STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 19, 2016 - 10:07 a.m.
Concord, New Hampshire

RE: **DG 16-447**
LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP. d/b/a LIBERTY UTILITIES:
Petition to Amend Tariff to include Managed Expansion Program Rates.

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

APPEARANCES: **Reptg. Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities:**
Michael J. Sheehan, Esq.

Reptg. Residential Ratepayers:
Donald M. Kreis, Esq., Consumer Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Paul B. Dexter, Esq.
Alexander F. Speidel, Esq.

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

I N D E X

PAGE NO.

WITNESS PANEL: **WILLIAM J. CLARK**
DAVID B. SIMEK
STEPHEN P. FRINK

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CLOSING STATEMENTS BY:

E X H I B I T S

EXHIBIT	D E S C R I P T I O N	PAGE NO.
1	Direct Testimony of William J. Clark and David B. Simek, with attachments (04-15-16)	6
2	Testimony of Stephen P. Frink, with attachments (07-12-16)	6
3	Comparison of MEP Rates with 30% premium	6

P R O C E E D I N G

CHAIRMAN HONIGBERG: Good morning, everyone.

[Short pause re: microphones.]

CHAIRMAN HONIGBERG: We're here this morning in Docket DG 16-447, which is Liberty Utilities (EnergyNorth Natural Gas) Corp.'s filing of tariff Managed Expansion Program rates. We suspended that tariff when it was filed for investigation. We're here for a hearing on the merits.

Before we go any further, let's take appearances.

MR. SHEEHAN: Good morning, Commissioners. Mike Sheehan, for Liberty Utilities (EnergyNorth Natural Gas) Corp.

MR. KREIS: Good morning, Mr. Chairman, Commissioners. I'm Consumer Advocate Donald Kreis, here on behalf of residential utility customers. I'm here by myself today, but I do want to acknowledge the hard work of my Assistant Consumer Advocate, Pradip Chattopadhyay. He really is responsible for more of our Office's work in this docket than I am. So, I just wanted to acknowledge him.

MR. DEXTER: Good morning. Appearing on behalf of the Commission Staff, Paul Dexter and Alexander Speidel.

CHAIRMAN HONIGBERG: All right. How are we going to proceed this morning? Mr. Sheehan.

MR. SHEEHAN: Thank you. We have a *de facto* settlement here. We filed a petition with testimony, Staff filed testimony with certain proposed conditions, and the Company is prepared to accept all of those conditions.

So, I've spoken to counsel, and we propose a panel of Mr. Clark, Mr. Simek, and Mr. Frink to adopt their testimony and discuss the conditions and present it that way.

We have three exhibits to mark, they have been marked. "Exhibit 1" is the Joint Testimony of William Clark and David Simek, with attachments; "Exhibit 2" is the Testimony of Mr. Frink, with attachments; and "Exhibit 3" is a piece of paper in front of you, that is part of the Company's filing with some numbers changed to reflect a change in the premium that we have agreed to. The Petition proposed a 35 percent premium for the MEP rates. We have agreed to a 30 percent premium. And that is just how it would impact a residential customer, and that will be discussed during the hearing.

So, that's what we propose to do.

CHAIRMAN HONIGBERG: Okay. Is everyone on board with that?

MR. KREIS: Yes, sir.

MR. DEXTER: Yes.

(The documents, as described, were herewith marked as **Exhibit 1**, **Exhibit 2**, and **Exhibit 3**, respectively, for identification.)

CHAIRMAN HONIGBERG: All right. Why don't we have the panel of witnesses take their seats then.

(Whereupon ***William J. Clark***, ***David B. Simek***, and ***Stephen P. Frink*** were duly sworn by the Court Reporter.)

CHAIRMAN HONIGBERG: Mr. Sheehan.

MR. SHEEHAN: Thank you.

WILLIAM J. CLARK, SWORN

DAVID B. SIMEK, SWORN

STEPHEN P. FRINK, SWORN

DIRECT EXAMINATION

BY MR. SHEEHAN:

Q. Mr. Clark, could you state your name and your position with the Company please.

A. (Clark) William Clark. And I am the Director of Business Development for Liberty Utilities.

Q. And, Mr. Simek, the same.

A. (Simek) David Simek, Lead Utility Analyst.

Q. Mr. Clark and Mr. Simek, did you together file joint testimony in this case?

A. (Simek) Yes, we did.

A. (Clark) We did.

Q. And that testimony is dated April 14th, filed April 15th, and has been marked as "Exhibit 1", is that correct?

A. (Clark) Yes.

A. (Simek) Yes.

Q. And do either of you have any changes to that testimony this morning? Mr. Simek first.

A. (Simek) I do not.

Q. Mr. Clark?
A. (Clark) No changes, just an update on the figures, which would be Bates Page 011.
Q. And, Mr. Clark, if you could briefly explain the reason for the updates, and we will go into it in more detail when we discuss the conditions.
A. (Clark) It was the bill impact when increasing distribution rates by 35 percent. So, we redid the calculations based on a 30 percent premium. On Line 14, the "18 percent" increase changes to "15 percent". And, on Line 18, the "$1,271" changes to "$1,243" under 30 percent premiums.
Q. Understanding that's not really a correction, but an amendment, with that comment, Mr. Clark, if I were to ask you the same questions in your prefiled testimony today, would your answers otherwise be the same?
A. (Clark) They would.
Q. And for you, Mr. Simek?
A. (Simek) Yes.
Q. And do today each of you adopt this testimony here today under oath?
A. (Clark) I do.

A. (Simek) I do.

MR. SHEEHAN: What I propose, Chairman, is for Mr. Dexter to qualify Mr. Frink, and then I will have Mr. Clark walk through the conditions in Mr. Frink's testimony, explain each of them, and the Company's agreement to accept each of them.

CHAIRMAN HONIGBERG: Fair enough. Mr. Dexter.

MR. DEXTER: Thank you.

BY MR. DEXTER:

Q. Mr. Frink, would you state your name and position with the Commission please.

A. (Frink) Stephen Frink. And I'm the Assistant Director of the Gas and Water Division.

Q. Thank you. Mr. Frink, I'd like to direct your attention to the document that's been marked as "Exhibit 2" in this proceeding. Do you have that in front of you?

A. (Frink) Yes, I do.

Q. Is that your prefiled testimony?

A. (Frink) Yes, it is.

Q. Was this prepared by you or under your direct supervision?

A. (Frink) Yes, it was.
Q. And, Mr. Frink, do you have any corrections you'd like to make to the testimony at this time?
A. (Frink) I have two corrections to make. On Page 3, Line 10, where I summarize Staff's positions, it says there should be a -- it says it's a -- the proposal is a "three year pilot program". That should be a "four year pilot program". So, "three" should be "four".
And, then, on Bates Page 015, which is the Northern Line Extension Policy per their tariff. If you go to the second paragraph, down five lines, the start of the line reads "property and other truces", that should be "property and other taxes".
Q. Very good. And, with those changes, is the information contained in Exhibit 2 accurate to the best of your knowledge and belief?
A. (Frink) Yes, it is.
Q. If I were to ask you the questions contained in Exhibit 2 today, would your answers be the same as those contained therein?
A. (Frink) They would be.

Q.   And do you adopt those answers as your sworn testimony in this proceeding?
A.   (Frink) Yes, I do.
          MR. DEXTER: Thank you. I have nothing further.
          CHAIRMAN HONIGBERG: Mr. Sheehan.
BY MR. SHEEHAN:
Q.   And, Mr. Clark, have you had a chance to review Mr. Frink's testimony?
A.   (Clark) I have.
Q.   And you recognize that Mr. Frink proposed a number of conditions on our filing to make it acceptable to Staff, correct?
A.   (Clark) Correct.
Q.   Let's walk through each of those conditions, if we may. The first was, as we've already mentioned, a change in the premium that would be the MEP rates, from 35 percent to 30 percent. Could you explain to us what that is and what that means?
A.   (Clark) So, the percentage premium was the increase over existing distribution rates, the customer charges and distribution charges for commercial and residential customers. Liberty

Utilities did an analysis based on existing distribution rates and potential expansion projects. Thirty-five (35) percent seemed to be a very good number that resulted in positive impacts. However, as Mr. Frink pointed out in his testimony, Liberty will be -- EnergyNorth will be in a rate case next year, and we expect to increase the distribution rates. While construction costs also will likely increase, I don't think they will be at the same level as the rate case, the distribution rates. Therefore, we believe that the 30 percent achieves the same goal for our potential customers.

Q. Mr. Frink's recommendation for that change appears on Page 10 of his testimony. And the rest of the sentence is -- or I'll read the whole sentence: "The MEP rates should be a 30 percent premium on distribution rates in effect for 10 years from the in-service date of the extension." And explain to the Commission how the Company interprets that. How would it actually be carried out?

A. (Clark) So, we would designate an area, a geographic area defined by the address for an expansion program. Anybody taking service in that area would pay the 30 percent premium to obtain service, eliminating or drastically reducing the CIAC payments required to extend service to that community. At the end of ten years, that geographic area will roll back to the existing rate structure for their classification.

Q. So, a customer who moves in or converts to gas in year five, how would that customer be treated?

A. (Clark) That customer would pay the remaining five years on that expansion program rate, and roll back in with everybody else on the termination of the ten years.

Q. In no particular order, the next condition recommended by Staff is a continuation into Page 11 of Mr. Frink's testimony, where he mentions a "pilot program". Explain the Company's understanding of the pilot program as Staff has recommended it.

A. (Clark) We agree with the "pilot program" nature recommended by Mr. Frink. Understanding that this is a novel approach, there's no other gas utility that has a similar program in the state, in Massachusetts and Vermont. We've done a great deal of analysis, but it's, at this point, it's an imperfect science. So, we feel that, with three to four years of data collection, we'll be able to reevaluate the program at the end of the third year's construction season, petition the Commission for either extending the program as is or modifying the terms, whether it be ten years, it could be twelve years, it could be eight years. Is the 30 percent premium, is it 35? Should it be 25? And we'll have three years of data to predicate our next filing on to extend the program.

Q. The balance of Mr. Frink's testimony, at the top of Page 11, says, as you just summarized, that the Company would have to file a petition to continue the program "following the third year". So, assuming the Commission approves the proposal now, how do you see that timing work? When do the three years start? When you would be filing to renew? And when they would otherwise expire?

A. (Clark) Sure. We expect to begin construction on MEP projects in the Spring of 2017. Therefore, we expect to have three full years of data, 2017, 2018, and 2019, to evaluate after the 2019 construction season. In 2020, the rate will still be in effect, but we will be petitioning in 2020 for the extension of the program, either under the exact same rates or a modified structure.

Q. So, during the 2020 construction season, or maybe early on, that petition would be pending or processing as we go through the fourth year of the program?

A. (Clark) Correct.

Q. The next condition in Mr. Frink's testimony consist of a number of amendments to the Company's tariff, specifically, the Line Extension Policy. Can you walk through what I had is three changes, the 25 percent requirement, the DCF requirement, and the inclusion of non-heat customers, those three changes, and walk through each of those and explain again the Company's understanding of those?

A. (Clark) Yes. The first condition was the "25 percent under contract". And, as our Line Extension Policy is currently written, we may assume 60 percent saturation rate in a geographic area. And we can use that 60 percent assumption when calculating the GPM annual estimated margin for the project, along with the estimated construction costs for that 60 percent. And we could technically move forward on a project if we only had, say, one contract signed in an area, because that's the way the Line Extension Policy is written. This condition would put a restriction on moving forward with these projects until the total of six years on commercial estimated annual margin and eight years of residential estimated annual margin totals 25 percent of the estimated construction costs. So, what that does is it actually safeguards the Company from doing speculative expansions or being held to follow the tariff when a customer that is savvy enough to understand the tariff and request service, if there's a potential large office building

nearby that we would assume, even though we know they're not going to convert, we would have to assume that margin in there. But, if it's not under contract, this would help us not move forward with that project.
Q. Can you explain how the 25 percent requirement is similar or different from what the Company does internally right now?
A. (Clark) Sure. And it's more of a -- we see it more as a protection for the Company. We do not authorize projects to begin with a one customer commitment on a 100 potential customer project. We would hold off internally on that project anyways. And 25 percent is certainly a reasonable number and not burdensome to the Company at all in the Sales Department for moving forward with that project.
Q. And, then, the DCF requirement?
A. (Clark) So, the DCF analysis, the Company agrees that any project with -- any single project with a direct cost of $1 million or more, we will do a DCF analysis on the revenue versus revenue requirement. And that result will have to be a positive NPV over ten years

before moving forward with the project.

Currently, the Company already conducts an internal analysis to rate the profitability of these projects before moving forward. We have all the data necessary to do a DCF analysis, and this is very easy for us to do and tracked as well.

Q. And can you compare the benefits, if you will, between the DCF analysis that Staff has proposed and the analysis currently in the tariff?

A. (Clark) The biggest difference is the internal rate of return that we utilize is more of a cash flow analysis and more of a business case to move forward. And this revenue requirement is more of an impact on existing customers and what effect that would have on distribution rates. They're very similar.

Q. The next tariff proposal by Staff refers to "non-heat customers". If you could explain that?

A. (Clark) Sure. So, the way the tariff was constructed on Line Extension Policies, we are allowed to utilize, as I said, eight years of estimated annual margin for residential customers towards construction costs. That resulted in a free 100-foot service line for residential customers taking heating service.

There's also a very large difference in the cost to install a service while a crew is already at a location installing new gas main or replacing old cast iron main. An R-1 customer's estimated annual margin over eight years is very close to eliminating what would have been a CIAC, a very, very small CIAC required to serve that customer.

But what this also does is it gives us a growing customer base to market to kind of a captured audience to get these customers in the future. Where we feel that it will be very effective is in the CIBS Program. Many times communities and the budgets are done from July through July, and sometimes these cities will find projects in September and October for paving a water main, and we try to piggyback on a CIBS project at the same time, and then the road gets shut for five years, there's no new connections. What will end up happening is we'll knock on doors, we'll market to potential customers along there, and we're basically giving them sometimes ten days to make a decision to convert a heating system that could be $10,000, and they're not prepared to do that. So, sometimes those customers will decide to not hook up the service. A couple years later their oil boiler breaks in the middle of January and they need a new one. Well, they don't have a gas service in their home, so, they're captured into remaining an oil customer for the next fifteen years by putting a new oil system in.

If they have a gas service and a gas meter in their home for a water heater and stove, it's a very easy conversion for their plumber to convert them in the middle of the winter.

Every year our -- they're classified as an "R-1" customer under EnergyNorth. And every year we have a dwindling number of the R-1 customers. They're a captured audience. At some point in time, when the budget becomes available, they will convert to natural gas heat. So, we feel that this is a very good modification.

Q. And I believe you presented the information during discovery, but the difference between putting a new service during a CIBS program or a main extension versus a one-off, going to a house and --

A. (Clark) Yes. The direct savings is approximately $685. It's actually a little more than that savings. It's very hard to pull out the restoration costs when you're looking at an overall project. The direct cost savings of 685 is contractor labor savings on there. However, there are additional savings that are very hard to define when you're looking at an overall project, like permitting fees and police details and repaving costs, opening the hole again, filling the hole and opening the hole again. So, it's actually a little larger than the $685 savings.

Q. Mr. Simek, if the Commission were to approve this Petition with the conditions that we're discussing now, how would the Company go about changing the tariff to comply with, presumably, an order approving the Petition? What would that process be?

A. (Simek) Basically, these would be all new rates that we're talking about under the Managed Expansion Program. So, an equivalent rate for R-1, as Mr. Clark just mentioned, would also -- there would be a new rate under the MEP Program that would be for a non-heating customer, residential customer as well, and the same with all of our other classes.

Q. So, then, the tariff would just have, as you say, a mirror page for each rate to reflect the MEP Program, and that's what we would file in compliance with an order granting this Petition, if that's what happens?

A. (Simek) Exactly.

Q. And have you already begun work on that?

A. (Simek) I have.

Q. Okay. The last condition, as I understand it, Mr. Clark, is a requirement to track certain information as this project goes along. If you could let us know your understanding of what Staff is recommending that we track?

A. (Clark) So, Staff is recommending that we track estimated versus actual construction costs for the projects, and estimated versus actual revenues for the project, the existing fuel type for customers, the date the project -- the date the customer signed a contract, the date that the customer called to have the meter installed that the conversion was complete, and their reason for the customer converting to natural gas. As well as a spreadsheet that shows the New Hampshire Office of Energy & Planning competing fuels pricing versus the cost of gas for the winter for EnergyNorth, including the distribution charges, to show a comparison between the savings that would be achieved by the customer converting to natural gas from a competing fuel.

The Company already tracks all of this data. Some of it is located in the Engineering and Operations Department, the vast majority of it is located in the Sales Department. We will be making a database to track the productivity of the sales team and the projects as well, and would be happy to share this with the Commission Staff on a yearly basis.

Q. Are there any other conditions in Mr. Frink's

testimony that we haven't discussed yet?
A. (Clark) No.
Q. And I'll be presumptuous and ask Mr. Frink, did we cover them all as you understand it?
A. (Frink) Yes. Mr. Clark did a very good job covering them.

MR. SHEEHAN: Thank you. Those are all the questions I have.

CHAIRMAN HONIGBERG: Mr. Dexter, do you have any questions for Mr. Frink?

MR. DEXTER: I do.

BY MR. DEXTER:
Q. Mr. Frink, in hearing the summary of the conditions, I'd like to just try to clarify two points that were made. With regard to the pilot program, I believe your testimony talked about extending the -- file after three years to extend the program, Mr. Clark talked about a filing to "either extend it or modify the program". My question to you is, is Staff comfortable with the position the way Mr. Clark laid it out, wherein a program modification could be proposed at year three -- after year three?

A. (Frink) Absolutely. I mean, basically, as a pilot program is to observe the results and adjust it or eliminate it -- well, it will go away if they don't -- if no MEP projects are done or it proves uneconomic, it could just go away if it's not working the way it's intended.

But, again, it's a worthy goal. And we'd like to see expansion and the customers that receive the service pay for it. So, if we can do that by modifying the program, then it certainly makes sense to do that. So, we'd welcome modifications if it achieves what it's intended to achieve.

Q. Very good. And, then, secondly, with regard to the customer commitment condition that's in your testimony regarding the "25 percent", my understanding of your testimony is that the customer commitment percentage that you put forth in your testimony had to do with "25 percent of projected load being committed", and I believe, as Mr. Clark summarized it, he called it "25 percent of the project costs being committed". And my question to you is, is Staff comfortable with the presentation made by Mr. Clark, whereas the 25 percent is measured against projected costs rather than revenues?

A. (Frink) I think we're really talking about the same thing. When the Company does its analysis, and I would just like to say, when we -- when I did my testimony, we had a technical session in this proceeding prior to doing the testimony, we discussed Staff's concerns and possible solutions. And we were pretty much on the same page, I think, at that point when I made my recommendations. So, I incorporated a lot of what we're talking about here in my testimony.

But, specifically, and there are examples of it, they do their calculation that includes a projected revenues, and that's -- really, projected revenues are based on projected costs. In this case, with the existing Line Extension Policy, it's -- the revenue test ties directly to direct costs. But, anyway, it is that, it is the revenues, the projected revenues that will be 25 percent you have to have the 25 commitment for. And it's not load, it's revenues. So, it's not really based on the amount used, but how much revenue is expected to be generated.

And, so, before they can begin a project, and, as they already stated, they actually do this now, when they go out, somebody requests service and they sign customers up, they won't go forward with a project unless it meets their -- some standard. It's not a defined 25 percent, but it's some level that they would have to have before they would go forward with the project. Even though, if a customer insisted that "well, it satisfies the tariff requirement, I'm the only customer, too bad", if they -- if the tariff were enforced, they would have to provide that. So, this "25 percent" simply means that now, in that instance, they could -- it would be forced to do it per the tariff. But it is 25 percent of the revenue, projected revenues, it's not tied to the costs.

And I'm pretty sure the Company would agree with that.

A. (Clark) I do agree with that. It's 25 percent of the projected revenues for the project.

MR. DEXTER: Thank you. That's all the questions I have.

CHAIRMAN HONIGBERG: Mr. Kreis, do you have any questions for the panel?

MR. KREIS: I do have a few, Mr. Chairman. But let me first make clear, so that there's no ambiguity. The OCA supports the positions that Mr. Frink has articulated in his testimony. And, so, having understood the Company to have agreed to the conditions that Mr. Frink is proposing, what we have here is a *de facto* settlement agreement that involves all three of the Parties in the case.

So, my questions definitely fall into the realm of what I think people like to refer to as "friendly cross-examination". And, so, I just didn't want there to be any question about what my position was. And I just have a few questions.

CROSS-EXAMINATION

BY MR. KREIS:

Q. The fact that this is a four-year pilot program that will be evaluated and possibly renewed after three years doesn't mean, if I'm understanding this correctly, that customers who go into the MEP Program will come out of it after four years at the end of the pilot, correct?

A. (Clark) Correct.

Q. So, if I sign up as an MEP customer and pay the MEP rate, I'm going to pay those rates for the full ten years, even if the MEP Program is discontinued?

A. (Clark) Correct.

Q. There are circumstances, are there not, in which the Company could recover the full cost of an MEP project in less than ten years, yes?

A. (Clark) That is correct. And we will be training our Sales Department to approach these projects and potential customers with an "either/or" scenario, understanding that there may be projects where 50 neighbors get together and want to extend gas service through a neighborhood, and, under the existing rate structure, the contribution in aid of construction may be $75. You know, it would be silly for them to say, "Oh, well, we'll pay the

MEP rate for ten years". "We'll all just pay $75." So, we will offer that to potential customers as a "either/or" when signing up.

Q. Does everybody have to agree to do the same thing?

A. (Clark) Everybody doesn't have to agree. But, if there is a contribution in aid of construction, the Company needs to receive that revenue up front. If one customer wanted to pay the entire contribution for the entire neighborhood, we would certainly move forward under existing rates.

Q. But it's not a situation in which some customers in a project could agree to pay the CIAC and some could go under MEP rates?

A. (Clark) That's correct. It will be defined by address in the area. So, if the Company does not receive the full contribution in aid of construction, everybody in that geographic area will pay the MEP rates.

Q. So, in an MEP neighborhood, it's possible that the Company will recover its full costs in less than ten years, but the MEP rates remain in effect, true?

A. (Clark) That's correct.

Q. What happens to the -- I guess I would say the surplus?

A. (Clark) That would be reviewed in the next EnergyNorth rate case and would flow back to existing customers. We look at it similar to bringing on a large commercial customer that may have a $10,000 construction cost, but bring in annual revenues of $50,000. We don't cut them a special rate.

Q. Understood. So, in other words, the "windfall", for lack of a better word, at least theoretically would inure to the benefit of the utility's entire customer base?

A. (Clark) It would. And, again, going back to the nature of the pilot program, that is one of the reasons why we agreed with Mr. Frink's testimony that this should be a pilot. If there are 15 to 20 projects being evaluated at the end of the three years, and it seems the vast majority are paid for within eight years, we would adjust that for the next filing.

Q. This commitment to be on the MEP rate for ten years stays with the meter, does it not? So, if I sell my house to Mr. Dexter, and he wants gas service, he has to pay the MEP rate?

A. (Clark) Correct.

Q. Until the ten years is over?

A. (Clark) That's correct.

Q. In Mr. Frink's testimony, the proposal is that the Company use the DCF model to analyze projects that are greater than or equal to $1 million. The Company has agreed to that proposal. Could the witnesses talk about why that million dollar threshold was used, rather than just say "let's apply the DCF model to all the projects"?

A. (Clark) I had mentioned that we do collect all the data to perform the DCF analysis, but we have many, many projects that we call either "single random services" or "small project developments", that average, you know, $5,000 to $200,000. And, to do a DCF analysis for 2,500 potential projects every year is a little burdensome.

The standard offer of the 100 feet was meant to eliminate a lot of that reporting and tracking and office work. We feel the million dollar number is a large enough investment that it should warrant a little more scrutiny, which is why we agreed to do that.

Q. Okay. At Page 3 of Mr. Frink's testimony, which is also Bates Page 003, on Line 19, Mr. Frink says, starting at Line 18, "In instances where a proposed line extension would require a customer contribution in aid of construction, or CIAC, at the Company's discretion line extensions MEP rates would be available to recover most or all of the line extension costs". What -- does the reference to the "Company's discretion" mean that it is entirely up to the Company whether or not to offer the MEP Program in a particular part of its service territory?

A. (Clark) Well, I guess that would be Mr. Frink answering what he meant by "Company's discretion". But I can say that the Company will, in fact, offer MEP rates to anybody that would qualify for MEP rates, and that would be if we have 25 percent of the revenues under contract, and MEP rates apply, we would certainly go ahead with that project.

Q. In theory, could a neighborhood organize and present the Company with a request that it be allowed into the MEP Program?

A. (Clark) Yes. Definitely. And that happens now, as well we have a few projects where we have neighborhood homeowners association or a project champion on that street that kind of works as a *de facto* sales rep for the Company, recruiting neighbors to convert to natural gas.

Q. And, as long as that group of customers met the qualifications that we're talking about here, the Company would say "Yes, you qualify. You're in the MEP. We'll build the project"?

A. (Clark) That's correct. The only thing that would be an issue would be timing. I mean, if they came to us in October, we would probably have to put them off till the following spring, but we would move through with the project.

Q. Understood. Mr. Clark, I think I heard you testify earlier to a scenario in which a project goes into the MEP rates, and there would be a drastic reduction rather than a complete elimination of the CIAC. And I'm curious about why it -- why there are projects in which CIAC would only be drastically reduced, rather than completely eliminated?

A. (Clark) Construction costs. As you get further out into rural areas, construction costs to serve a potential customer base could increase. It could also have an impact in urban areas, where there are very high restoration fees or there's no place to install new gas main along a Right-of-Way and off pavement, and police details. And the costs are much higher. So, not all CIACs would be eliminated.

Q. I think this is a question for Mr. Frink. At Page 6 of your testimony, Mr. Frink, you say, at Line 15, "A utility must seek Commission approval to recover on its capital investments and the Commission could deny recovery on an investment if found to have been imprudent". So, it's possible that an MEP project could be disallowed for -- on grounds of imprudence?

A. (Frink) Yes. Absolutely.

Q. Could you conjure a scenario in which that could possibly happen?

A. (Frink) Sure. Let's say there's a large project that the MEP rate looks like it's going to be effective, but let's say 100 percent of the customers in this project are oil customers, and yet we're counting 60 percent of their revenues, even though they might not, if the oil and gas rates aren't significantly different, or let's say oil customers -- it looks like oil customers aren't going to convert, because, one, the oil prices have dropped, gas prices have gone up, and yet they go forward with the project. And, again, they're using 60 percent projected revenues for this project, it's all oil customers, the price differential isn't favorable, and they go forward with the project, oil customers don't sign up, then that might not be considered a prudent investment.

Q. Thank you. There's been a lot of testimony about the Company's efforts to promote sales. And I think it might help if we had a refresher on the extent to which the Company's costs with respect to sales and marketing are included in rates?

A. (Clark) Defer to you on that one.

A. (Simek) Yes. I know that all distribution costs, obviously, do flow through when we do a rate case. They do flow through. And we get made whole and, typically, through a settlement, and we go through a reasonable return that way.

As far as sales and marketing costs directly, I know, during our last tech session, we had some discussion about this, and there were some certain rules that applied directly to sales and marketing. And I'm just not exactly sure if sales and marketing for this program, I think we'd need special permission Mr. Frink mentioned during our tech session in order to include them in rates.

A. (Clark) I believe they are covered, sales and marketing expenses are covered in the 200 rules. And, as you know, we'll certainly follow the 200 rules when it comes to recovery of sales and marketing expenses.

Q. The important point being, for present purposes though, that nothing about this docket changes any of that?

A. (Clark) That's correct.

A. (Simek) Correct.

MR. KREIS: Thank you. Mr. Chairman, those are all my questions.

CHAIRMAN HONIGBERG: Commissioner Scott.

CMSR. SCOTT: Thank you. And good morning. My usual caveat, whoever feels best able to answer, please do so.

BY CMSR. SCOTT:

Q. I was curious to get a little bit more granular on the four-year -- the mechanics of the four-year pilot. So, let's say we're at year three and a half, and let's say I understand that the presumption was that year three you would come in with some kind of filing, but let's say your tariff was still the same.

A. (Clark) Correct. That is my understanding, that the MEP rate structure will be available to all potential customers for four consecutive seasons, four consecutive construction seasons.

Q. So, that goes to my question. So, is it -- I'm at just before the four-year runs out, and I want to sign up, can I sign up for MEP or is it -- is it based on when I sign or when the construction happens?

A. (Clark) When we green light the project, when we get to that 25 percent number and we say "this project is a go for that last fourth construction season", you will have that available to you as a potential customer while the petition or while the filing is underway to see what the fifth year will look like, as far as term or rate.
Q. Okay. So, from a customer's perspective, my example, if we're at year three and a half and I want to do this, I probably can't sign up yet, until you have approval for the next construction season, is that what you're saying?
A. (Clark) Yes. So, if you were to sign up in October of that fourth season, if we still haven't had a ruling on our new filing, we would put you kind of in that pile that we're waiting for an updated ruling for our petition.
Q. Okay.
A. (Clark) And we would get back to you.
Q. I'm just trying to think ahead and eliminate disgruntled customers.
A. (Clark) Uh-huh.

CHAIRMAN HONIGBERG: Let me see if we can -- because I had questions about the same thing.

BY CHAIRMAN HONIGBERG:

Q. Mr. Clark, you put years, actual years, during your testimony, as to when things would happen. Can you readdress Commissioner Scott's question with the actual calendar years --

A. (Clark) Absolutely.

Q. -- as we were talking about? Because I think that will help clarify for us, and maybe help you crystalize in your own mind, when things would stop or restart, depending on when filings are made.

A. (Clark) The intention is to have an order on this docket late summer/fall, and begin marketing and sales effort this winter. So, all of 2017 MEP rates will be available, we will be doing projects; all of 2018 MEP rates will be available, we'll be doing projects; all of 2019 MEP rates are available, we'll be doing projects. At the conclusion of the 2019 construction season, we will begin collecting the data for those three years. Early in 2020, we will begin -- we will file any updated MEP Program. However, in 2020, the existing MEP rates will be available and we will be doing construction for those.

We intend not to have a lag of a missing year. So, we would file early 2020, hopefully get an approval that summer, and begin marketing for the 2021 season, under the new or modified.

BY CMSR. SCOTT:

Q. So, put another way, what I think I heard is, lacking an additional order or an extension to your proposal, if we approve it, in 2020, you'd be doing construction, but you wouldn't be signing on any more customers on the MEP?

A. (Clark) Unless they could be completed in that construction season.

Q. Okay. Great.

A. (Clark) Yes.

Q. Thank you. That's helpful. A couple other questions. So, my understanding is that you do a revenue test that shows costs are recovered within six to eight years for a project, that's kind of the crux of the test, is that correct?

A. (Clark) Correct. Six years for commercial and eight years for residential.

Q. So, why would the MEP be ten years, if the test is for six years for residential, let's say?

A. (Clark) We're assuming a 60 percent saturation rate. Well, there's a couple factors assuming a 60 percent saturation rate. Many times the 60 percent may not happen in year one. So, they may be achieving 60 percent saturation in year two or year three. If we have ten years, we get a full eight years of what we use for the analytics to determine whether a project is profitable.

And, again, with commercial developments, the reason that has a shorter time frame is there are more chances of a business being vacant or empty over the course of those ten years. So, we want to make sure, over a ten year period, we're capturing a full six years of margin from that commercial customer.

Q. Okay. Thank you.

A. (Clark) Uh-huh.

Q. And you mentioned the "60 percent" assumption. And I think Mr. Frink, in his statements earlier today, kind of alluded to this. Is that a valid assumption when oil prices are low and --

A. (Clark) It's been holding true, yes. The last, as part of some of our data requests in here, we provided that data to Mr. Frink and Staff, where we are achieving between 60 and 83 percent, I think was the high number, of projects in the last year and a half with historically low oil pricing. Some of those were mixed where it was new construction, so they're all signing up at once. But it's been holding true. That would be the only comment I have regarding Mr. Frink's testimony, is the cause and effect of competing fuels when making a decision to convert to natural gas. I think there's a little bit more importance placed on the price of oil and competing fuels at Staff than at the Company and what we've seen historically. A big driver of our sales is new construction. People coming up on end-of-life cycle on their equipment and making a choice for 20 years. When oil prices drop to this level, $1.98 I believe was the average on NHOEP

this month, the customers that we lose are the customers that say "Well, I just put an oil system in five years ago, but, heck, I could, you know, convert to natural gas or recover my entire investment in two seasons. So, I'll go ahead and convert." Those customers go away, but that's less than ten percent of our overall yearly growth numbers.
Q. And you mentioned, you kind of alluded to this, you mentioned in your testimony the upfront costs can be pretty high.
A. (Clark) Uh-huh.
Q. Do you -- have you been looking at any kind on-bill financing for those upfront costs?
A. (Clark) We are. That will be actually addressed, I think, in a near future docket on there. But we are working internally --
Q. A teaser.
A. (Clark) Yes. We are working internally on that. We've vetted a few agencies for off-bill financing, which we would like to -- you know, would be out number one choice to not attach to the bills, but we're not opposed to attaching to the utility bills. We're just trying to

work out what would be the best mechanism to help on that upfront cost for customers to convert.

Q. Okay. Thank you. I read with interest your contract with ICF. When will you see results from that?

A. (Clark) So, the most recent update is we have transferred over all of our GIS mapping data about three weeks ago. And they're building that, the dashboard itself, the SIMS dashboard is built. A couple months ago they received all of our existing customer data, all 90,000 customers that they put into the dashboard. They have acquired third party data for all of our existing towns and potential future towns, for eight of those towns that they're overlaying, they have about 24 more datasets to purchase for non-customers.

We expect the working model in mid September to have that up and running. That will allow us to do many things. It will be an intelligence search. So, we could search geographically. We could go to the dashboard and say draw -- actually physically draw a square on the map and say "give me all of the non-gas customers in this geographic area". We could dig down even to a more granular level and say "give us all the customers that are on propane in that area", "give us all the customers that are on propane and have a house that is between 20 and 30 years old".

We can track new main. So that, as we're putting a new main in, we could say "give us all non-customers on main installed within the last year three years" and market to those customers. So, it's going to be a very effective tool.

We'll also have a gas availability tool built on our website that will allow for customers to log on to *libertyutilities.com* and search their neighborhood and see if gas is available, and complete a service line agreement online that would have to be verified internally, touch base with the customer, but ease that process very much.

We can do searches of "list all customers that went to that gas availability tool in the Town of Derry", and we can figure out there's a cluster of fifteen people that don't know each other that called in a geographic region that maybe we should outreach and market to.

So, we believe it's going to be a very effective tool to help us with smart growth.

Q. Thank you. My last question is a little bit of a *non sequitur*, but we talk about heating load quite a bit, obviously, that's the main driver, I think, for residential. I never really hear much about air conditioning, gas air conditioning. Is that insignificant for the Northeast or is that something that's happening?

A. (Clark) It's very -- well, it's old, but it's new. It's been around for quite a long time. But there are new advances that are coming out that may make that more economical for the smaller customer. Right now, a gas-fired absorption chiller, they are economic when you're dealing with a 20 or 30-ton unit. For a 3 to 5-ton residential unit, the payback period is not where it needs to be right now to make that effective.

CMSR. SCOTT: Thank you. That's all

I have.

CHAIRMAN HONIGBERG: Commissioner Bailey.

CMSR. BAILEY: Thank you. Good morning.

WITNESS SIMEK: Good morning.

CMSR. BAILEY: I have a couple of detail questions that I just want to make sure I understand.

BY CMSR. BAILEY:

Q. On the 25 percent condition, let's call it, is it you're looking to see commitments from enough customers to give you 25 percent of the revenue required to recover the costs?

A. (Clark) So, we would assume, in the construction costs, we would assume that 60 percent of the customers are signing up. So, those service lines would also be included in those construction costs. And what we want to have under contract is 25 percent of that construction number under contract.

Q. Wait a minute. "Construction number", what does that mean?

A. (Clark) So, if it was a million dollar project, --

Q. Yes.

A. (Clark) -- we need $250,000 of revenue signed under contract by customers before we'd move ahead with that project.

Q. And would that be $250,000 of revenue from those customers for ten years, because they're all going to go on on day one?

A. (Clark) It would six years and --

[Court reporter interruption.]

BY THE WITNESS:

A. (Clark) It would be six years or eight years. So, if it was a residential customer, we would use eight years of their annual margin and a commercial customer six years of their annual margin. Those number total have to reach 25 percent of the estimated construction costs.

BY CMSR. BAILEY:

Q. Okay. Thank you. The potential over-collection, you said that you'll figure that all out in a rate case. So, say, in five years, you're in the middle of a rate case. Are you going to look at any of these MEP rates at that time to determine whether they have been over-collected or will you wait until the rate case following the tenth year that the rates were in effect?

A. (Clark) We would do the analysis after year three for our new filing.

Q. Right.

A. (Clark) If we were in a rate case in five years, we would proform those revenue numbers into the rate case.

Q. Okay. And, if you determined at year five that those proformed numbers would produce an excess over your costs, at that time what would happen to the rates?

A. (Clark) If they were large enough, if we get enough of these projects, and the rates would reduce, say the rates went down, the new MEP -- well, the MEP rates would also go down, maybe based on a 30 percent premium of a lower number. So, in effect, those customers would see a reduction in their distribution rates.

Q. All customers would see a reduction?

A. (Clark) All the customers would see it. All the customers would.

Q. So, customers who aren't benefiting necessarily from these expansions, if the customers who paid for the expansions overpaid, all customers would get --

A. (Clark) That's correct.

Q. -- the rebate on the overpayment?

A. (Clark) That's correct. It's the same now as, you know, as I said earlier, large commercial developments coming on, you know, some of those have a full month payback on there, and those flow through to all customers.

Q. Okay. On Page 12 of your testimony, there was a sentence that I didn't -- I'm not sure I understood. No, Bates Page 14. It's the last sentence in the first question, starting on Line 5. And I'll let you read it, and then I'll ask the question.

So, if people in a neighborhood decide to pay the CIAC instead of the MEP, in the beginning of the -- in the beginning --

A. (Clark) Uh-huh.

Q. -- in the beginning, you're going to recover all of those costs from those initial customers who take service at that time, because you said that you wouldn't start construction unless you

received the full CIAC recovered --
A. (Clark) That's correct.
Q. -- to continue with the project, or they would be on the MEP rate?
A. (Clark) Correct.
Q. Okay. So, the last part of that sentence says "as well as being responsible for any resulting CIAC that may occur". So, if a customer comes on five years after the original customers paid the CIAC, is that a new customer?
A. (Clark) If they were -- if that project was deemed an existing rate project and we got a CIAC payment from all the existing customers to pay the upfront cost, that main would be deemed an "existing gas main" and the standard service offer would apply to that new customer. So, if they were within 100 feet, they would have a free service.
Q. That's what I understood.
A. (Clark) Yes.
Q. But what is the last phrase "as well as being responsible for any resulting CIAC that may occur" mean?
A. (Clark) So, what that was meant to ensure was

that, if there were any abnormal conditions, anything in excess of 100 feet, any resulting CIAC for that particular customer that would be normally collected has to be collected from them as well. So that, if it was 125-foot service for that customer, the first 100 feet is free, and then it's a CIAC payment of $22 per foot for the $25 per foot. If there was ledge in the yard and we added it to the normal cost, that would be part of that CIAC. So, not that it was part of the original CIAC that was bypassed by everybody paying, but any CIAC in particular for that customer to receive service.
Q. Okay. Thanks.
A. (Clark) Yes.
Q. What would happen if full recovery isn't achieved in ten years?
A. (Clark) They would still roll off into existing rates, and that would be addressed in the next rate case.
Q. And that's when you would determine if there was a prudence -- you would evaluate whether it was prudent?

A. (Clark) I would assume that Mr. Frink and Staff would look at that job, and if we estimated construction costs at $10,000, and the actuals came in at $150,000, that that extra would be denied.
Q. That was my -- that would be my question.
A. (Clark) Yes.
Q. You know, what happens about big cost overruns?
A. (Clark) Right.
Q. Okay. Does somebody want to explain Exhibit 3? I don't think we've covered that. Did we?
A. (Clark) Exhibit 3 is an update of Attachment WJC/DBS-4. So, Exhibit 3 is the impact at a 30 percent premium rather than the 35 percent premium. That's what I addressed in my update of my testimony, Page 11.
Q. Uh-huh.
A. (Clark) Those numbers that changed? This is the spreadsheet that those updated numbers came from.
Q. Okay. So, on this Exhibit 3, the box that's shaded at the top, on the left-hand side, the existing customer charge per month is "22.04"?
A. (Clark) Correct.

Q. And, then, a 30 percent addition to that would produce a rate of "28.65" a month?
A. (Clark) Correct.
Q. Okay. And, on the top right column, it says "Yearly therms used based on 80/20 split". Is that 80 percent winter/20 percent --
A. (Clark) Correct.
Q. Okay. And, then, can you just walk me through the actual therms and how that works?
A. (Clark) Sure. So, the input screen is actually the highlighted numbers. So, if you were using this model, anything that's highlighted would be an input on there. So, the estimated yearly decatherm usage for customers that we'd be expanding to is about a thousand therms, 100 decatherms. And, based on an 80/20 split, you'd have these different actual therms used for the 12-month total. It also calculates the split for the first 100 therms versus the next 100 therms, and it calculates the first 20, second 20 in the summer.

The distribution rates are on the third page. The existing rates are highlighted. And the MEP rates are a 30 percent premium now in this calculation. So, if we were to have a rate case and we wanted to use this tool to effectively market to a customer and what their rates would be compared to different fuels, that's what this tool was created for. We would go in and update the existing rates, MEP rates would automatically self-calculate.

We would also go in on the second page, which is the cost of gas, the CGA. That's a running total. Those are actual cost of gas for EnergyNorth from May 15th through -- May of 2015 through April of 2016. You can update those numbers on a monthly basis. That will give you the all-in number calculated for a potential customer, which makes it easier to explain to a customer. You know, when they convert, they want to know "what's my total bill compared versus what's my total bill for oil?"

So, the other input screen on the second page is the NHOEP price, that's updated for July. So, right now, the average cost per gallon of oil in New Hampshire is $1.98. This will calculate that, under existing rates, a customer converting would save 15 percent, and an MEP customer would save 3 percent. And a propane customer would save 56 percent over 50 percent.

Q. And that's on the last line of the last page, those percentages?

A. (Clark) That's correct. Sorry.

Q. So, wait a second. The first line of those two, "15 percent" and "3 percent", that's for oil, and the second line, on the bottom of the page, is for propane?

A. (Clark) Correct. They run across.

Q. Okay. And I just have a couple questions for Mr. Frink. On the data that you want them to collect, including the estimated versus the actual costs and the revenue, I understand all that. Why do you want them to collect data about the customer's existing fuel type?

A. (Frink) Well, as you heard, there's a difference in --

[Court reporter interruption.]

BY THE WITNESS:

A. (Frink) We think the conversion rates are probably, and not being able to dispute it, the conversion rates for propane are much higher than oil. And, so, knowing what the customer fuel source is, we'll have some empirical evidence as to just how elastic oil and gas prices are regarding conversions, the same with propane. So, when you're doing a business plan, and when they're doing their hot spots, as you heard, they can look at an area and say "okay, 50 percent are propane", "100 percent are propane", that should be a highly targeted area versus if it were reversed. So, it's helpful, I think, in evaluating the program, maybe they fine-tune it down the road to say "okay, you know, given the customer makeup, their fuel sources, this is what we're going to do."

And it would also help in evaluating whether it was a prudent decision or not, if you -- as I gave for an example, a better example is, yes, if construction costs are way out-of-line. But, again, the revenue side of it, that's more fuel-sensitive. And we'd like to know what fuel was being -- what various fuel users are. Obviously, oil is the biggest non-gas, are the biggest heat source here in New Hampshire. So, I think it's worthwhile information to have.

BY CMSR. BAILEY:

Q. Did you say that the customer conversion charges from propane to gas are higher than from oil to gas?

A. (Frink) Much higher. Obviously, the cost of extending a service to the customers is the same, whether it's propane or oil.

Q. Right.

A. (Frink) But a propane-burning system, and the Company can probably speak better to this than I could, is -- essentially can run on natural gas with just changing the orifices on the appliances. So, they don't have to redo their floorboards or whatever else they're using. They can use the same boiler, essentially. Everything is pretty much the same.

Q. So, the conversion costs for a propane customer would be less than?

A. (Frink) Much less, yes.

Q. Oh. I thought you were saying the opposite?

A. (Frink) Oh, no. No.
Q. Okay.
A. (Frink) The conversion costs, we've asked data requests on this many times, average conversion costs for a propane customer is about $1,000. That's the customer's internal costs. Whereas, for oil customers, you're looking at 10,000.
Q. Okay.
A. (Clark) And we would concur with that. We have -- the age of the equipment in the home isn't as big of a factor when identifying propane customers. You could have a brand-new propane system that's a year old, your conversion costs would be three hours of a technician to come over and change an orifice, very low cost. And it's a 50 percent savings. So, you make that back in a winter.
I think, for oil, if oil does stay low, we would have to be a little more targeted in our marketing, we would identify neighborhoods that say were all built -- there was 100 homes built within a two-year span, and they're all 25 years old and they're all oil. That would be something that we would market, because they

should all be coming on conversions. So, many of those customers are already budgeting conversion dollars, and we would see how that goes.

But I agree with Steve, that the propane is a very highly -- more highly likely person to convert, customer to convert. And we track that information anyways, what they have for existing, once we sell the job, to kind of look at that.

Q. How do you know what they have, if they're not your customer?

A. (Clark) Either third party data through -- for commercial, and databases for the town will put on their real estate assessment what you have for fuel. We just had to instruct ICF International, you know, for the Windham -- I mean, the -- yes, the Windham/Pelham docket that we have open, we transferred all the data. But, if you look in Pelham, they will put down "gas" as their heating source. We happen to know that that means "propane".

Q. Okay.

A. (Clark) So, if they have listed on their data sheet for the town that they have gas, but they're not showing if it's our customer, that that means "propane".

CMSR. BAILEY: Okay. All right. Thank you very much.

CHAIRMAN HONIGBERG: My questions were answered through the course of the proceeding.

Mr. Sheehan or Mr. Dexter, do you have any further questions for your witnesses?

MR. DEXTER: I just have one, and it's -- I'm sorry. I just have one, and it's a follow-up to something I asked before, because I just want to make sure we're all on the same page about "25 percent of revenues" or "25 percent of costs". Because I think Mr. Clark's more detailed answer, in response to the Commissioner's questions, was that they would need 25 percent of the construction costs committed to before the project would go forward.

REDIRECT EXAMINATION

BY MR. DEXTER:

Q. And, so, my question to Mr. Clark is, did I hear you right? And, if you did, my question to Mr. Frink is, is Staff comfortable with that clarification? So, I'll start with Mr. Clark.

A. (Clark) Okay. So, again, when we evaluate the project, we're using the assumption that there's a 60 percent saturation rate. And that 60 percent saturation rate will give us a construction cost total. And we also have projected revenues for that project based on 60 percent. So that, if 60 percent of the customers sign up, X number of dollars is the revenue dollars associated with those customers. We need 25 percent of that revenue number before we move forward.

However, that revenue number needs to be -- the margin needs to be greater than the construction costs. So, I guess that might have been the clarification you were looking for, it's the 25 percent of the revenues associated with 60 percent of the estimated annual margin.

Q. Okay. And, then, to Mr. Frink, are you comfortable with that test the way Mr. Clark laid it out, that that was consistent --

A. (Frink) Yes.
Q. -- with Staff's position?
A. (Frink) Yes, it is.
MR. DEXTER: Okay. I have nothing further.
CHAIRMAN HONIGBERG: Mr. Sheehan?
MR. SHEEHAN: I have nothing further. Thank you.
CHAIRMAN HONIGBERG: All right. Then, I think you gentlemen can probably stay where you are.
I assume there's no objection to striking ID on the three exhibits?
MR. DEXTER: No objection.
CHAIRMAN HONIGBERG: Is there anything else we need to do then, before we allow the Parties to sum up?
[No verbal response.]
CHAIRMAN HONIGBERG: All right. Mr. Kreis, I think we know your position. Are you satisfied that you got it on the record sufficiently or do you want to say more on the topic?
MR. KREIS: I am satisfied that my

position has been adequately captured in the record.

CHAIRMAN HONIGBERG: Mr. Dexter?

MR. DEXTER: I feel the same way.

CHAIRMAN HONIGBERG: Mr. Sheehan?

MR. SHEEHAN: Thank you. We just ask that you approve the Petition as modified by Mr. Frink's testimony. And the Company will then file conforming tariffs, as Mr. Simek illustrated.

And one clarification. The marketing rule is Puc 510.03. That's what draws the line between what we can and cannot recover in rates. And, of course, we will continue to follow them. Thank you.

CHAIRMAN HONIGBERG: All right. Thank you all very much. We will take this under advisement and issue an order as quickly as we can. We are adjourned.

(Whereupon the hearing was adjourned at 11:17 a.m.)