, perhaps you'd be able, Mr. DaFonte, or your
14 co-witness would be able to describe how the "best
15 cost" objective has been applied by the Company in its
16 recent decision-making. And, if there have been such
17 examples, perhaps you could give us a little bit of
18 information, with the understanding that you do not
19 have to disclose confidential information within the
20 context of a public session.

21 A. (DaFonte) Sure. As I mentioned previously, we did just
22 enter into a Precedent Agreement with Tennessee Gas
23 Pipeline. As part of that decision, we actually
24 undertook a collaboration with our fellow local

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 distribution companies within New England. Almost all
2 of the New England natural gas utilities participated
3 in the collaborative effort to negotiate similar terms
4 and conditions. As part of that, we certainly
5 considered the cost, and also the non-cost factors,
6 when making that decision. And, a lot of that will be
7 outlined in the forthcoming testimony.

8 Q. Thank you very much. Just as one last follow-up
9 question, the Precedent Agreement that you've entered
10 into with the Tennessee Gas Pipeline people, would you
11 be able to disclose the term of that agreement in the
12 hearing room now or would that require a confidential
13 agreement?

14 A. (DaFonte) I don't believe so. The term of the
15 agreement, it would be 20 years in length.

16 Q. Twenty years.

17 A. (DaFonte) Which is typical for any new project.

18 MR. SPEIDEL: Okay. Thank you very
19 much, Mr. DaFonte. The Staff has no further questions of
20 this witness panel. And, we would invite Mr. Brennan of
21 the OCA to ask questions, if he would like.

22 CMSR. HONIGBERG: Mr. Brennan.

23 MR. BRENNAN: I have one follow-up
24 question on the non-cost criteria.

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1 BY MR. BRENNAN:

2 Q. Do you attempt to put a quantity or a value on the
3 non-cost factors or is it left totally subjective in
4 your decision to come up with a "best cost" versus a
5 "least cost"?

6 A. (DaFonte) We do have a 100 point scale that we use to
7 score the particular resource. So, reliability, I
8 believe, is 35 points; flexibility, I believe, is 25
9 points; and we have 15 points, I believe, for
10 viability; and the remainder, I believe it's 30 or
11 whatever the number is, it would be cost-based. So, it
12 essentially, in descending order, is reliability takes
13 the most priority for us. Obviously, we can get the
14 cheapest supply or resource, but, if it can't be
15 delivered on the coldest day of the year, it really
16 does no good for us and our customers. So, we consider
17 reliability the first and foremost of importance, and
18 then cost, and then flexibility, and then viability, in
19 that order.

20 Q. So, it's reliability, cost, flexibility, and --

21 A. (DaFonte) Viability.

22 Q. Viability.

23 A. (DaFonte) Yes, viability of the project. So, and that
24 viability, just to add a little bit more to that,

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 that's essentially the ability for a particular project
2 to get built. You know, the financial security of the
3 particular developer, those kinds of things that we
4 consider.

5 MR. BRENNAN: Thank you.

6 CMSR. HONIGBERG: Commissioner Scott.

7 CMSR. SCOTT: Thank you. And, good
8 morning.

9 WITNESS DaFONTE: Good morning.

10 CMSR. SCOTT: Thank you for coming.

11 BY CMSR. SCOTT:

12 Q. Picking up on the discussion you just had with the
13 Office of Consumer Advocate, on the viability issue. I
14 was just curious, so, I understand -- you talked a
15 little bit about the Precedent Agreement with
16 Tennessee. My editorial, as much as we need natural
17 gas pipeline in the region, any particular project
18 seems to -- there's a lot of siting issues with any
19 project, as you know. So, what happens, you do the
20 Precedent Agreement, that's in your Plan now, that's
21 your path forward for a certain -- for that firm
22 transportation, and the project doesn't get built. So,
23 what happens then? How does that work?

24 A. (DaFonte) We would consider alternatives. And, some of

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1 those alternatives we've already looked at. But,
2 overall, the Tennessee project would be the "best cost"
3 alternative for our customers. So, obviously, we would
4 want to push that project forward as much as possible.

5 Certainly, if there are indications that
6 the project is not going to get built, then we would
7 fall back on some of the alternatives that may be out
8 there, and sort of rethink what the best alternative
9 would be for our customers.

10 Q. And, so, to paraphrase that, you know, at the beginning
11 of your Exhibit 1, your filing from last year, you talk
12 about "really this needs to be a dynamic process and a
13 living document", I can't remember the exact words, but
14 I think that captures it. That being the case, so, you
15 sign the Precedent Agreement, sounds like you would
16 monitor the project as it goes along and make decisions
17 as new data becomes available. Does that sound right?

18 A. (DaFonte) Right. Right. There will be certain
19 milestones that have to be met. And, if those
20 milestones are not met, then that would give us some
21 indication as to whether the project is going to
22 continue to go forward, whether it might be delayed, or
23 other issues that might develop. But, certainly, we do
24 have, within the Precedent Agreement, certain

1 conditions that have to be met, and we'll continue
2 to -- we'll monitor those very closely, and the
3 milestones that I mentioned will certainly be key in
4 determining whether the project will go forward or
5 whatever, be delayed even, if it does go forward.

6 Q. Thank you. So, my -- another line of questioning, and,
7 again, whoever feels best to answer my questions. I
8 was curious to get a little bit more detail on how you
9 estimate demand growth. In reading the filing, I get
10 the impression a lot of this is historical, looking at
11 an historical record to predict the future. Is that a
12 fair assessment from my end?

13 A. (DaFonte) Yes. That's -- that is one factor that is
14 considered. We also look at and discuss with our Sales
15 and Marketing team what they're seeing for growth.
16 Whether they have a new growth plan in place, whether
17 they're seeing any large customers. For example,
18 iNATGAS would be a large customer that would be
19 discussed with my group before we even consider
20 bringing that customer onto the system. So, those
21 types of large loads or new marketing plans, new growth
22 targets, things of that nature, those get factored in.
23 And, then, of course, we use econometric data to
24 determine whether the economic rebound will take place

1 and usage of customers will increase, whether it's
2 commercial, industrial, or otherwise. But those all
3 get factored in there, and that's really what drives
4 the demand forecast.

5 Q. So, asking the question a slightly different way, how
6 does the projected growth in your IRP submittal differ
7 from historical growth?

8 A. (DaFonte) It's relatively similar to the historical. I
9 think it's slightly higher, based on an economic
10 rebound. And, of course, when you factor in iNATGAS,
11 it could be significantly higher, because it's a pretty
12 large customer. It's capable of using about 8,800
13 decatherms of gas per day on peak. So, that's a
14 significant load that would be added. But that will
15 all get -- that all gets factored in as we revise the
16 forecast based on the most recent numbers. We also
17 have more empirical data available to us now, based on
18 the just concluded Winter of 2013-14, where we saw
19 significant usage by our customers, and that helps us
20 to determine what the forecast demand might be. And,
21 so, it's, you know, it's beneficial, because we really
22 haven't had that type of winter in many years, in some
23 cases, not within the 30-year period that we collect
24 weather data. So, that helps us as well. And, of

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 course, the pricing that came along with that also gets
2 factored into this type of plan. Had we known where
3 prices were going to be, we would have modeled those
4 within the IRP that we filed on November 1st, 2013.

5 So, that will also have an impact, if we were to redo
6 the forecast and redo the modeling of the resource
7 portfolio as well.

8 Q. So, what direction do you think that, if you redid that
9 molding, would put you?

10 A. (DaFonte) Well, I think, in terms of the resources that
11 we currently have, I don't think it would have much of
12 an impact on those, because we have limited resources.
13 But there is no other incremental pipeline capacity
14 available at this time. But I think what it would do
15 is it would, with the added demand on there, it would
16 require more of the Tennessee project, certainly,
17 because of the increased demand, it would also probably
18 utilize the Tennessee capacity at a much higher load
19 factor, probably 100 percent, just given that it
20 accesses much cheaper gas supplies. But those are the
21 things that it would impact. And, obviously, we don't
22 get into developing costs to customers. That comes in
23 through the cost of gas filing. But, certainly, these
24 prices that we saw this past winter had an impact on

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1 the cost of gas for this winter.

2 Q. And, I assume you do look at the cost of gas versus
3 heating oil, as far as how much demand and uptake there
4 will be on new customers?

5 A. (DaFonte) Sure. That would be part of the econometric
6 study. We use Moody's data that would take into
7 account the cost of oil, the alternate fuel cost,
8 whether it's oil or propane, and that gets factored in
9 as well.

10 Q. So, with this, if you had done your modeling, you're
11 saying that there should be more demand. Has that been
12 taken into account in the Precedent Agreement you're
13 looking at with Tennessee?

14 A. (DaFonte) Yes. Yes, it has.

15 Q. All right. Within your existing franchise area, does
16 the Company do like a potential study on how much
17 demand there could be? Is that part of the process you
18 use?

19 A. (DaFonte) Yes. In our discussions with our Sales and
20 Marketing Group, we coordinate with them as far as what
21 their marketing plan is going to be over the next year
22 or two, and beyond, if there's anything that they see
23 on the horizon, large projects or anything like that.
24 We also consider, in the case of the Tennessee project,

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 if there are opportunities, with a new pipeline coming
2 into the region, to grow the distribution system in
3 those locations where the pipeline will traverse New
4 Hampshire, we would also consider that. But that's --
5 that's longer term. I mean, that project is more of
6 a -- it's a 2018 project. So, it's more difficult to
7 determine what the actual growth or the expansion
8 opportunity will be, until we, you know, really get
9 into the details of the siting of the project, for
10 example. But, as I said, the Sales and Marketing Group
11 does provide us with their marketing information and
12 what their expected conversion rate would be adding new
13 customers and even growth of existing load.

14 Q. And, it sounds like maybe you're the wrong one to ask,
15 because you're not from Sales and Marketing, but it
16 would appear to me there's -- that anecdotally, from
17 comments we get from the public, there's a general
18 interest in getting access to natural gas, whether it's
19 home heating or businesses. Is Marketing looking at
20 doing more aggressive marketing? Again, it sounds like
21 a certain element of that is, obviously, pipeline
22 capacity. But, in theory, you're helping solve that
23 problem with the Tennessee agreement. So, is Marketing
24 reacting based on that or is it the opposite, is it?

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1 A. (DaFonte) No. They're certainly reacting towards it.
2 But we do have to collaborate on it very closely,
3 because we need to make sure that we have the capacity
4 and the supply available to serve the incremental load.
5 So, the Sales and Marketing Group isn't just out there
6 adding customers without collaborating with us, to
7 determine whether we have the available supply to serve
8 those customers. So, we do make sure that we
9 coordinate that very closely.

10 Q. Okay. Let me change topics a little bit, probably for
11 Mr. Stanley, on the energy efficiency side. I was
12 curious, if you could explain a little bit more detail
13 the cost/benefit analysis for energy efficiency? And,
14 by that, you know, in the context of buying firm
15 capacity, there's this balance, I assume, of how much
16 energy efficiency is cost-effective, compared to buying
17 new capacity. Is that an analysis you do?

18 A. (Stanley) Actually, Chico's team would do that
19 analysis, in terms of supply acquisition.

20 Q. Okay.

21 A. (DaFonte) Yes. In this filing, we actually evaluated
22 the energy efficiency measures as a supply-side
23 resource, so that we could really compare
24 apples-to-apples with alternative supplies. Now,

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 that's one area where, as I mentioned earlier, you
2 know, the pricing that we saw this past winter may have
3 an impact. If no project is built, and we have to live
4 with these high natural gas prices, then I think it
5 would make energy efficiency measures more
6 cost-effective.

7 However, you know, not all energy
8 efficiency measures would be cost-effective based on
9 the Integrated Resource Plan. We did look at
10 alternative measures that were outlined in a GDS
11 report. They're called "good", "better", and "best"
12 measures. And, in the IRP, as we looked at the
13 assumptions on the costs of these measures, the model
14 that we use to determine cost-effectiveness, it did
15 like the good measures, but did not like the better and
16 best, just because of the cost of those measures. That
17 could change, again, depending on price, and depending
18 on the Tennessee project, for example, that would lower
19 prices. So, it's difficult to say right now. But,
20 based on what we knew at the time, those are, you know,
21 that's sort of what the model chose, based on the
22 economics.

23 Q. And, I understand the price of the commodity of gas
24 will impact whether the efficiency is cost-effective.

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1 Am I correct, though, that the Company also takes into
2 account the demand reduction potential, compared to the
3 long -- you know, 20 years of firm gas that may or may
4 not be needed to buy? I mean, that's a cost, too,
5 right?

6 A. (DaFonte) Right. Right. So, it's looked at as a
7 supply-side resource. So, we look at the cost to
8 implement a particular measure, and the impact of that
9 measure on demand. So, you know, for example, if one
10 particular measure, let's say, reduces demand by ten
11 decatherms, and we had a supply that could supply ten
12 decatherms, we look at what's the cost of that supply
13 for the ten decatherms, and what's the cost of the
14 energy efficiency measure to reduce the demand by ten
15 decatherms. And, the economics would dictate which,
16 you know, which option we should choose.

17 Q. And, when you do that analysis, maybe I finally get to
18 Mr. Stanley, I don't know, is are you looking at just
19 what's currently approved for your energy efficiency
20 programs or are you looking at a potential and other,
21 what could you be doing? Is that a factor? Or, are
22 you just looking at what's already on the books?

23 A. (Stanley) The potential of what we could do and what we
24 do now is all factored in. The potential of what we

1 use the avoided cost study, and the avoided cost study
2 looks into the horizon for the next 15, 20 years, and
3 project the forecast. All this forecasting is done
4 from there. And, they consider all aspects. And,
5 right now, it's going on, this morning we got this gas
6 pricing portion of that. And, so, what I wanted to say
7 that it's not only the Company is doing it, they're
8 all. It is actually a regional study based analysis
9 they use.

10 BY CMSR. SCOTT:

11 Q. Thank you. So, if I understand right, in the State of
12 Maine, they have, for gas efficiency, they have a --
13 what do they call it? -- an "all cost-effective"
14 approach they use. So, you know, which means to me, I
15 think, before you buy new capacity, you exhaust all
16 cost-effective options first. Is that -- does that
17 sound correct? I know you're not from Maine,
18 obviously, but --

19 A. (DaFonte) I'm familiar with several states having that
20 type of mandate of what you're referencing. I can't
21 speak to the details of Maine, but I understand the
22 concept.

23 Q. Is that effectively what you're doing in your IRP
24 anyways?

1 A. (DaFonte) No. What we do in the IRP is we model what
2 the current program is, and we project that out over
3 the -- in this case, it was 25 years, based on the last
4 years of -- the last year of the forecast, which was
5 the fifth year, we look at it 20 years beyond that.
6 And, we also did a scenario where we doubled the
7 current program, just to look at the cost-effectiveness
8 of that. And, in the IRP model runs, it did choose to
9 take that additional energy efficiency or the
10 additional energy efficiency measures based on the
11 pricing at the time.

12 Q. So, is that something that should be looked at, is an
13 "all cost-effective" approach when you do the analysis?

14 A. (DaFonte) Well, I think, you know, it depends on what
15 the regional study suggests. For us to just go out on
16 our own and make a determination that we should use --
17 we should spend, you know, X number of dollars on
18 energy efficiency measures and be consistent with what
19 the regional study suggests. And, so, we want to take
20 a look at that regional study and participate as we are
21 participating in that, in the CORE program.

22 Q. Thank you. And, going back to our earlier discussion
23 on pricing for the consumer. In an ideal world, so
24 that you do the Precedent Agreement with Tennessee,

1 that gets built, what I think you're implying is that
2 will lower prices for your customers. But, when you
3 look at demand growth, and I know this original filing
4 was done before all this, is that demand growth still
5 valid in that case, meaning, after 2018, the pipeline
6 is in, the prices are lower, won't that mean there will
7 be a greater desire to go on natural gas, and therefore
8 there would be a higher demand growth?

9 A. (DaFonte) We've factored some of that in as well. I
10 mean, it's a long-term study. So, it's difficult to
11 determine what type of growth you're going to get. So,
12 we have to make some assumptions and cap some of that
13 growth. There's only so much you can add. And,
14 certainly, as I said earlier, depending on the siting
15 of the pipeline, there may be new opportunities for us
16 to grow our distribution system. But, you know, we
17 would consider all of that as we go forward, and, you
18 know, in the context of our next Integrated Resource
19 Plan, we would take all that into account as well.

20 I would also add that, even with the
21 Tennessee project in place, we still assume the, you
22 know, the CORE program energy efficiency impact. So,
23 we carry that forward throughout the period. So, we're
24 not choosing the Tennessee option over energy

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 efficiency measures. We're implementing energy
2 efficiency, that reduces the demand, and offsets the
3 growth, essentially, is what it does. And, the
4 Tennessee project is still looked at in the context of
5 a net growth over the term of the contract.

6 CMSR. SCOTT: Thank you. I think that's
7 all I have.

8 CMSR. HONIGBERG: Thank you. Good
9 morning.

10 WITNESS STANLEY: Good morning.

11 CMSR. HONIGBERG: Whenever people start
12 talking about "100 point scale and scoring" I get
13 interested.

14 BY CMSR. HONIGBERG:

15 Q. How do "reliability" and "viability" interact with each
16 over in your analysis? Because it seems to me that
17 they're in some ways measuring the same thing.

18 A. (DaFonte) Well, "reliability", we look at diversity as
19 well, supply diversity. So, for example, we wouldn't
20 want our entire portfolio accessing a single supply
21 source, if something were to happen to that particular
22 supply source. So, diversity plays a factor in that.
23 "Reliability" would imply what is the ability for a
24 supply to get delivered to our city gate. So, for

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1 example, while we might have firm capacity, if we are
2 contracting with a supplier for interruptible supply,
3 where it can be diverted somewhere else, then the
4 reliability isn't that great. Or, if -- what we do is
5 we also look at the experience of a counterparty. So
6 that, if they haven't performed on a cold day, for
7 example, in the winter, we would certainly consider
8 them less reliable than a counterparty that we've had
9 very good dealings and success with.

10 Q. And, so, "viability" then is really only applicable to
11 projects that don't exist at this point?

12 A. (DaFonte) Well, it's -- it would be applicable to,
13 let's say, it was, you know, we're looking at a company
14 like a BP, for example, versus a start-up that is just
15 a mom-and-pop kind of supplier. And, we would look at
16 their balance sheet and determine, you know, who's more
17 likely to perform, even if there is some sort of a
18 disruption in service or anything like that, what's the
19 likelihood of that company being able to perform under
20 those conditions. And, so, we look at that. We also
21 look at it in the context of a project. Who's building
22 the project? Are they a reputable developer? Those
23 kinds of things. So, it's really looking more at the
24 financial wherewithal of the entity.

1 Q. That's helpful. Thank you. Mr. Iqbal, would you
2 please, I'm going to ask you a multipart question, what
3 were your greatest concerns about this filing? Where
4 those concerns addressed? And, if so, how?

5 A. (Iqbal) At high level of our analysis, based on our
6 analysis, I really don't have any big concerns. The
7 concern I had is about methodology, how it is
8 implemented. And, those are not big enough to change
9 any of the conclusions. So, that's why we -- we put,
10 in our recommendation, we put some bookmarks, not the
11 details, what are those. So, we put only bookmarks to
12 remind us in the next IRP that we have to address these
13 detailed issues, and instead of putting all those
14 details in our recommendation, which that doesn't make
15 sense at this point. And, at the level of details we
16 are talking about is, as it is not changing the policy
17 or the conclusion, without that, a simple bookmark on
18 the recommendation to remind us of what we are supposed
19 to do.

20 So, we didn't have any big concern, but
21 we have some methodological issue, which could be
22 addressed in the next IRP.

23 Q. Give me an example or two of some of the methodological
24 concerns you had.

1 A. Let's just start with the energy efficiency. The
2 energy efficiency right now would be --

3 (Court reporter interruption.)

4 **CONTINUED BY THE WITNESS:**

5 A. -- good, better, best, sorry. Good, better, best.
6 And, these are actually incremental. That, if you add
7 two more measure on the good thing, it becomes better;
8 if you add three more, it would be best. So, one of my
9 concern about that is that it should be looked at
10 incremental. That it's this -- right now it's mutually
11 exclusive. If you choose good, either you have to look
12 at good or better or best. But, if it is incremental,
13 like we might be talking about, let's say, 50 percent
14 good, but that 50 percent, if you add some more to
15 measure, it becomes better, but it could be under that
16 50 percent. So, it gives it more flexibility of the
17 model to go for better. That's one. That's one
18 example.

19 And, another overall approach, like
20 forecasting, forecasting is very important for an IRP.
21 If something is wrong and we don't catch in
22 forecasting, it will be -- the whole -- all the
23 conclusion of our IRP would be wrong. So, the
24 company last time -- the companies do two methods; one

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 is a detailed method, one is overall company level of
2 forecasting, just to check whether that detailed method
3 output makes sense. So, this time they didn't do that.
4 So, one of my suggestion is that they do the overall
5 forecasting, too.

6 So, these are the type of things we are
7 talking about. That these are not changing the
8 conclusions, but these are important for the
9 reliability of the Plan.

10 BY CMSR. HONIGBERG:

11 Q. And, you shared your concerns with the Company?

12 A. (Iqbal) Yes, we did.

13 CMSR. HONIGBERG: Commissioner Scott,
14 you had another question.

15 CMSR. SCOTT: Thank you.

16 BY CMSR. SCOTT:

17 Q. On Exhibit 1, your original filing from last year, on
18 Bates 055, there was a discussion about the "LNG refill
19 services". I can wait for you, if you want to get to
20 it. But my broader question is, you mention in that
21 testimony that the consortium was hoping to develop
22 alternatives for liquid refill. I was curious, you
23 know, a year has obviously past, I was curious, has
24 there been any progress on that?

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[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 A. (DaFonte) Yes. We, as you mentioned, we did develop a
2 LDC consortium to look at various LNG projects. We
3 have not made any decision with regard to that. At
4 this point in time, we're still negotiating with a
5 couple of the projects. And, we should have some
6 decision on that probably within the next probably
7 three to six months or so.

8 Q. Are these new projects or are we talking just a
9 different form of Distrigas or Cannaport or --

10 A. (DaFonte) We're looking at, you know, there's -- we're
11 looking at a new project, and then we're also looking
12 at the existing. So, there's a -- and, we're waiting
13 to get some more feedback from both the developer of
14 the new project and also the existing, to determine
15 what the cost-effectiveness of each would be.

16 CMSR. SCOTT: I'd be curious to see how
17 that ends up. Thank you.

18 WITNESS DaFONTE: We'll -- if we do
19 enter into a long-term contract, we would, obviously, file
20 that with the Commission.

21 CMSR. SCOTT: Thank you.

22 CMSR. HONIGBERG: I have no further
23 questions. Do either Ms. Knowlton or Mr. Speidel have any
24 follow-up questions for their witnesses?

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[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 MS. KNOWLTON: I do.

2 CMSR. HONIGBERG: Do you want to --

3 Mr. Speidel, do you have any?

4 MR. SPEIDEL: No. Staff does not.

5 CMSR. HONIGBERG: All right.

6 Ms. Knowlton, why don't you proceed then.

7 MS. KNOWLTON: Thank you.

8 **REDIRECT EXAMINATION**

9 BY MS. KNOWLTON:

10 Q. Mr. Stanley, are there any limits on the energy
11 efficiency measures that the Company can implement?

12 A. (Stanley) Well, there's no limits, *per se*. As long as
13 a measure is cost-effective, we can implement any type
14 of measure, essentially, that, if it's outlined in our
15 CORE Program filing and meets the cost-effectiveness
16 guideline test.

17 Q. And, how is cost-effectiveness determined?

18 A. (Stanley) Cost-effectiveness is determined by a
19 comparison of the actual cost to implement the measure,
20 the total cost, for what the customer invests in, and
21 then a computation of the forecasted benefit or
22 benefits of the energy savings that would be realized
23 by the customer for implementing those measures.

24 Q. And, is there a ratio that's been established that must

1 be met in order for the measure to be implemented by a
2 utility in New Hampshire?

3 A. (Stanley) Any measure implemented must pass a -- the
4 benefits must at least equal the cost to implement the
5 measure. So, anything that meets a ratio of one or
6 higher is a cost-effective measure that any of the
7 utilities can implement.

8 Q. So, for purposes of the inclusion of energy efficiency
9 in the Least Cost Integrated Resource Plan, it has to
10 meet that benefit/cost ratio of one?

11 A. (Stanley) That is correct.

12 Q. And, if that ratio were changed, then that could affect
13 the amount of energy efficiency that would be selected
14 in the modeling, Mr. DaFonte, is that correct?

15 A. (DaFonte) That's correct.

16 Q. Mr. Stanley, are there any measures that you can think
17 of that don't meet that, the current ratio?

18 A. (Stanley) The best example that comes up most
19 frequently that we deal with customers is windows. We
20 have a lot of customers that would like to replace
21 their windows. That used to be a measure that was part
22 of our portfolio. But, because of the analysis and
23 research that's been performed, that's typically not a
24 very cost-effective measure.

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 When it's done with a combination of
2 other measures, it is possible to -- for that to pass
3 in some scenarios. But, typically -- typically,
4 windows, on their own, do not pass the
5 cost-effectiveness test in our --

6 (Court reporter interruption.)

7 CMSR. HONIGBERG: "In our current
8 model".

9 **CONTINUED BY THE WITNESS:**

10 A. (Stanley) -- in our current model, current modeling.

11 BY MS. KNOWLTON:

12 Q. Mr. DaFonte, I have a question for you. With regard to
13 the Precedent Agreement that the Company has entered
14 into with Tennessee, when would the Company provide the
15 Commission with details about any growth opportunities
16 that it would anticipate or would look to take
17 advantage of in association with the development of the
18 pipeline?

19 A. (DaFonte) Well, we would, once the siting of the
20 project has been determined, meaning what route will
21 the project ultimately take, will it go through
22 Massachusetts, with a lateral up to New Hampshire, or,
23 in the alternative, as it's currently being proposed,
24 will it move -- go up into southwestern New Hampshire

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1 and cut across southern New Hampshire? That makes a
2 difference in the opportunities that may be presented
3 with regard to growing out the distribution system for
4 Liberty Utilities. So, once that's finalized, then we
5 can begin to look at what opportunities may be out
6 there. Whether it's industrial, commercial,
7 residential types of opportunities.

8 Q. What is your best estimate of when that siting would be
9 known?

10 A. (DaFonte) I would say within the next six months, six
11 to twelve months at the latest. But I would think it's
12 going to be within the next six months.

13 Q. Given that, under New Hampshire law, the Company's next
14 IRP would be due within two years of when the
15 Commission issues an order on this IRP, would you
16 anticipate that the next IRP would address any
17 potential growth associated with the pipeline siting?

18 A. (DaFonte) Yes, absolutely. There would be a lot of new
19 information that would be taken into account for the
20 next IRP.

21 You know, I would add that, you know, we
22 just happen to be in a timeframe today where there's a
23 lot of changes going on in the marketplace. And, so,
24 the IRPs tend to get a little bit stale. In this case,

[WITNESS PANEL: DaFonte~Stanley~Iqbal]

1 you know, a few things have happened already within
2 twelve months. And, so, I would expect that over
3 the -- you know, within the next two years, there will
4 be a lot of more clarity on the Tennessee project, as
5 well as other alternatives, as well as a demand
6 forecast. And, of course, we'll have some more, you
7 know, we'll have energy efficiency measures and
8 programs that will be more clearly defined that we
9 would use in the next IRP filing.

10 MS. KNOWLTON: Thank you. I have
11 nothing further for the panel.

12 CMSR. HONIGBERG: Does anybody else have
13 any other questions for the witness panel?

14 MR. SPEIDEL: No thank you.

15 CMSR. HONIGBERG: Thank you all very
16 much. Any objection to striking the ID on the exhibits?

17 MS. KNOWLTON: I have none.

18 CMSR. HONIGBERG: Anyone want to sum up
19 their positions here today? Mr. Brennan, do you have
20 anything you want to sum up?

21 MR. BRENNAN: No. The OCA has no
22 position on it.

23 CMSR. HONIGBERG: Mr. Speidel.

24 MR. SPEIDEL: Staff adopts its position

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1 taken within Hearing Exhibit 2, Mr. Iqbal -- with
2 Mr. Iqbal's recommendation, subject to the bookmarks that
3 he described in his testimony.

4 And, we appreciate the Company's and the
5 OCA's cooperation through this process. And, we applaud
6 the Company, in particular, for the use of open-source
7 software. If we had all of our IRP planning documents
8 prepared using open-source software, I think we would be
9 in very good shape as a Commission in terms of being able
10 to engage in a robust review without having to expend a
11 large amount of resources. So, we thank the Company for
12 that.

13 And, we do recommend the acceptance of
14 the IRP as described in the recommendation. Thank you.

15 CMSR. HONIGBERG: Have you discussed the
16 use of open-source software with some of our other
17 frequent flyers?

18 MR. SPEIDEL: I'm trying to spread the
19 word, formally and informally, as Commissioner Scott
20 knows. I think we're trying to tout that as a very good
21 approach. And, in fact, within the PSNH asset docket, I
22 mentioned offhand that we, as the Staff, had great success
23 using open-source software in another planning-type
24 document. So, we're spreading the word as best we can.

1 CMSR. HONIGBERG: The evangelist of
2 open-source software.

3 MR. SPEIDEL: That's correct. Yes.

4 CMSR. HONIGBERG: Ms. Knowlton.

5 MS. KNOWLTON: Thank you. The Company
6 would ask that the Commission approve the IRP that was
7 proposed on November 1st, 2013 as meeting the statutory
8 criteria and finding that it is adequate.

9 As Mr. DaFonte indicated, it's a
10 document that the Company does use in its procurement. It
11 provides the backbone of the methodology implemented by
12 the Company. But it is a document that can be affected by
13 changing resources and changing times. And, as a result,
14 we anticipate that the next IRP that will be filed will
15 reflect what has occurred out in world. And, we're
16 excited about potential opportunities that that brings to
17 the Company.

18 And, with that, I'd also like to thank
19 the Staff and the OCA for their work over the past year
20 exploring the Plan. Thank you.

21 CMSR. HONIGBERG: We'd like to thank you
22 for coming in. I know that, when you saw the
23 recommendation from Staff, you probably didn't expect to
24 be coming in on this. But we appreciate your willingness

1 to come in and sharing the information that you shared
2 today, because there are things we wanted to hear about
3 from the Company and from Staff. And, so, it was helpful
4 for everyone to be willing to do that and be able to do
5 that today.

6 So, unless there's anything else, I
7 think we can close the hearing and take this under
8 advisement. Good?

9 (No verbal response)

10 CMSR. HONIGBERG: Thank you all.

11 **(Whereupon the hearing was adjourned at**
12 **10:03 a.m.)**