

THE STATE OF NEW HAMPSHIRE

BEFORE THE

PUBLIC UTILITIES COMMISSION

**LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP. D/B/A
LIBERTY UTILITIES**

Docket No. DG 14-_____

**PETITION FOR APPROVAL OF SPECIAL CONTRACT AND LEASE WITH
INNOVATIVE NATURAL GAS, LLC d/b/a iNATGAS**

NOW COMES Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities ("Liberty" or the "Company") and, pursuant to RSA 378: 18, respectfully petitions the New Hampshire Public Utilities Commission ("the Commission") for approval of a Special Contract between Liberty and Innovative Natural Gas, LLC d/b/a iNATGAS ("iNATGAS") and pursuant to RSA 374:30 seeks approval of a lease between Liberty and iNATGAS, all for the purpose of constructing and operating a CNG filling and fueling facility in Concord, New Hampshire on the Company's property. The Company is requesting that the Special Contract and Lease Agreement be approved thirty days from the date of this filing given the customer's desire to be operational by the 2014-2015 winter heating season. In support of this Petition, Liberty states as follows:

1. Liberty is a public utility primarily engaged in the retail delivery of natural gas to approximately 90,000 customers in 30 municipalities across New Hampshire.
2. iNATGAS is an affiliate of Alternative Vehicle Service Group, LP and Consolidated Utilities Corp., both of which are in the business of owning, operating and

constructing both public and private access compressed natural gas vehicle refueling stations. iNATGAS currently is constructing a CNG facility at an NSTAR facility located in Worcester, Massachusetts.

3. On April 2, 2014, iNATGAS and Liberty entered into a series of contracts governing iNATGAS' development of a CNG facility on Liberty's property located on Broken Bridge Road in Concord, New Hampshire. Pursuant to these contracts, all of which are described in the Pre-filed Testimony of William J. Clark, iNATGAS will construct, own and operate a CNG filling station, canopy, storage vessels, and a CNG vehicle fueling dispenser and associated fuel management system on the Company's property on Broken Bridge Road in Concord. Liberty will own a CNG compressor station that will be constructed on the Broken Bridge property adjacent to the Company's existing take station in order to compress the natural gas up to 3600 PSI and deliver it to the iNATGAS facility across the road. iNATGAS anticipates seeking end use customers who wish to take delivery of CNG as well as allowing access to other CNG providers as a tolling facility to supply their customers with CNG. The pumps at the facility will be capable of fast fill applications for CNG trailers as well as city, state, municipal and private vehicle fleets.

4. As explained in the prefiled testimony of William J. Clark, the Company is requesting that the Commission expedite its consideration of the Special Contract and Lease Agreement given the customer's desire to be operational and provide CNG for the upcoming 2014-2105 heating season. In order to construct its part of the CNG operation, the Company must order compressors which constitute a significant expense that the Company would not otherwise incur. In addition, there is a very long lead time

associated with delivery of the compressors. As a result, the Company seeks Commission approval of the Special Contract and Lease Agreement in sufficient time to take the steps necessary to bring the project to completion for the upcoming heating season.

The Lease

5. In order to make this transaction feasible, iNATGAS must lease land from the Company where it will locate the CNG Fueling Station, and the Company must charge iNATGAS a rate in excess of the current tariffed rate for firm transportation customers to recover its investment in the project. Because the Company is leasing its premises to iNATGAS, it is required under RSA 374:30 to obtain Commission approval of the lease. Under the lease agreement, which is appended to Mr. Clark's testimony, iNATGAS is obligated, at its sole expense, to construct a CNG fueling facility which includes: providing a commercially viable fuel management system; two sets of CNG storage vessels; 6 trailer fueling posts; at least one retail style CNG dispenser for vehicle fueling; maintenance of all equipment downstream of the natural gas meter set assembly, including the compressor station; all electrical work after the 1250 KVA transformer; and all electric utility meters at both the compressor station as well as the CNG fueling station. Liberty is obligated under the lease agreement to construct the compressor station, conduct all site survey work and site preparation, extend a transmission grade natural gas service line to the compressor station from its current take station on Broken Bridge Road, provide a 1250 KVA 3-phase step-down transformer and related electrical connections, install gas conditioner equipment and up to six electric motor-driven compressors, pay the property taxes and costs of snow

removal at both the CNG compressor station and the CNG fueling station, and prepare and submit all necessary permitting with the City of Concord and the State of New Hampshire for the project. The Company anticipates applying to the City of Concord for any zoning, site plan or subdivision approvals required for the completion of the improvements as well as to the New Hampshire Department of Environmental Services for any necessary permits.

6. In exchange, iNATGAS will pay Liberty rent for the approximately 3 acre site that the CNG fueling station will encompass. In addition, there are certain financial protections built into the lease associated with iNATGAS' construction on and use of the Company's land. *See* Pre-filed Direct Testimony of William J. Clark at 10-11.

The Special Contract

7. Under the proposed Special Contract, Liberty will provide firm transportation of compressed natural gas to iNATGAS's CNG fueling station for a term of 15 years and iNATGAS will be a sales customer of the Company for one year. iNATGAS will pay a fixed delivery charge in excess of the tariffed amount¹ for all therms metered at the delivery point which charge will remain in effect for the term of contract and will not be subject to any adjustments.

8. The Special Contract also contains certain take or pay provisions. For the first two years of the contract, iNATGAS must take or pay for a minimum of 300,000 decatherms ("Dth") of natural gas per year; for the following 24 month period, iNATGAS must take or pay for a minimum of 500,000 Dth per year, and for the remainder of the term of the Special Contract, it must take or pay for a minimum of

1,300,000 Dth per year. Under the Company's current tariff, iNATGAS would be a G-54 customer and would pay an average distribution charge of \$.032 per therm. The Special Contract rate, which is higher than the tariffed rate, will compensate the Company for its investment in the CNG compressor station and related electrical and gas facilities necessary to serve iNATGAS.

9. The Company asserts that special circumstances exist that warrant deviation from its tariff provisions because the current tariff does not adequately protect the Company's investment and its existing customers in event of unforeseen circumstances that could arise in the future regarding this project. The existing tariff never anticipated a single customer utilizing the amount of natural gas as will be used here, which is projected to be more than five times the amount of natural gas than the Company's largest customer, nor does the tariff cover a situation where the Company is required to invest a significant sum in facilities (other than line extensions) necessary to provide service to a customer. In addition, as written, the existing tariff does not allow for the resale of natural gas by a customer. Further, if an unforeseen reversal in the difference between the price of natural gas and fuel oil were to occur after the first year of operation and the CNG facility were to shut down, the Company would be left with a substantial amount of unrecovered investment and no revenue. To avoid this result, the Company required yearly take or pay minimums that allow for recovery of the Company's investment in a timely manner to safeguard its investment and to protect its customers.

¹ The amount of the per therm charge is subject to a motion for protective treatment and thus the amount is not included in this petition.

10. Paying higher than the tariffed rate is in iNATGAS's interest because it allows iNATGAS access to transmission line pressure without the capital expense of new gate station. It also provides iNATGAS with price certainty when negotiating long term fixed price contracts for the delivery of CNG which should allow for the CNG facility to reach full capacity sooner. This will benefit both Liberty and its customers because the added revenue will offset the revenue requirement of Liberty's investment, thus reducing future rates for all customers. As described in Mr. Clark and Mr. Hall's testimony, Liberty projects that it will recover its investment in 5.5 years. If the baseline projections are met, the \$2.2 million investment will be recovered in 4 years and if the accelerated projections are achieved, the Company will recover its \$2.2 million investment in 3 years and 4 months. Thus, this project is financially beneficial to the Company and its customers.

11. The Company has built-in certain financial protections in the event that iNATGAS faces financial hardship and cannot carry through with its obligations under the lease and special contract. Liberty has required AVSG and its principal, Babak Alizadeh, to provide a guaranty to Liberty in which they jointly and severally unconditionally guaranty iNATGAS's obligations under the Lease and the Special Contract for five years from the date of the commencement of the lease. In addition, iNATGAS has agreed to allow Liberty to purchase the CNG fueling station, in its entirety, for its net book value in the event that iNATGAS defaults under the terms of the special contract and/or lease or there is a forced liquidation of its assets. This will enable Liberty to either operate the CNG fueling station and supply CNG to end users or lease the facility to another operator.

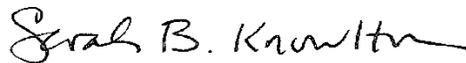
WHEREFORE, Liberty respectfully requests that the Commission:

- A. Find that the Lease Agreement and Special Contract are just and consistent with the public interest; and
- B. Grant such further relief and make such findings or orders as may be necessary and consistent with the relief requested herein.

Respectfully submitted,

LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP.
D/B/A LIBERTY UTILITIES

By its Attorney,



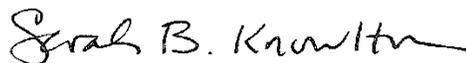
Date: April 4, 2014

By: _____

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Certificate of Service

I hereby certify that on April 4, 2014, a copy of this Petition has been sent to the Consumer Advocate.



Sarah B. Knowlton