

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Iberdrola USA Enterprises, Inc.

- and -

Liberty Utilities (EnergyNorth Natural Gas) Corp.,

Docket No. DG 14-_____

**Direct Testimony
of
Thorn C. Dickinson**

June 6, 2014

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I. INTRODUCTION

Q. Mr. Dickinson, please state your full name and business address.

A. My name is Thorn C. Dickinson. My business address is 52 Farm View Drive, New Gloucester, Maine, 04260.

Q. By whom are you employed and in what capacity?

A. I am Vice President of Business Development for Iberdrola USA Management Corporation, a service company subsidiary of Iberdrola USA, Inc. Iberdrola USA Management Corporation exists to provide certain corporate and back office services to subsidiaries of Iberdrola USA, Inc., including Iberdrola USA Enterprises, Inc. In my role as Vice President of Business Development, I am responsible for identifying and supporting business development and growth initiatives for Iberdrola USA, Inc.

Q. Please describe your educational background and professional experience.

A. I have over twenty five years of work experience in the utility industry. I started my career at New York State Electric & Gas Corporation and subsequently held positions with Energy East Corporation and Iberdrola USA Management Corporation, working in transmission and distribution operations, resource planning, rates and regulatory, strategic planning, investor relations, and risk management. My diverse experiences have included, among other matters: developing integrated resources plans; compliance with clean air regulations; industry restructuring; the acquisition of Rochester Gas and Electric and Central Maine Power by Energy East; the Maine Power Reliability Project; and the divestiture of certain Iberdrola USA, Inc. businesses and assets including Connecticut

1 Natural Gas, Southern Connecticut Gas, and Berkshire Gas Company. I hold a Master's
2 Degree in Business Administration from Syracuse University and a Bachelor's Degree in
3 Electrical Engineering from Union College.

4
5 **Q. Have you previously testified before the New Hampshire Public Utilities**
6 **Commission ("Commission") or other regulatory bodies?**

7 A. I have not previously testified before this Commission. I have, however, provided
8 testimony before the New York State Public Service Commission (testimony in multiple
9 dockets, including Docket 96-E-0891, regarding marginal and embedded costs of service
10 and stranded costs), the Maine Public Utilities Commission (testimony in Docket 2008-
11 255 regarding Central Maine Power's request for a certificate of public convenience and
12 necessity in connection with its Maine Power Reliability Program), and the Connecticut
13 Public Utility Regulatory Authority (f/k/a Department of Public Utility Control)
14 (testimony in Docket 10-07-09 supporting the sale of Connecticut Natural Gas and
15 Southern Connecticut Gas to UIL Holding Corporation).

16
17 **II. PURPOSE OF TESTIMONY**

18 **Q. Please describe the purpose of your testimony.**

19 A. The purpose of my testimony is to describe the corporate relationship between Iberdrola
20 Enterprises, Inc. ("Iberdrola") and New Hampshire Gas Corporation ("NHGC") and
21 provide an overview of the Stock Purchase Agreement ("SPA") between Iberdrola and
22 Liberty Utilities (EnergyNorth Natural Gas) Corp. ("EnergyNorth") for which the
23 petitioners seek the Commission's approval. My testimony also provides an overview of

1 the Amended Operating and Propane Air Sales Supply Agreement attached as Exhibit A
2 to the SPA, including a discussion of the amount paid in connection with that agreement
3 to secure the continued use of the propane air manufacturing facility of Keene Propane
4 Corporation in Keene, NH.

5
6 **III. IBERDROLA USA ENTERPRISES, INC. AND NEW HAMPSHIRE GAS**
7 **CORPORATION**

8 **Q. Please explain the corporate relationship between Iberdrola and NHGC.**

9 A. Iberdrola is a holding company organized under the laws of Maine that owns 100% of the
10 stock of NHGC. Iberdrola's ownership of NHGC dates back to 2007, when Iberdrola's
11 indirect parent, Iberdrola S.A., acquired NHGC's parent holding company, Energy East
12 Corporation. The Commission approved the acquisition in Docket DG 07-083, Order
13 No. 24,812. Prior to that transaction, NHGC was a wholly owned subsidiary of Energy
14 East Enterprises, Inc., which was in turn a subsidiary of Energy East Corporation.
15 Following the transaction, NHGC became a wholly owned direct subsidiary of Iberdrola.
16 An organizational chart depicting the relevant portion of the current corporate structure
17 from Iberdrola, S.A. to NHGC is attached as Attachment A to my testimony.

18
19 **IV. OVERVIEW OF THE STOCK PURCHASE AGREEMENT**

20 **Q. Please describe the key provisions of the Stock Purchase Agreement between**
21 **Iberdrola USA Enterprises, Inc. and Liberty Utilities (EnergyNorth Natural Gas)**
22 **Corp.**

1 A. On April 9, 2014, Iberdrola and EnergyNorth entered into the SPA pursuant to which
2 Iberdrola will sell to Liberty 100% of the capital stock of NHGC for \$3,000,000 as of the
3 closing date, adjusted up or down for positive or negative working capital, minus any
4 financial indebtedness. SPA §§ 1.1, 2.1, 2.2, 2.3. The SPA obligates the parties to close
5 the transaction on or before January 4, 2015, with the potential for a three-month
6 extension only in the event of regulatory delays. SPA §9.1.

7
8 Pursuant to the terms of the SPA, NHGC employees who are employed immediately
9 prior to the transaction's closing date will continue to be employed by Liberty Energy
10 Utilities (New Hampshire) Corporation as of the closing date. SPA §6.9(a). This
11 provision ensures the continued employment of NHGC employees through closing,
12 which, in turn, will ensure the continued operation of NHGC and provision of propane air
13 service to NHGC's customers. Under the SPA, NHGC employees will also participate in
14 the benefit and compensation plans and programs of EnergyNorth and its affiliates,
15 consistent with other EnergyNorth employees, after closing. SPA § 6.9(c). Moreover, in
16 the first year following the closing, the SPA provides that NHGC employees will receive
17 employee benefits that are no less favorable in the aggregate than what they received
18 under Iberdrola's ownership. SPA 6.9(b). The SPA also establishes that EnergyNorth
19 will assume responsibility for certain post-closing COBRA continuation coverage
20 requirements; will allow participation in its flexible benefit plan for certain NHGC
21 employees; and will use reasonable best efforts to ensure that its employee welfare
22 benefits plans credit NHGC employees for benefits accrued prior to the closing.

1 The SPA is subject to certain customary closing conditions, including approval of the
2 stock transfer by this Commission and authority from the Federal Communications
3 Commission (“FCC”) to transfer control of all FCC licenses held by NHGC. SPA Article
4 VII; SPA §8.1. Upon closure of the stock transfer, EnergyNorth will assume control and
5 operation of NHGC, as well as all of NHGC’s rights and obligations.
6

7 **Q. Does the SPA establish a continuing support relationship between Iberdrola and**
8 **EnergyNorth following the transaction?**

9 A. From a day-to-day perspective, the operation of NHGC is largely undertaken by local
10 NHGC employees. To the extent that Iberdrola or one of its affiliates provides services
11 to NHGC (e.g., for legal and regulatory matters), those services will be provided by
12 EnergyNorth as of the closing. The stock transfer, therefore, will have no effect upon the
13 operations of NHGC and the service that it provides to its customers.
14

15 The SPA requires Iberdrola to provide certain support services to EnergyNorth on an as-
16 needed basis for a period of time after the transaction is complete. For example, the SPA
17 requires that Iberdrola preserve records related to the business of NHGC consistent with
18 any applicable law after the closing date, and to make such records and personnel
19 available to EnergyNorth and its representatives as may reasonably be required. SPA §
20 6.5. The SPA also requires that for a six-month period following the closing date,
21 Iberdrola will make certain personnel available at no cost to consult with EnergyNorth
22 and its affiliates with respect to NHGC business matters, including: finance; customer

1 care; operations; environmental, health, safety, and security; energy procurement;
2 infrastructure; regulatory issues; and human resources and payroll. SPA § 11.15.
3

4 **V. AMENDED OPERATING AND PROPANE AIR SALES SUPPLY AGREEMENT**
5

6 **Q. Please describe generally the Amended Operating and Propane Air Sales Supply**
7 **Agreement attached as Exhibit A to the SPA.**

8 A. In November 1998, Energy East Corporation, through its subsidiary New York State
9 Electric & Gas Corporation (“NYSEG”), acquired the Keene, NH regulated propane air
10 distribution business of Keene Gas Corporation (now known as Keene Propane
11 Corporation) (“KPC”). That acquisition was accomplished through New Hampshire Gas
12 Corporation, which was then a wholly owned subsidiary of NYSEG and was formed for
13 purposes of that transaction. As a result, NHGC is today the owner and operator of the
14 former Keene Gas system. That transaction was the subject of Docket DE 98-123 before
15 this Commission and was approved in Commission Order No. 23,017. As the
16 Commission is aware from the proceeding, that acquisition did not include KPC’s
17 propane air manufacturing facility in Keene; instead, NHGC and KPC entered into an
18 Operating and Propane Air Sales Supply Agreement pursuant to which KPC agreed to
19 provide propane air at cost to NHGC at the property line.
20

21 In March 2012, KPC sued NHGC and NYSEG in Cheshire County Superior Court
22 seeking, among other relief, a declaration that KPC was no longer obligated to provide
23 propane air to NHGC under the Operating and Propane Air Sales Supply Agreement and

that the court should declare the agreement to be terminated. Earlier this year, the parties settled the litigation and, as part of the settlement, entered into the Amended Operating and Propane Air Sales Supply Agreement attached as Exhibit A to the SPA. NHGC agreed to cause to be paid to KPC [REDACTED] for the continued use of KPC's propane air manufacturing facility for the next twelve years for the purposes of storing, manufacturing and delivering propane air, with the option to extend the period, upon payment of additional annual compensation, for three one-year renewal terms. NHGC also has the option to purchase all or some portion of KPC's propane air facility at net book value at any time during the initial term or any renewal term. Consistent with the Operating and Propane Air Sales Supply Agreement that was in effect prior to the settlement, NHGC agreed to reimburse KPC for certain costs incurred in connection with the propane air facility, including property taxes and insurance.

Q. Were you involved in the negotiation of the settlement agreement and Amended Operating and Propane Air Sales Supply Agreement with KPC?

A. Yes, I was directly involved in the negotiation of the terms of the settlement agreement and Amended Operating and Propane Air Sales Supply Agreement.

Q. How does the Amended Operating and Propane Air Sales Supply Agreement affect the future operation of NHGC's Keene system?

A. The Amended Operating and Propane Air Sales Supply Agreement assures the continued ability to access a secure supply of gas and operate the NHGC distribution system to provide propane air service to NHGC's customers for a twelve-to-fifteen year period.

1 Other than that, NHGC does not currently have any plans to change the manner in which
2 NHGC operates its system. However, to the extent that NHGC becomes aware of such
3 opportunities, it will evaluate them to determine if they are in the best interests of NHGC
4 and its customers.

5
6 **Q. Does Iberdrola believe that the cost of entering into the Amended Operating and**
7 **Propane Air Sales Supply Agreement is recoverable through rates?**

8 A. Yes. The payment to KPC was required to retain the supply facilities and extend the term
9 of the agreement with KPC. As such, it is a cost of supplying gas to NHGC's customers.
10 The payment to Keene Propane was made by Iberdrola on behalf of NHGC. Normally,
11 such an expense would be incurred directly by NHGC or paid by Iberdrola and reflected
12 on the books of NHGC, such that it would be included for recovery from NHGC's
13 customers through rates. Recovering this amount through rates would likely increase
14 typical residential heating and commercial customer total bills by approximately 3.1% –
15 3.4% on average. The impacts increase when computed on either the gas supply portion
16 (approximately 5.4%) or distribution portion (between 7.5-8.4%). If this transaction does
17 not close, then Iberdrola would seek recovery of these costs and need to evaluate its
18 options regarding the appropriate regulatory filing vehicle for such recovery.
19 Additionally, as the Commission is aware, NHGC has not been able to earn its allowed
20 rate of return on common equity ("ROE") in recent years. Therefore, when making such
21 a rate filing, we would also need to consider what other rate changes would need to be
22 made to address that issue and give NHGC an opportunity to earn its allowed ROE.

1 **Q. Is the expense currently on NHGC's books as an expense?**

2 A. No. The settlement amount is not included on NHGC's books as a payable to Iberdrola
3 or a regulatory asset and will remain on the books of NHGC's parent company, assuming
4 the transaction with Liberty is consummated.

5
6 **Q. Do you believe that keeping the settlement amount on Iberdrola's books as of the
7 closing will provide a benefit to NHGC customers?**

8 A. Yes. Iberdrola believes that the amount paid to KPC for the use of its propane air facility
9 for the purposes of manufacturing and delivering propane air to the NHGC system would
10 normally be recoverable from NHGC's customers. However, Iberdrola's commitment to
11 sell NHGC without the associated regulatory asset on its books is a significant benefit to
12 NHGC customers, who will receive the benefit of NHGC's long-term use of the KPC
13 propane air facility without bearing any of the cost paid to secure such use.

14
15
16 **Q. Does Iberdrola have plans to convert the NHGC system from propane air to an
17 alternative fuel?**

18 A. Iberdrola has no current plan to convert the NHGC system to deliver any fuel other than
19 propane air to its customers in Keene. In fact, the settlement of the Keene Propane
20 litigation was intended to ensure that NHGC had ready access to propane supplies for
21 another decade or more. I am aware that Mr. Leehr indicates in his testimony that
22 Liberty has identified conversion of the NHGC system from propane air to LNG and/or
23 CNG as a potential avenue of development for NHGC under Liberty ownership.

1 Certainly, these same options would be explored under continued ownership of NHGC
2 by Iberdrola and would be pursued if it is determined that they would reduce costs to
3 customers and provide ongoing reliable service.
4
5

6 **VI. CONCLUSION**

7 **Q. Does this conclude your testimony?**

8 **A. Yes.**