



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

Docket No. DE 16-383

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Distribution Services Rate Case

DIRECT TESTIMONY

OF

DAVID SWAIN

April 29, 2016

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1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Mr. Swain, please state your name, occupation, and business address.**

3 A. My name is David Swain and, as of October 2015, I am employed by Liberty Utilities
4 Service Corp. (“Liberty”) as the President of New Hampshire operations, which include
5 Liberty Utilities (EnergyNorth Natural Gas) Corp. (“EnergyNorth”) and Liberty Utilities
6 (Granite State Electric) Corp. (“Granite State” or the “Company”). My business address
7 is 15 Buttrick Road, Londonderry, NH 03053.

8 **Q. Please describe your background and experience.**

9 A. I have worked in the natural gas distribution industry for the past 36 years. For
10 approximately four years prior to assuming my current role in New Hampshire, I was
11 Liberty Utilities’ President of the Mid-States region, which includes Iowa, Illinois, and
12 Missouri. Before joining Liberty Utilities in 2012, I was the Division Operations
13 Manager at Atmos Energy for 22 years where I provided direction and oversight of 12
14 operations in Kentucky, Tennessee, Illinois, and Missouri. I have been involved in many
15 facets of the industry and have a passion for improving and enhancing the safety and
16 reliability of natural gas distribution systems. I have helped with the development of
17 pipeline safety and compliance programs that have been used across the country. I hold
18 certification from the National Association of Corrosion Engineers as a Cathodic
19 Protection Specialist.

1 **Q. Have you previously testified before the Commission?**

2 A. Yes, I testified before the Commission in Docket No. DG 15-289, EnergyNorth's request
3 to provide natural gas service to Hanover and Lebanon.

4 **II. PURPOSE OF TESTIMONY**

5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my testimony is to provide an overview of Granite State's filing for an
7 adjustment to its distribution service rates, including an introduction of each witness and
8 the subject matter of their testimony.

9 **Q. Please provide an overview of Granite State's requests in this docket.**

10 A. Granite State is seeking recovery of an annual distribution revenue deficiency of
11 approximately \$5.3 million based on a rate base of approximately \$97.5 million. This
12 increase is necessary to allow the Company to recover increased costs of doing business
13 since its last rate case, which increased costs arise largely from substantial capital
14 investments that benefit the safety and reliability of Granite State's system. The
15 Company also seeks a step increase of approximately \$2.4 million to recover capital
16 investments made during 2016, the twelve months after the 2015 test year.

17 **Q. What is the status of the Company's transition from National Grid?**

18 A. The Commission approved Liberty Utilities' purchase of Granite State and EnergyNorth
19 from National Grid on May 30, 2012, (Order No. 25,370) and the transaction closed later
20 that summer. After the closing, National Grid provided transition services to Granite
21 State and EnergyNorth through several Transition Service Agreements. All of those

1 agreements have expired and the companies have been operating independently since
2 October 2014.

3 **Q. What are your priorities for Granite State?**

4 A. The safety of Liberty's employees and customers is my first and highest priority. After
5 accounting for safety in every decision we make, we must continue to provide reliable
6 service to our customers at a reasonable cost. Reliability and reasonable rates are a
7 function of the people we hire and the investments we make in the system. We have
8 made substantial progress in recruiting, hiring, and training excellent employees, and we
9 have significantly increased the investment in Granite State's systems, over what the
10 prior owner typically spent. These investments in people and plant were prudent, are
11 used and useful, have yielded measurable results, and will allow the Company to meet its
12 many obligations as a public utility in this state.

13 **Q. Why are you making this rate case filing at this time?**

14 A. In the last rate case (Docket No. DE 13-063), the Commission approved a settlement that
15 stated, in part, that the test year for Granite State's next general distribution rate case
16 shall be no earlier than calendar year 2015, and no later than calendar year 2016. In this
17 filing, we are utilizing a calendar year 2015 test year, proformed for known and
18 measureable changes. In view of the declining return on equity Granite State has
19 experienced, as stated in the testimony of Messrs. Brouillard and Hall, and the low return
20 on rate base discussed in Messrs. Mullen's and Gorman's testimony, we find it necessary
21 to request rate relief at this time. This will allow us to commence recovery of the

1 investments we have made in the system, and to bring our distribution rates in line with
2 the cost of providing service.

3 **Q. Please list the Company's witnesses and the topics of their testimony in this case.**

4 A. The following witnesses are filing testimony in support of this distribution rate case:

- 5 • Steven E. Mullen, the Manager of Rates and Regulatory Affairs, and Howard S.
6 Gorman of HSG Group, Inc. sponsor the calculation of Granite State's revenue
7 requirement, the request for a permanent rate increase, and the resulting bill
8 impacts. They also provide separate testimony in support of the Company's
9 request for temporary rates.
- 10 • Christian P. Brouillard, Director of Engineering, describes the capital additions
11 that Granite State has made since Granite State's last rate case.
- 12 • Heather Tebbetts, Utility Analyst, and James Simpson of Concentric Energy
13 Advisors present testimony on Granite State's proposed rate design and rate
14 calculations. This testimony also addresses certain legacy tariff provisions from
15 prior rate design.
- 16 • Heather Tebbetts presents testimony in support of proposed tariff changes,
17 including the addition of a tariff for LED street lighting, changes to the terms and
18 conditions of the tariff to add (i) terms and conditions for competitive suppliers
19 and (ii) the Optional Determination of Demand, and removal of unused language
20 governing "increased night use."

- 1 • Susan Fenton, Vice President of Customer Care, provides an overview of the
2 customer service improvements made since the Company’s final transition from
3 National Grid in July 2014.
- 4 • Christian P. Brouillard and Stephen R. Hall, the Director of Rates and Regulatory
5 Affairs, offer testimony in support of a proposal for annual step increases to
6 Granite State’s rates to provide prompt recovery of capital investment made in
7 Granite State’s distribution system between rate cases. They describe the
8 circumstances giving rise to this request, the specific capital investments that
9 would qualify for such step increases, and the proposed process to implement the
10 adjustments.
- 11 • Robert B. Hevert of Sussex Economic Advisors, LLC, presents testimony and a
12 recommendation regarding the Company’s Cost of Equity, and provides an
13 assessment of the capital structure and cost of debt to be used for ratemaking
14 purposes.
- 15 • James Simpson presents the marginal cost study and results.
- 16 • Joshua C. Nowak, of Sussex Economic Advisors, LLC presents the results of a
17 lead-lag study, which is used to determine the cash working capital requirement
18 for the Company.

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

20 A. Yes.

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