

BEFORE THE STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

In the matter of:

Iberdrola USA Enterprises, Inc. and)
Liberty Utilities (EnergyNorth Natural Gas) Corp.)
Joint Petition for Authority to Transfer Ownership of)
New Hampshire Gas Corporation to Liberty Utilities)
(EnergyNorth Natural Gas) Corp.)
)
)
Docket No. DG 14-155)

Direct Prefiled Testimony

of

Scott J. Rubin

On behalf of the Office of the Consumer Advocate

Dated: September 25, 2014

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1 **Introduction**

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

3 A. My name is Scott J. Rubin. My business address is 333 Oak Lane, Bloomsburg, PA.

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

5 A. I am an independent consultant and an attorney. My practice is limited to matters
6 affecting the public utility industry. The New Hampshire Office of the Consumer
7 Advocate ("OCA") retained me as a consultant for this case.

8 **Q. What is the purpose of your testimony in this case?**

9 A. I have been asked by the OCA to help it evaluate the proposed acquisition by Liberty
10 Utilities (EnergyNorth Natural Gas) Corp. ("Liberty") of New Hampshire Gas
11 Corporation ("NH Gas"). NH Gas is currently owned by Iberdrola USA Enterprises, Inc.
12 ("Iberdrola"). I will refer to Liberty and NH Gas collectively as the "Joint Petitioners."

13 **Q. What are your qualifications to provide this testimony in this case?**

14 A. I have testified as an expert witness before utility commissions or courts in the District of
15 Columbia, the province of Nova Scotia, and in the states of Alaska, Arizona, California,
16 Connecticut, Delaware, Kentucky, Illinois, Maine, Maryland, New Hampshire, New
17 Jersey, New York, Ohio, Pennsylvania, and West Virginia. I also have testified as an
18 expert witness before two committees of the U.S. House of Representatives and one
19 committee of the Pennsylvania House of Representatives. I also have served as a

1 consultant to the staffs of two state utility commissions, as well as to several national
2 utility trade associations, and state and local governments throughout the country. Prior
3 to establishing my own consulting and law practice, I was employed by the Pennsylvania
4 Office of Consumer Advocate from 1983 through January 1994 in increasingly
5 responsible positions. From 1990 until I left state government, I was one of two senior
6 attorneys in that office. Among my other responsibilities in that position, I had a major
7 role in setting that office's policy positions on water and electric matters. In addition, I
8 was responsible for supervising the technical staff of that office. I also testified as an
9 expert witness for that office on rate design and cost of service issues.

10 Throughout my career, I developed substantial expertise in matters relating to the
11 economic regulation of public utilities. I have published articles, contributed to books,
12 written speeches, and delivered numerous presentations, on both the national and state
13 level, relating to regulatory issues. I have attended numerous continuing education
14 courses involving the utility industry. I also periodically participate as a faculty member
15 in utility-related educational programs for the Institute for Public Utilities at Michigan
16 State University, the American Water Works Association, and the Pennsylvania Bar
17 Institute. Attachment SJR-1 to this testimony is my curriculum vitae.

18 **Q. Do you have any experience that is particularly relevant to the issues in this case?**

19 A. Yes, I do. I have substantial experience in cases involving the proposed acquisition of a
20 public utility. During my career, I have performed legal or consulting services for public

1 advocates, consumer groups, or labor unions in more than 20 cases involving proposed
2 utility mergers, acquisitions, or spin-offs, including the following:

- 3 • Allegheny Energy proposed acquisition of Duquesne Light Company
- 4 • Alltel spinoff to create Windstream
- 5 • Bangor Hydro Electric merger with Maine Public Service
- 6 • Centerior – GPU merger to create FirstEnergy
- 7 • CenturyLink acquisition of Qwest
- 8 • CenturyTel merger with Embarq to create CenturyLink
- 9 • Dominion Resources sale of Peoples Natural Gas Co. to Steel River
- 10 • Duke Energy acquisition of Cinergy
- 11 • Exelon proposed acquisition of PSE&G
- 12 • FairPoint acquisition of Verizon New England
- 13 • FirstEnergy proposed acquisition of Allegheny Energy
- 14 • Frontier acquisition of Verizon operations in 14 states
- 15 • Liberty's acquisition of EnergyNorth and Granite State Electric Co. from
16 National Grid
- 17 • Long Island Lighting Co. break-up (sale of gas operations to Brooklyn
18 Union Gas; sale of electric operations to Long Island Power Authority)
- 19 • Macquarie acquisition of Duquesne Light
- 20 • Pennichuck Corp. sale to City of Nashua
- 21 • PSC Corp. acquisition of Consumers Water
- 22 • RWE acquisition of American Water Works Co.
- 23 • RWE divestiture of American Water Works Co.
- 24 • SBC acquisition of AT&T

- 1 • Sprint spinoff to create Embarq
- 2 • SteelRiver acquisitions of Peoples Gas and Equitable Gas
- 3 • United Water proposed acquisition of Pennsylvania Gas & Water Co.
- 4 • Verizon acquisition of MCI
- 5 • Windstream proposed spinoff of certain real estate assets to form a Real
- 6 Estate Investment Trust

7 8 **Summary**

9 **Q. Please summarize your recommendations and conclusions.**

10 **A.** I summarize my recommendations and conclusions as follows:

- 11 • The transaction should have no immediate effect on the cost to serve NH
- 12 Gas customers, though it does remove the risk of a potential increase in
- 13 the regulated cost of service related to the settlement between Iberdrola
- 14 and Keene Propane Corporation.
- 15 • The transaction should have no immediate effect on the cost to serve
- 16 Liberty's existing customers (i.e., customers of Liberty pre-acquisition of
- 17 NH Gas).
- 18 • The Commission should explicitly state that it is premature to determine
- 19 whether the costs of any future NH Gas integration projects may be
- 20 included (in whole or in part) in Liberty's cost of serving existing
- 21 customers.
- 22 • The Commission should put Liberty on notice that Liberty would be
- 23 expected to quantify the benefits to EnergyNorth customers if Liberty
- 24 proposes to include a portion of NH Gas integration project costs in the
- 25 EnergyNorth cost of service.
- 26 • The Commission should require Liberty to keep separate accounting
- 27 records and file separate annual reports for NH Gas unless and until the
- 28 Commission approves a rate consolidation plan in some future proceeding.
- 29 • Liberty has not documented any near-term service quality benefits from
- 30 the proposed transaction. If there are any service quality benefits in the

1 long term, it would depend on the implementation of new projects (such as
2 a CNG/LNG conversion) that are not even in the planning stages yet,
3 making them highly speculative and uncertain.

- 4 • The proposed transaction is not likely to have a significant effect on the
5 state's economy.
- 6 • The transaction would be consistent with the public good as long as the
7 Commission makes clear that it is premature to determine whether the
8 costs of any future NH Gas integration projects may be included (in whole
9 or in part) in Liberty's cost of serving existing customers.

10 **The Proposed Acquisition**

11 **Q. What is your understanding of the proposed transaction?**

12 A. On April 9, 2014, Iberdrola and Liberty entered into a Stock Purchase Agreement under
13 which Liberty will purchase all of the common stock of NH Gas from Iberdrola. The
14 base purchase price is \$3 million, subject to adjustments for working capital and
15 indebtedness. Liberty is paying cash for the stock and does not need to obtain external
16 financing to fund the acquisition.

17 **Q. What is your understanding of the ultimate questions before the Commission in this** 18 **proceeding?**

19 A. My understanding is based upon advice of counsel and is summarized as follows. The
20 Joint Petitioners seek approval of the proposed stock transfer pursuant to RSA 374:30
21 and RSA 374:33. RSA 374:30 authorizes the transfer of a utility franchise, works or
22 system only if the Commission finds “that it will be for the public good.” RSA 374:33
23 authorizes the transfer of 10 percent or more of stock in certain gas utilities only if the
24 Commission “finds that such acquisition is lawful, proper and in the public interest.”

1 Within the context of an acquisition, the Commission, in making its “public
2 interest” or “public good” determination, considers whether the acquirer has the financial,
3 managerial and technical abilities to operate the utility. *See, e.g., Verizon New England,*
4 *Inc.*, 93 N.H. P.U.C. 24 (2008). The Commission may also consider the effects of the
5 transaction. *Id.* at 63 (“In considering major utility transactions, our public interest
6 determination is not wholly dependent on a positive decision on the question of financial,
7 managerial and technical capacity. These capabilities are necessary but may not be
8 sufficient. We must also undertake a broader assessment of the effects of the
9 transaction.”). The Commission approaches acquisitions of public utilities with a
10 “holistic” inquiry of the circumstances. *Id.*

11 The Commission has not made it clear whether the “public interest” or “for the
12 public good” standard requires only “no net harm” to the public, or the application of a
13 more stringent standard that the transaction should produce a “net benefit” to the public.
14 For example, in *Merrimack County Telephone Co.*, 87 N.H. P.U.C. 278, 282 (2002), the
15 Commission stated: “In verifying the assertion made by the Parties at the hearing that
16 there are no adverse effects, or no net harm associated with the transaction, we also
17 inquired as to whether the acquisition provides net benefits to consumers.” *See also*
18 *National Grid plc*, 92 N.H. P.U.C. 279, 319 (2007) (noting that a variety of statutes
19 applied and complex issues were being resolved, the Commission “consider[ed] all the
20 interests involved and all the circumstances in determining what is reasonable”) and
21 *Verizon New England Inc.*, 93 N.H. P.U.C. 24, 63 (2008) (“we need not decide here
22 whether to apply a ‘net benefits’ or ‘no net harm’ approach”).

1 **Q. Have you formed an opinion as to whether the proposed transaction would be for**
2 **the public good?**

3 A. Yes, I have.

4 **Q. What are you relying on to reach that opinion?**

5 A. As detailed throughout my testimony, I am relying primarily on statements and analyses
6 provided by Liberty as presented in testimony and responses to numerous data requests.

7 **Q. How do you evaluate whether a proposed stock transaction is in the public interest?**

8 A. Consistent with Commission practice, I attempted to evaluate the financial, managerial
9 and technical capabilities of Liberty. Also, to assess the effects of the proposed stock
10 transaction, I evaluated three additional factors to determine whether a proposed stock
11 transaction is in the public interest: (1) effect on the utility's cost of service and rates; (2)
12 effect on the utility's quality of service; and (3) effect on the State's economy. My
13 consideration of the effects of the proposed transaction on the State's economy "is
14 limited to observing, as [a factor] in the overall calculus of determining whether the
15 transaction should be approved, whether the transaction provides other benefits which
16 serve the public interest." *See Verizon New England Inc.*, 93 N.H. P.U.C. at 68.

17 **Q. Have you evaluated those factors for this proposed transaction?**

18 A. Yes, I have evaluated all of these factors to the extent that the Joint Petitioners have
19 provided information or made claims about them in this case.

1 **Q. Is there any information provided by the Joint Petitioners that you did not rely on**
2 **in your evaluation of the transaction?**

3 A. Yes. I specifically do not rely on any information I consider to be speculative. Liberty
4 has made a number of statements about its plans for the future of NH Gas, none of which
5 are documented or fully developed. For example, Liberty has talked about the potential
6 to convert the NH Gas system to compressed natural gas ("CNG") or liquefied natural gas
7 ("LNG") (see, e.g., Leehr Testimony, Bates p. 156, lines 18-21); the potential to expand
8 the NH Gas system to serve new large, "anchor" customers (which would be dependent
9 on the use of CNG or LNG) (see, e.g., Leehr Testimony, Bates p. 157, lines 7-19); among
10 others.

11 While I am glad that Liberty is thinking about ways it can enhance the value of its
12 proposed acquisition, none of these plans are sufficiently developed to allow them to
13 affect the analysis of whether the transaction would be for the public good. Indeed, I do
14 not see any reason why these very same projects could not be undertaken by NH Gas's
15 existing owner (Iberdrola). Given the finite time period of the propane-air contract with
16 Keene Propane Corporation, whoever owns NH Gas will need to develop plans to
17 transition the system away from propane-air and onto another fuel source. Thus, while I
18 appreciate Liberty's willingness to share some of its initial thoughts about future plans, I
19 have not considered any of those plans in my evaluation of the proposed transaction.

20 **Q. Based on your evaluation, in your opinion is the transaction as proposed likely to**
21 **lead to "net benefits" to the public?**

1 A. Yes, but only if certain conditions are met.

2 **Liberty's Fitness**

3 **Q. In your opinion, does Liberty have the requisite financial, managerial, and technical**
4 **fitness to own and operate NH Gas?**

5 A. Yes. Liberty has been operating a natural gas utility in New Hampshire for the past two
6 years and appears to have the necessary expertise and resources to add the roughly 1,000
7 customers of NH Gas to its New Hampshire operations. As would be true for essentially
8 every natural gas utility in the country, Liberty does not have experience operating the
9 type of propane-air system that is used in NH Gas. This lack of experience with the
10 specific technology, however, is mitigated by Liberty's agreement to continue the
11 employment of all existing NH Gas personnel (Saad, et al. Testimony, Bates p. 191, lines
12 18-21), and those personnel do have the required expertise.

13 **Effect of Proposed Transaction on Cost of Service and Rates**

14 ***NH Gas Customers***

15 **Q. Will the proposed transaction have any effect on the cost of providing service to NH**
16 **Gas customers?**

17 A. As of the date of closing, there should be no increase in the day-to-day cost of providing
18 service to NH Gas customers. Hall Testimony, Bates p. 164, lines 6-19. NH Gas is a
19 currently operating utility that is not significantly integrated with Iberdrola's other
20 operations and it can continue operating as a stand-alone subsidiary of Liberty for quite

1 some time. NH Gas has its own operations and maintenance personnel, its own
2 accounting and billing systems, and so on. As such, there is no reason for NH Gas to
3 incur additional costs because of the acquisition. I base this conclusion on the
4 assumption that the Joint Petitioners' keep their promise to not recover from customers
5 any transaction costs or the acquisition premium. See, e.g., Leehr Testimony, Bates p.
6 150, lines 1-4; see also responses to Staff 1-1 (no recovery of transaction costs), Staff 2-2
7 and OCA 2-19 (no recovery of acquisition premium), and OCA 1-21 (defining
8 acquisition premium and transaction costs as used in testimony) attached hereto as
9 Attachment SJR-2.

10 Liberty appears to have a very limited view of what constitutes a "transition" cost.
11 It apparently believes that only the immediate cost of changing the name of the company
12 is a transition cost. In fact, there are numerous other transition costs -- that is, costs that
13 are not necessary to provide reliable service to customers, but that are incurred for the
14 convenience of Liberty. Such transition costs would include, for example, costs of
15 integrating NH Gas into Liberty's accounting and operational systems. Whether a cost is
16 a "transition cost" or something else can be determined now or in a future rate case where
17 Liberty might seek to include the cost in its regulated cost of service. My preference
18 would be to wait until the cost is incurred and Liberty makes a claim for its recovery
19 from customers, since that would enable all parties to understand the exact nature of the
20 cost and whether customers benefited from the expenditure.

21 **Q. Are there any other potential benefits for NH Gas or its customers from the**
22 **proposed transaction?**

1 A. Yes. There is a significant cost savings to NH Gas that may or may not result in a
2 savings to its customers. On March 21, 2014, Iberdrola settled litigation with Keene
3 Propane Corporation ("KPC") that will result in Iberdrola making a significant payment
4 to KPC. KPC is the supplier of the propane-air mixture to NH Gas. Iberdrola has agreed
5 as part of the proposed transaction with Liberty that Iberdrola will be responsible for
6 paying the settlement to KPC. See, e.g., Dickinson Testimony, Bates p. 208, lines 1-4.
7 As a consequence, NH Gas will not incur that cost and it would not seek to recover that
8 cost from its customers.

9 I do not know whether NH Gas would be permitted to recover the settlement cost
10 from its customers, so I cannot say for certain whether this provision results in a savings
11 in the cost of service or rates to NH Gas customers. There is no doubt, however, that it
12 does avoid significant litigation before this Commission concerning the recoverability of
13 the settlement payment, and it removes a potential risk to NH Gas customers.

14 **Q. Are there any costs associated with the transaction?**

15 A. Liberty has stated that it intends to undertake a number of projects to integrate NH Gas
16 into Liberty's operations. See, e.g., Saad et al. Testimony, Bates pp. 188 and 189
17 (describing possible "operational" and "safety" enhancements to NH Gas system). Those
18 projects, and their estimated cost (where known) are outlined in Liberty's response to
19 Tech 1-1, which is attached hereto as Attachment SJR-3. Those increased costs total
20 approximately \$85,000 in operating expenses and more than \$600,000 in capital
21 expenditures. Id. As I discussed above, I believe that some of those projects are likely to

1 be transition costs that do not directly benefit customers and should not be recoverable
2 from customers.

3 **Q. Is there any certainty that those costs will be incurred or when they will be**
4 **incurred?**

5 A. No. Liberty states in that same response that "such costs are not necessary in order to
6 effect the transition" and that they are "discretionary in the timing of their incurrence."
7 Id. Thus, whether or when these costs are incurred is solely within Liberty's discretion.
8 The incurrence of any such costs will need to be justified by Liberty in an appropriate
9 rate proceeding if Liberty proposes to include those costs in its regulated cost of service.

10 **Q. What do you conclude about the effect of the proposed transaction on the cost of**
11 **servicing NH Gas customers?**

12 A. I conclude that the proposed transaction should not increase the cost of servicing NH Gas
13 customers. In addition, the proposed transaction provides a potential benefit to NH Gas
14 customers by removing the KPC settlement obligation from NH Gas.

15 ***Liberty Customers***

16 **Q. Will the proposed transaction have any effect on the cost of providing service to**
17 **Liberty's existing customers?**

18 A. As of the date of closing, there should be no effect on the cost of providing service to
19 Liberty's existing customers. As I stated above, NH Gas is a stand-alone operation and
20 there is no immediate need to integrate NH Gas into Liberty's existing operations. Id.

1 I also note that Liberty has a pending rate case, DG 14-180. From my review of
2 that filing, there is nothing in the rate case related to the proposed acquisition of NH Gas.
3 Based on the preliminary nature, and uncertain timing, of Liberty's plans for NH Gas, I
4 would not expect the rate case to be modified in any way if the acquisition of NH Gas is
5 approved. As long as the pending rate case is not modified for any NH Gas-related costs,
6 then I remain confident in my opinion that there should not be a rate impact on Liberty's
7 existing customers.

8 **Q. If Liberty undertakes the projects summarized in Attachment SJR-3, would that**
9 **have an effect on the cost of serving Liberty's existing customers?**

10 A. Liberty has stated that it intends for the costs of most of those projects to be shared
11 among all of its gas customers in New Hampshire. See, e.g., Company's Responses to
12 OCA 2-23, 2-24 and 2-25 attached hereto as Attachment SJR-4. That would have the
13 effect of charging nearly all of the project cost to Liberty's existing customers. In
14 Attachment SJR-3, Liberty identifies these projects with "All customers" in the Cost
15 Recovery column.

16 **Q. In your opinion, is it reasonable for Liberty to charge most of the costs of all of these**
17 **projects to its existing customers?**

18 A. In my opinion, it is premature for me (or the Commission) to make any determination
19 about the inclusion of these project costs in the regulated cost of service. Liberty has not
20 undertaken any of these projects, does not even have a definite plan for undertaking the
21 projects, and has indicated that these projects are not necessary to provide service to NH

1 Gas. Specifically, in Attachment SJR-3 Liberty states: "such costs are not necessary in
2 order to effect the transition" and are "discretionary in the timing of their incurrence."
3 Thus, whether any of these projects takes place will depend on the projected costs and
4 benefits from the project. If Liberty undertakes one or more of these projects, therefore,
5 it will need to be supported by some type of cost-benefit analysis. Similarly, if Liberty
6 proposes to recover the costs of any of these projects from its existing customers, it
7 would need to show a benefit to those customers at least commensurate with the costs of
8 the project.

9 As I stated, all of this is premature. Liberty has not presented a definite plan to
10 undertake any of these projects, has not presented a cost-benefit analysis for any of the
11 projects, and has not made a proposal to include the costs of any such project in its
12 regulated cost of service. If and when any of these projects move forward, and if and
13 when Liberty desires to include the costs in its cost of service, then it would be
14 appropriate to consider whether any of the costs should be paid by Liberty's existing
15 customers.

16 **Q. What do you conclude about the effects of the proposed transaction on the cost to**
17 **serve Liberty's existing customers?**

18 A. I conclude that the transaction itself should have no effect on the cost to serve Liberty's
19 existing customers. Liberty has indicated, however, that it may seek to have its existing
20 customers pay a portion of the costs of integrating NH Gas into Liberty's operations. If it
21 does so, then that has the potential to increase the cost of service to Liberty's existing

1 customers, unless there are offsetting benefits greater than the project costs. As stated
2 above, this is an issue for a future rate case.

3 Liberty also has indicated that, at some future time, it may seek to consolidate the
4 rates of NH Gas with Liberty's existing gas rates. See, e.g., Hall Testimony, Bates pp.
5 164-169. Any such consolidation would have the effect of increasing the cost of serving
6 Liberty's existing customers and decreasing the cost of serving NH Gas customers. Id.
7 Once again, however, since no "Rate Plan" is proposed at this time (response to OCA 1-
8 11 attached hereto as Attachment SJR-5) it is premature to determine whether such a
9 consolidation would be consistent with the public good or otherwise in the best interests
10 of Liberty's existing customers. It is also premature to determine whether such rate
11 changes would be just and reasonable. Again, this is an issue for a future rate case.

12 **Q. To be clear, is Liberty proposing any type of rate consolidation at this time?**

13 A. No.

14 **Q. Does that have any regulatory implications?**

15 A. Yes. Because the two utilities will have separate rates, they also should continue to keep
16 separate accounting records and file separate annual reports with the Commission. Those
17 separate records and reporting requirements should remain in effect indefinitely, unless
18 the Commission were to adopt consolidated rates in some future proceeding.

19 **Q. What do you recommend?**

1 A. I recommend that the Commission find that the proposed transaction would not have an
2 immediate effect on the cost of serving Liberty's existing customers. I further
3 recommend that the Commission explicitly state that it is premature to determine whether
4 the costs of any future NH Gas integration projects may be included (in whole or in part)
5 in Liberty's cost of serving existing customers. I also recommend that the Commission
6 put Liberty on notice that Liberty would be expected to quantify the benefits to its
7 existing customers if Liberty proposes to include any portion of NH Gas integration
8 project costs in the EnergyNorth cost of service or if Liberty proposes a consolidated rate
9 at some point in the future. Finally, the Commission should require Liberty to keep
10 separate accounting records and file separate annual reports for NH Gas unless and until
11 the Commission approves a rate consolidation plan in some future proceeding.

12 **Effect of Proposed Transaction on Service Quality**

13 **Q. Is Liberty proposing to make any changes in service quality for NH Gas?**

14 A. No. Liberty is not proposing to make any significant changes in operations for NH Gas
15 upon acquisition. In the future, Liberty may propose to make changes (such as
16 converting the NH Gas system to CNG or LNG) that could affect service quality. It
17 would remain to be seen, however, whether or how any such future changes would affect
18 service quality, and at what cost.

19 Moreover, while it is true that Liberty is geographically closer to NH Gas than
20 Iberdrola's gas distribution utilities, Liberty has not quantified any service quality benefit
21 from that proximity. Indeed, it is unclear whether there would be any benefit due to

1 Liberty ownership that could not be obtained through the type of mutual aid agreement
2 that is fairly common in the utility industry. In fact, it appears that if proximity were the
3 only standard, Unitil's natural gas distribution system in Fitchburg, MA, would be closer
4 to Keene, NH, than Liberty's existing operations. This is not to minimize the importance
5 of providing mutual aid from Liberty to NH Gas, but it does underscore the importance of
6 having mutual aid agreements with all near-by utilities (since Unitil may have personnel
7 in closer proximity to NH Gas than would Liberty).

8 **Q. Wouldn't the projects listed in Attachment SJR-3 enhance service quality?**

9 A. No, not necessarily. Liberty's description of the projects indicates that they could result
10 in some incremental change in the expertise available to NH Gas. From my reading,
11 however, any such changes seem speculative, particularly because Liberty does not
12 rigorously compare its services to those that Iberdrola currently provides to NH Gas.

13 I am attaching as Attachment SJR-6, Liberty's response to Staff 1-23. That
14 response states, for example, that Liberty plans to convert NH Gas's maps to a digital
15 system instead of paper maps. Liberty acknowledges, however, that "the use [by NH
16 Gas] of this manual process has not caused any problems." Similarly, with the dispatch
17 and control center and pressure monitoring functions, Liberty acknowledges that these
18 services are currently provided to NH Gas by Iberdrola's control center in Binghamton,
19 NY. Liberty does not claim that its services would result in measurably superior service
20 to NH Gas's customers.

21 **Q. What do you conclude about service quality benefits from the proposed transaction?**

1 A. I conclude that Liberty has not documented any near-term service quality benefits from
2 the proposed transaction. If there are any service quality benefits in the long term, it
3 would depend on the implementation of new projects (such as a CNG/LNG conversion)
4 that are not even in the planning stages yet, making them highly speculative and
5 uncertain.

6 **Q. What do you recommend?**

7 A. I recommend that the Commission find that the proposed transaction would not have an
8 effect on the quality of service rendered to NH Gas customers. I further recommend that
9 the Commission explicitly state that it is premature to determine whether there would be
10 reliability benefits associated with any future NH Gas projects.

11 **Effect of Proposed Transaction on the State's Economy**

12 **Q. Has Liberty claimed any benefits to the state's economy from the proposed**
13 **transaction?**

14 A. No. Liberty has not suggested that there would be any changes in the New Hampshire
15 economy from the proposed transaction. Any economic benefits referenced in testimony
16 relate to possible growth and cost savings in the Keene, New Hampshire area associated
17 with yet-to-be planned or proposed conversion of the NH Gas system to CNG or LNG.
18 Also, Liberty has not suggested that there would be any change in in-state employment or
19 other factors that might affect the state's economy.

20 **Q. What do you conclude?**

1 A. I conclude that the proposed transaction is not likely to have a significant effect on the
2 state's economy.

3 **Q. What do you recommend?**

4 A. I recommend that the Commission find that the proposed transaction would not have an
5 effect on the state's economy.

6 **Conclusions and Recommendations**

7 **Q. What is your overall conclusion about the proposed transaction?**

8 A. I conclude that Liberty's proposed acquisition of NH Gas is consistent with the public
9 good, so long as approval of the transaction is not viewed as any type of pre-approval of
10 various projects Liberty might desire to undertake to integrate NH Gas with Liberty or of
11 the "Rate Plan" referenced – but not proposed for approval - in the Company's testimony.
12 The transaction is likely to have little to no immediate effect on NH Gas customers,
13 though it would remove the risk of NH Gas seeking to include KPC settlement costs in its
14 regulated cost of service. Thus, from the perspective of NH Gas and its customers, the
15 proposed transaction is consistent with the public good.

16 For Liberty's existing customers, the transaction would also have no immediate
17 effect. The transaction does expose Liberty's existing customers to the risk of higher
18 rates in the future due to the potential for Liberty to try to integrate NH Gas into Liberty's
19 operations. On the other hand, the transaction also creates a potential for cost savings if
20 existing fixed costs of Liberty can be shared with NH Gas customers and if Liberty's

1 hopes for growth of the NH Gas system are realized. I would emphasize, however, that
2 any such costs or benefits to Liberty customers are highly speculative and dependent on
3 the specific costs and benefits of any project that may be undertaken by Liberty in the
4 future.

5 I conclude, therefore, that the transaction would be consistent with the public
6 good as long as the Commission makes clear that it is premature to determine whether the
7 costs of any future NH Gas integration projects may be included (in whole or in part) in
8 Liberty's cost of serving existing customers or to determine whether the Company's
9 "Rate Plan" concept would result in just and reasonable rates for all customers.

10 **Q. Please summarize your specific recommendations.**

11 **A.** My specific recommendations are as follows:

- 12 • The Commission should find that the proposed transaction would not have
13 an immediate effect on the cost of serving Liberty's existing customers.
- 14 • The Commission should explicitly state that it is premature to determine
15 whether the costs of any future NH Gas integration projects may be
16 included (in whole or in part) in Liberty's cost of serving existing
17 customers.
- 18 • The Commission should put Liberty on notice that Liberty would be
19 expected to quantify the benefits to its existing customers if Liberty
20 proposes to include any portion of NH Gas integration project costs in the
21 EnergyNorth cost of service or if Liberty proposes a consolidated rate at
22 some point in the future.
- 23 • The Commission should require Liberty to keep separate accounting
24 records and file separate annual reports for NH Gas unless and until the
25 Commission approves a rate consolidation plan in some future proceeding.

- 1 • The Commission should find that the proposed transaction would not have
2 an effect on the quality of service rendered to NH Gas customers.
- 3 • The Commission should explicitly state that it is premature to determine
4 whether there would be reliability benefits associated with any future NH
5 Gas projects.
- 6 • The Commission should find that the proposed transaction would not have
7 an effect on the state's economy

8 **Q. Does this conclude your direct testimony?**

9 **A. Yes.**