



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

Docket No. DG 19-161

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Distribution Service Rate Case

DIRECT TESTIMONY

OF

SUSAN L. FLECK

November 27, 2019

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1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Please state your name, title, and business address.**

3 A. My name is Susan L. Fleck. I am President of Liberty Energy Utilities (New Hampshire)
4 Corp. (“Liberty Energy (NH)”), which owns Liberty Utilities (EnergyNorth Natural Gas)
5 Corp. d/b/a Liberty Utilities (“EnergyNorth” or “the Company”) and Liberty Utilities
6 (Granite State Electric) Corp. d/b/a Liberty Utilities (“Granite State”). My business
7 address is 15 Buttrick Road, Londonderry, New Hampshire.

8 **Q. On whose behalf are you submitting this testimony?**

9 A. I am submitting this testimony before the New Hampshire Public Utilities Commission
10 (the “Commission” or “NHPUC”) on behalf of EnergyNorth.

11 **Q. Please describe your educational background and professional experience.**

12 A. I received a Bachelor of Science in Civil Engineering from Carnegie-Mellon University
13 and a Masters of Business Administration with a concentration in Finance from Boston
14 College. From 1980 to 1981, I worked as an engineer for Columbia Gas Transmission
15 Company in the Measurement and Regulation Department. In 1981, I joined The
16 Brooklyn Union Gas Company as an Engineer, where I remained until 1982. From 1982
17 to 1985, I was employed by Consolidated Edison Company as an Associate Engineer in
18 the Gas Operations Department. In 1985, I joined Boston Gas Company (“Boston Gas”) as a
19 Measurement and Design Engineer. I remained with Boston Gas through the end of
20 2000, progressing through numerous positions including Superintendent Distribution
21 Administration, Director Distribution System Planning, Group Leader Distribution

1 System Design, Construction Engineer, Vice President Engineering and Gas Control, and
2 Vice President Engineering and Environmental Management. From 2000 to 2007,
3 following the acquisition of Boston Gas by KeySpan Corporation, I served as Vice
4 President NYC Gas Operations for KeySpan Energy Delivery New York. From 2007 to
5 2017, following the acquisition of KeySpan Corporation by National Grid PLC, I served
6 as Vice President of Engineering Standards and Policy for National Grid, and then as
7 Vice President of Gas Pipeline Safety and Compliance until my retirement in June 2017.
8 In September 2017, I became President of Liberty Energy (NH).

9 **Q. Have you previously testified in regulatory proceedings before the Commission?**

10 A. Yes, I have previously provided testimony in Docket No DG 10-017, a distribution rate
11 case for EnergyNorth Natural Gas, Inc. (under National Grid ownership), in Docket No.
12 DG 17-198, the current proceeding in which EnergyNorth is seeking approval of its
13 Granite Bridge pipeline and LNG storage tank project, and in Docket No. DE 19-064,
14 Granite State's ongoing distribution rate case.

15 **Q. Have you testified in other regulatory jurisdictions?**

16 A. Yes. I have also testified before the Massachusetts Department of Public Utilities and the
17 Rhode Island Public Utilities Commission.

1 **II. PURPOSE OF TESTIMONY**

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

3 A. The purpose of my testimony is to provide an overview of the Company and its filing for
4 an adjustment to distribution service rates in this proceeding. I also provide an
5 introduction of each witness and the subject matter of their testimony.

6 **Q. How does EnergyNorth approach its obligations as a provider of utility service?**

7 A. EnergyNorth has many obligations as a public utility in New Hampshire, including the
8 provision of safe and reliable service at just and reasonable rates. The provision of
9 natural gas and propane service to its customers is extremely important given the uses of
10 the fuels for heat, cooking, manufacturing, and industrial purposes. Each day, decisions
11 are made related to the operation and maintenance of the distribution system as well as to
12 maintain reliable and cost effective sources of supply. With each decision, the safety of
13 the Company's employees and customers is our first and highest priority. Reliability and
14 reasonable rates are a function of the people we hire and the investments we make in the
15 system. The investments we make are not only in physical assets, but also in recruiting,
16 hiring, and training excellent employees. Since taking over ownership of the Company in
17 mid-2012, we have significantly improved the reliability of the distribution system,
18 strengthened training methods, improved policies and procedures, and strengthened the
19 local workforce. These investments have yielded measurable results and will allow the
20 Company to meet its many obligations as a public utility in this state.

1 **Q. What are your priorities for EnergyNorth?**

2 A. Liberty Utilities takes pride in the improvements and growth that have taken place on its
3 system in recent years. The Company has accelerated the removal of the cast iron and
4 bare steel (“CIBS”) mains and services in its system and is committed to replacing the
5 remaining such mains and services. Given the Commission’s decision to terminate the
6 accelerated recovery mechanism that had been in place for many years with respect to the
7 CIBS Program, the Company will work with the Staff, the Office of Consumer Advocate,
8 and other potential parties to devise a method to ensure recovery of these highly
9 important, capital intensive, and non-revenue producing capital replacement activities in
10 a way that will not require more frequent rate cases.

11 The Company is also committed to growing its system and providing safe and reliable
12 gas service to new customers while providing opportunities for economic development in
13 the communities served by EnergyNorth. With respect to its Keene Division, the
14 Company is committed to undertaking a methodical approach to converting the system
15 over time from propane/air to natural gas. This is not something that will be rushed into,
16 but rather done in a well thought out manner to allow for conversions, following the
17 siting and installation of a permanent compressed natural gas/liquefied natural gas supply
18 facility, that are not disruptive to customers while also providing for potential expansion
19 of the system.

20 Finally, as the Company grows, it will continue to pursue cost-effective and innovative
21 means to ensure continued supply for both the short and near terms. Through

1 undertakings such as its Granite Bridge project and its approach to converting its Keene
2 system to natural gas and providing for a long-term cost-effective fuel source, the
3 Company has shown that it takes a long-term view of the need to provide for its
4 customers rather than just opting for short-term, superficial measures that would leave
5 long-term questions unanswered.

6 **III. SUMMARY OF THE FILING**

7 **Q. Why is EnergyNorth making this rate case filing at this time?**

8 A. The Company had originally planned to file a rate case in the first half of 2020, using the
9 2019 calendar year as the test year. However, in the Company’s last rate case (Docket
10 No. DG 17-048), the Commission approved, for the first time in New Hampshire, a
11 decoupling mechanism. As part of its order¹ in that proceeding, the Commission
12 recognized that a reset of test year revenues in light of the decoupling mechanism would
13 be “well advised” and directed that the Company’s next test year end no later than
14 December 31, 2020. Due to circumstances described in further detail in the testimony of
15 Steven Mullen, the Company found it necessary to accelerate the rate case timing. In
16 addition, this filing recognizes the Company’s declining return on equity due in large part
17 to the significant amount of non-growth related capital investments that have been made
18 to the Company’s infrastructure since the last rate case. Delays in cost recovery for non-
19 growth related capital investments made in between rate cases puts significant downward
20 pressure on a utility’s earnings and can result in delaying or otherwise altering needed

¹ Order No. 26,122 (April 27, 2018).

1 investments that would further improve the business. With respect to operating expenses,
2 the Company was successful in essentially holding its operation and maintenance
3 expenses flat. Despite those efforts, other costs that are beyond the Company's control,
4 such as property taxes, have increased significantly. Addressing these topics, among
5 others in this rate filing, will allow us to commence recovery of the investments we have
6 made in the system, reset the test year revenues for the purposes of the decoupling
7 mechanism, and bring our distribution rates in line with the cost of providing service.

8 **Q. Please provide an overview of EnergyNorth's requests in this docket.**

9 A. EnergyNorth is seeking recovery of an annual distribution revenue deficiency of
10 approximately \$10.8 million based on a rate base of approximately \$335 million. As
11 stated earlier, this increase is necessary to allow the Company to recover increased costs
12 of doing business since its last rate case. Those increased costs arise largely from
13 substantial capital investments that benefit the safety and reliability of EnergyNorth's
14 system. The Company also seeks a step increase of approximately \$3 million to recover
15 the revenue requirement associated with non-growth related capital investments placed in
16 service during the period July 1 through December 31, 2019.

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

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

- 19 • David B. Simek, Manager of Rates and Regulatory Affairs, and Kenneth A.
20 Sosnick of FTI Consulting ("FTI") sponsor the calculation of EnergyNorth's
21 revenue requirement and the request for a permanent rate increase. They also

1 provide separate joint testimony in support of the Company's request for
2 temporary rates.

- 3 • Mr. Simek and Adam M. Hall, Analyst, Rates and Regulatory Affairs, provide
4 testimony in support of the lead/lag study that was performed as part of the
5 revenue requirement analysis.
- 6 • Sean D. Furey, Manager of Gas Operations (Construction), Brian R. Frost, Senior
7 Engineer, and Heather M. Tebbetts, Manager of Rates and Regulatory Affairs,
8 describe the capital additions that EnergyNorth has made since its last rate case as
9 well as some significant capital investments that will be made in the upcoming
10 years.
- 11 • Steven E. Mullen, Director of Rates and Regulatory Affairs, provides testimony
12 addressing regulatory mechanisms and provisions to address earnings attrition
13 that occurs between rate cases, as well as other regulatory matters.
- 14 • Matthew DeCoursey of FTI presents the marginal cost of service study and
15 results. His testimony also supports EnergyNorth's proposed rate design and rate
16 calculations.
- 17 • Mr. Sosnick of FTI presents the functional costs of service study and results.
- 18 • John Cochrane of FTI presents testimony and a recommendation regarding the
19 Company's Cost of Equity and provides an assessment of the capital structure and
20 cost of debt to be used for ratemaking purposes.

1 **IV. CONCLUSION**

2 **Q. Do you have any final comments?**

3 A. Yes. The Company understands that it has been on a fairly rapid schedule for filing rate
4 cases. Given the Commission's decision earlier this year to terminate the accelerated
5 recovery portion of the Company's CIBS Replacement Program, the highly capital
6 intensive nature of the natural gas business, and the lack of mechanisms that allow for
7 timely recovery of capital investments, it is all but a foregone conclusion that the
8 Company will need to file rate cases even more frequently. As the majority of necessary
9 capital investments do not generate additional revenue, it is vital that the Company, Staff,
10 and the OCA work cooperatively to devise a regulatory scheme that recognizes the need
11 for capital investments and timely recovery of those costs. Otherwise, there will not be a
12 reasonable opportunity for the Company to earn what the Commission determines to be a
13 reasonable rate of return without frequent rate case filings.

14 Rate cases are very time consuming and costly undertakings, and it would be beneficial
15 for all parties involved, including customers, to be able to have a regulatory structure that
16 would allow everyone to refocus their efforts on new initiatives that arise as part of the
17 day-to-day operations of the Company as well as in the continued advancements and
18 increased safety requirements that are becoming more prevalent in the natural gas
19 industry.

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

21 A. Yes, it does.