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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

EXHIBIT
#173
DG 17-048

October 23, 2015 - 9:13 a.m.
Concord, New Hampshire

NHPUC OCT 26 '15 AM 9:37

RE: **DG 15-353**
LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP. d/b/a LIBERTY UTILITIES:
Winter 2015-2016 Cost of Gas.

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:**
Ronald J. Ritchie, Esq.

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

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

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

ORIGINAL

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 other retail customers, to your price of gas?

2 A. (DaFonte) Well, we did a calculation to try to estimate
3 what that cost would be. And, it's approximately a two
4 cent reduction in the overall cost for residential
5 customers, and about one and a half cent per therm
6 reduction for C&I customers.

7 Q. And, just so that I'm following you correctly, are you
8 saying the fact that iNATGAS is not operating results
9 in the reduction?

10 A. (DaFonte) Yes. It just so happens that, because the
11 incremental resource to supply iNATGAS would be
12 purchases at Dracut, which are our highest cost
13 purchases, by reducing the volumes associated with
14 iNATGAS, we also reduce the purchases associated with
15 iNATGAS, or, you know, just incremental purchases in
16 general. And, so, you're lowering the unit cost of
17 commodity purchases.

18 MS. CHAMBERLIN: Okay. Thank you.

19 That's all I have.

20 CHAIRMAN HONIGBERG: Mr. Speidel.

21 MR. SPEIDEL: Thank you, Mr. Chairman.

22 BY MR. SPEIDEL:

23 Q. Continuing on the iNATGAS theme, for both EnergyNorth
24 and iNATGAS, what work has been completed and paid for?

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 And, what work remains to be done to complete the
2 project and commence service? And, what is the
3 timeline for each task?

4 A. (Mullen) To date, Liberty has completed site clearing,
5 grading, and base coat of asphalt for the entire
6 facility. We have also installed the gas service line,
7 meter, regulation and valves from take station to the
8 compressor location. We have also ordered and received
9 all compressors and the dryer, along with the electric
10 transformer. All are stored on the site right now.
11 We've also ordered and will receive delivery of the
12 compressor building, as well as all the canopies. And,
13 those should arrive on site within three to four weeks.

14 INATGAS has ordered and received the
15 majority of their required material and equipment,
16 other than short lead time items, such as electric
17 panels and signage.

18 Liberty will still need to complete
19 aboveground piping to the compressors, installation of
20 the compressor building and canopies, final asphalt
21 topcoat, concrete foundations, pads and piers, as well
22 as landscaping and fencing.

23 INATGAS will need to install all
24 electrical, including the transformer, underground

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 electrical to all lights, buildings and canopies,
2 underground piping of CNG tubing to all dispensers,
3 installation of trailer and vehicle dispensers, fuel
4 management system, and as well as some fiberoptic and
5 cable installation.

6 The remaining work for Liberty is
7 estimated at about six to eight weeks. That work has
8 already been awarded and will commence as soon as
9 weather permits in 2016.

10 Similarly, iNATGAS's work is estimated
11 at about six to eight weeks, and will also begin
12 weather permitting in 2016.

13 Q. Do you have, Mr. Mullen, an overall cost estimate for
14 the project that would be allocated to the Company,
15 Liberty?

16 A. (Mullen) Yes. To date, our direct investment has been
17 approximately 2.95 million, and remaining direct cost
18 is about 750,000.

19 Q. And, these are investments that will or will not be
20 included in rate base?

21 A. (Mullen) We would certainly propose to put those in
22 rate base, yes. They are not as of yet.

23 Q. Okay. What are the costs that would be incurred by
24 iNATGAS for their portion of the project?

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 A. (Mullen) To date, they've purchased approximately
2 \$400,000 worth of their materials and equipment. And,
3 that's about 60 percent of the materials and equipment
4 that they need. They have also ordered and put
5 nonrefundable deposits down on another 30 percent,
6 which is approximately another 250,000, within that
7 equipment is currently either being manufactured or is
8 en route. And, then, there's another 10 percent for
9 some of the short lead time items that I talked about.

10 Q. Under the terms of the Special Contract, is there a
11 deadline for iNATGAS to complete construction of its
12 CNG station?

13 A. (Mullen) No, there is not.

14 Q. In addition to the personal guarantees of its owner,
15 iNATGAS funds are being held in escrow in the event of
16 a default. If iNATGAS does not build the CNG station,
17 at what point would iNATGAS be considered to be in
18 default of the contract?

19 A. (Mullen) Well, there's a couple of different agreements
20 here. There's a Lease Agreement and there's also a
21 Special Contract. If iNATGAS did not make a lease
22 payment, or, if they did not make payments as required
23 under the Special Contract, they could be in default,
24 subject to written notice provisions and all that that

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 are in each of the agreements.

2 Q. Could you elaborate on that please.

3 A. (Mullen) Okay. For the lease, if they do not make a
4 lease payment as required, I believe there are written
5 notice provisions that, if it's not received by a
6 certain date, then we send written notice, and there's
7 all the legal requirements that go with that.

8 Similarly, on the Special Contract,
9 there's a schedule for payments in there, once
10 commencement -- once service commences at the site.
11 And, there are similar terms about, you know, payments
12 being late and written notice provisions.

13 Q. So, would you happen to know those dates and timeframes
14 off the top of your head or no?

15 A. (Mullen) I can look them up.

16 Q. Thank you.

17 A. (Mullen) Rather than try and paraphrase, I will read
18 from the Lease Agreement, which is actually Section
19 19.1 of that Agreement. It says: "If the Tenant shall
20 default in the performance of any of its monetary
21 obligations under this Lease or under the Special
22 Contract, and if such default shall continue for five
23 days after written notice from Landlord to Tenant, or
24 if within fifteen days after written notice from

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 Landlord to Tenant specifying any other default or
2 defaults under this Lease or under the Special
3 Contract, Tenant has not commenced diligently to
4 correct such default and has not thereafter diligently
5 pursued such correction to completion or if Tenant's
6 leasehold interest shall be taken on execution or by
7 other process of law, attached or subjected to any
8 other involuntary encumbrance, then, and in any of such
9 cases, Landlord and its agents and servants may
10 lawfully, immediately or any time thereafter, and
11 without further notice or demand, and without prejudice
12 to any other remedies available to Landlord for
13 arrearages of rent or otherwise, either enter into and
14 upon the Premises or any part thereof, in the name of
15 the whole, and repossess the same as of Landlord's
16 former estate without the Tenant Improvements, or mail
17 a notice of termination addressed to Tenant at the
18 Premises, and upon such entry or mailing this Lease
19 shall terminate."

20 Then, there's a whole -- this paragraph
21 goes on and on. But, in terms of the --

22 CHAIRMAN HONIGBERG: Please don't read
23 any -- please don't read any more of that contract.

24 BY MR. SPEIDEL:

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 Q. That's all right. That's the key. We got the sense of
2 the default timeframe, which is it would be relatively
3 short. Now, --

4 A. (Mullen) That was one sentence.

5 Q. That was one sentence.

6 CHAIRMAN HONIGBERG: A lawyer made a lot
7 of money writing that sentence. So, don't make fun.

8 MR. SPEIDEL: Right.

9 BY MR. SPEIDEL:

10 Q. So, ultimately, when are the lease payments due from
11 iNATGAS to Liberty?

12 A. (Mullen) Lease payments commence upon a commencement
13 date, which is following the receipt of all regulatory
14 approvals. Regulatory approvals include not only
15 Commission's approval, but approvals by New Hampshire
16 Department of Environmental Services, as well as
17 certain permits and other requirements of the City of
18 Concord.

19 Q. So, have those been issued, all of them?

20 A. (Mullen) No, they have not.

21 Q. They have not. So, the estimated time for the issuance
22 of those permits, would that be contemporaneous with
23 the completion of construction next summer or --

24 A. (Mullen) My understanding is that I think the last

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 thing we're waiting for is one of the permits from the
2 City of Concord. And, that may be forthcoming in the
3 next couple of weeks.

4 Q. And, that's the last one?

5 A. (Mullen) To my knowledge, yes.

6 Q. Okay. Under the terms of the Special Contract with
7 iNATGAS, what is the earliest EnergyNorth is able to
8 commence billing iNATGAS under the must-take provision
9 for commodity?

10 A. (Mullen) The billing will commence under the Special
11 Contract following the service commencement date, which
12 is the installation of the meter and hook-up of the
13 customer to that meter, and the assignment of a
14 customer account. So, we would start billing under
15 that, the take-or-pay provision gets calculated after
16 the first year.

17 Q. Thank you. Switching gears. What is the total
18 anticipated capacity-exempt SENDOUT forecast for this
19 winter? And, what is that amount of capacity-exempt
20 load expected to switch to firm sales service this
21 winter? And, if you will, please compare with last
22 year's actuals.

23 A. (DaFonte) Sure. For this winter's cost of gas demand
24 forecast, we have estimated approximately 16.1 million

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 eliminate the summer cost of gas filing, and do an
2 annual filing for the winter that would have a separate
3 monthly adjustment mechanism for the summer than for
4 the winter.

5 Q. Would the winter and summer periods for these two
6 separate adjustment schemes be structured in the same
7 way, so that you would have November through April for
8 one and then May through October for the other?

9 A. (Simek) Yes.

10 MR. SPEIDEL: Thank you very much, Mr.
11 Simek.

12 WITNESS SIMEK: You're welcome.

13 MR. SPEIDEL: Thank you all for your
14 responses.

15 CHAIRMAN HONIGBERG: Commissioner Scott.

16 COMMISSIONER SCOTT: Thank you. And,
17 good morning.

18 WITNESS SIMEK: Good morning.

19 WITNESS DaFONTE: Good morning.

20 WITNESS MULLEN: Good morning.

21 WITNESS CASEY: Good morning.

22 BY COMMISSIONER SCOTT:

23 Q. I'll start with Mr. Mullen on the iNATGAS conversation.
24 Why the delay with iNATGAS?

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 A. (Mullen) It's predominantly because iNATGAS is
2 developing a similar project in Worcester,
3 Massachusetts. And, they have devoted their resources
4 to get that on line before the winter. And, it's
5 currently scheduled to be on line in mid-November. So,
6 with them devoting resources to that, they won't be
7 able to finish what they need to do before the winter
8 hits here, in Concord. And, so, that's why it's pushed
9 off the finishing of that project until next spring.

10 Q. Understanding you're not iNATGAS, but that was
11 unanticipated then?

12 A. (Mullen) No. You know, I haven't been in discussions
13 with iNATGAS personally. But I think that, up until
14 recently, they thought that they could get both of the
15 projects done prior to the winter. But I think they
16 have some certain commitments down in -- for the
17 Worcester station. And, like I say, that's on line --
18 scheduled to be on line mid-November. And, with that,
19 they weren't able to get both of them done prior to the
20 winter period.

21 Q. So, it would be fair to say there's no "buyer's
22 remorse" going on, it's just this over project has
23 gotten in the way of moving ahead on the Concord
24 project?

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 A. (Mullen) That's correct. And, we've -- I know that
2 other Company personnel have been in discussions with
3 iNATGAS frequently. And, we have no indication
4 whatsoever that things aren't going to go forward, and
5 they're, you know, trying to line up contracts with
6 people to use the facility. That's all still going
7 right along.

8 Q. Thank you. And, that was my next question, "what about
9 the potential customers?" So, that looks like they're
10 still in hand, won't be impacted by the delay?

11 A. (Mullen) Based on the discussions I've had, yes,
12 internally.

13 Q. Thank you. Mr. Simek, on Bates 30, you talk about
14 "lost and unaccounted for gas", and the difference
15 between the presumption under the settlement of, I
16 think, "1.28 percent", and you're now using "1.56
17 percent". I was just curious if you could characterize
18 that. Is that, you know, an acceptable level?

19 A. (Simek) From internal research, it looks like anything
20 under two and a half percent tends to be an industry
21 average. So, we feel that, since we're within that
22 range, that it's acceptable.

23 Q. And, along those lines, is there like periodic
24 engineering studies that look at the reasons for the

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 can go both ways. But we felt it was better to avoid
2 it altogether and not have to get into that.

3 Q. Okay. Thank you. Mr. Mullen, should we be comfortable
4 with the situation with iNATGAS?

5 A. (Mullen) Yes. I mean, while there's a delay, it's
6 really not causing any financial consequences at this
7 point.

8 Q. The fact that they prioritized a project elsewhere over
9 the project that's here certainly is an interesting
10 development. Did we know that, if push came to shove,
11 they were going to push theirs forward and shove ours
12 behind?

13 A. (Mullen) Well, that one may have also been under
14 development prior to the Concord facility.

15 A. (DaFonte) Yes.

16 Q. Okay. I see Mr. DaFonte seems to agree with that, is
17 that correct?

18 A. (DaFonte) That's correct. That was under development
19 prior to the Concord facility being approved.

20 CHAIRMAN HONIGBERG: All right. I think
21 that's all I have.

22 All right. Mr. Ritchie, do you have any
23 further questions for your witnesses?

24 MR. RITCHIE: Just one question. And,

{DG 15-353} {10-23-15}

1 it's for Mr. Mullen.

2 **REDIRECT EXAMINATION**

3 BY MR. RITCHIE:

4 Q. Mr. Mullen, with respect to -- or, you were asked
5 questions regarding some of the direct construction
6 costs associated with the iNATGAS facility. Do you
7 recall that?

8 A. (Mullen) Yes.

9 Q. And, just to be clear, the direct costs that are
10 associated with the construction of that facility, none
11 of those are included in this cost of gas filing, is
12 that correct?

13 A. (Mullen) That's correct.

14 MR. RITCHIE: And, that's all I have on
15 direct.

16 CHAIRMAN HONIGBERG: All right. If
17 there's nothing else for these witnesses, there's no
18 objection to striking ID on the exhibits, I assume? There
19 certainly won't be one from you, Mr. Ritchie. I don't
20 think you need to worry about that.

21 *[No verbal response]*

22 CHAIRMAN HONIGBERG: I see nothing from
23 the other side of the room. We'll have the witnesses just
24 stay where they are for now.

1 Is there anything else we need to do
2 before the parties sum up on this one?

3 *[No verbal response]*

4 CHAIRMAN HONIGBERG: All right.
5 Ms. Chamberlin.

6 MS. CHAMBERLIN: Thank you. The OCA
7 does not object to the rate going in as proposed.
8 Commodity prices are down. Residential customers will
9 experience a rate decrease from last winter. So, I would
10 accept it as filed.

11 CHAIRMAN HONIGBERG: Mr. Speidel.

12 MR. SPEIDEL: Thank you. Staff wishes
13 to express its support for approval of the 2015-2016
14 EnergyNorth Cost of Gas rates as filed, subject to
15 reconciliation. We also recommend approval of the LDAC
16 components that have been tendered as part of this filing.

17 Staff will continue to monitor the
18 iNATGAS picture and communicate with the Company regarding
19 that.

20 And, Staff expects that the Company
21 would adjust reconciliation schedules appropriately based
22 on actual use going forward, as is the usual practice.

23 On environmental remediation, we do
24 recommend approval of the costs as filed. And, we would

1 also, with regards to the gasholder, like to express
2 Staff's opinion that, traditionally, we only seek to have
3 included in recovered rates the costs of remediation of
4 the environmental contamination in question. That means
5 environmental remediation to industry standards, to the
6 standards required by the Department of Environmental
7 Services or other relevant authorities. And, any extras,
8 such as rehabilitation of a historical site, are not
9 appropriately included in rates, and would be at the
10 election of the Company for recovery from shareholders.
11 And, I think we heard today that the Company is not
12 interested in such a posture, and Staff is supportive of
13 that business decision by the Company.

14 And, therefore, to sum up, we do
15 approve -- I'm sorry, we recommend approval of this
16 filing. Thank you.

17 CHAIRMAN HONIGBERG: Mr. Ritchie.

18 MR. RITCHIE: Thank you, Chairman. The
19 Company respectfully requests that the Commission approve
20 the proposed rates, LDAC components, and remediation costs
21 in the Company's filing in DG 15-353, and in order for the
22 rates to take effect on November 1st, 2015. As supported
23 by the Company's prefiled testimony and the testimony
24 presented today at the hearing, the Company respectfully

1 submits that the proposed rates are just and reasonable.
2 They're based on an appropriate forecast of supply that
3 will be necessary this winter, and will result in lower
4 rates for customers.

5 And, the Company also would like to add
6 that it will -- it will gladly continue to share
7 information with Staff regarding the iNATGAS facility
8 going forward. Thank you.

9 CHAIRMAN HONIGBERG: All right. Thank
10 you all. We'll close the record on this proceeding, and
11 we'll get an order out as quickly as we can. And, we will
12 adjourn.

13 **(Whereupon the hearing was adjourned at**
14 **10:20 a.m.)**

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