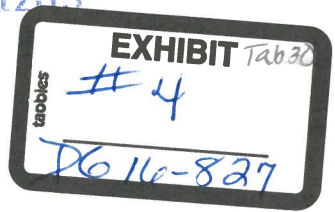


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STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION

Docket No. DG 16-827

Joint Petition to Establish Interconnection/Transition Fund
for Non-Governmental Concord Steam Customers



Rebuttal by Roy Schweiker

I, Roy Schweiker, am a residential natural gas customer of Liberty Utilities and respectfully request that the Commission provide the expedited review of the Settlement agreement of 2/6/2017 requested in that Agreement. Should the Commission approve that Agreement, I am no longer an interested party in this proceeding and the remainder of this Rebuttal can be disregarded.

I am not an attorney and this is not a legal brief, however I have a degree in economics and college-level teaching experience in microeconomics so I feel qualified to comment on the economic and public policy aspects of the petition. Providing grants for conversion of individual Concord Steam customers is of no benefit to Liberty Utilities customers as apparently nearly all Concord Steam customers will convert to Liberty Utilities regardless of whether such a grant is available. While more customers may reduce the per-customer local distribution cost, it may also bid up the cost of purchased gas and require expensive new pipelines. I insist that this is a separate issue from whether purchasing rights-of-way is of benefit to Liberty Utilities customers, and as I was not a party to Docket 16-770 I feel competent to raise this issue.

This petition is contrary to public policy in at least three ways. First, it requires conversion from renewable fuel to non-renewable fuel which is exactly the wrong direction as evidenced by the N.H. Electric Renewable Portfolio Standard. Second, it uses energy rates to subsidize social policy which is contrary to the desire of Governor Sununu and others to keep energy rates low to attract businesses and jobs. Last, it provides unfair enrichment to Concord Steam customers who may receive subsidized heating systems that increase the value of their property while reducing their energy expense, so they are made better off than before at the expense of others.

Petitioners have attempted to paint a David vs. Goliath scenario whereby mighty Liberty Utilities should help out the suffering former Concord Steam customers. Actually petitioners have cut a sweetheart deal with Liberty Utilities whereby Liberty will receive 10.15% interest plus return of principal on the \$1,000,000 so Liberty is in effect a co-competitor rather than an adverse party. Rather Liberty residential customers are mostly far smaller than the mostly institutional Concord Steam customers who will benefit. For example, Maple Valley Manchester Partners didn't acquire their property until November 2015, and this affiliate of multi-million dollar Brady Sullivan Properties presumably factored the then-well-known financial problems of Concord Steam into their purchase price so any fund payment would be windfall profit.

I take exception to the petitioners' statement in the MOL dated January 30, 2017 p.3 that the rates of return requested are "just and reasonable." While I do not care to speculate on a fair rate of return on underground utilities that may remain buried for half a century or more and become obsolete before they wear out, a fair rate of return on conversion costs to be amortized over a short period is perhaps one-third of that. Lending is a competitive business in Concord and Merrimack County Savings Bank has offered at least one conversion loan at 3.95% interest. Since Liberty Utilities may charge all customers and ignore the risk of default from any particular one, and they avoid the usual marketing and administration costs as these will be done by a third party, their fair rate should be even less than that.

As an example of how high interest rates restrict investment, consider a furnace that costs 9 times its annual savings and will last for 20 years or so. At a special interest rate of 1.00% the furnace will be paid off in less than 10 years, while at 3.95% it will take less than 12 years. At an interest rate of 10.15% it will take over 25 years to pay off the furnace. Hence the petitioners' worry about long payback times given such an interest rate, when it would be much less at reasonable interest, and the need for the Commission to avoid awarding excessively large interest rates.

There are several ways in which the ruling in the Claremont Gas case frequently cited by petitioners should not apply to the petition. First, the parent company only needed to make minor burner conversions to customers rather than supply furnaces and boilers or the complete high efficiency heating systems requested in the petition. Liberty does not supply free heating systems to new customers so Concord Steam customers should pay for their own like

everybody else. In the Claremont Gas case, customers wound up with a converted appliance worth about what it was before and had to pay more for fuel as propane is more expensive than natural gas, while petitioners suggest that Concord Steam customers receive possibly free heating systems which will add tens of thousands of dollars to their property values even if their substantially-reduced annual heating cost would pay for them over their lifetime. Lastly, the petitioners seem to confuse alleged obligations of Liberty Utilities with obligations of Liberty Utilities customers. In the Claremont Gas case frequently referenced, the parent company of the utility was required to pay conversion expenses but being in the unregulated competitive propane industry had little latitude to increase rates to pay for the conversion and petitioners have presented no evidence that they did so; rather the conversion was paid by the company itself. In an analogous manner, Liberty Utilities could be required to fund the conversion itself without including it in the rate base.

There are two notable features of the proposed fund which draw my attention. First, high-efficiency systems are specifically encouraged which may be good from an environmental standpoint but there seems little reason why others should be required to give Concord Steam customers a better system than they have now rather than an equivalent. Second, governmental customers are specifically excluded from the fund although two of the most physically and financially affected customers are Concord High School which apparently needs a new building for heating equipment and the State of New Hampshire which will need a temporary plant. If they are excluded because of ability to pay, why not exclude other Concord Steam customers with high cash flow?

My proposed solution would leave individual Concord Steam customers roughly equivalent to where they are now. Anyone whose energy savings using ordinary replacement boilers would exceed a loan at ordinary interest rates over the estimated life of the boiler is not financially harmed and would receive no payment. Similarly any entity with cash flow over \$1 million is far wealthier than the typical Liberty customer and would receive no payment. Those with credit issues could receive loans from the City of Concord Revolving Loan Fund at a special interest rate set to be at no cost to the taxpayer. Any remaining entities could receive a subsidy payment from Liberty Utilities not charged to customers but rather to be paid out of the excess interest they were allowed on the \$1.9 million, and only to the extent that Liberty could not find a less costly solution for the petitioner.

In closing, I would like to comment on the poor treatment Concord Steam customers have received from those who should have been helping them. As a layperson, I fail to understand why the Public Utilities Commission has taken this long to resolve the issue – certainly all parties would have accepted a faster schedule for document submission. The City of Concord should have immediately stepped up with a process for low cost loans notably for those wishing to use renewable energy. Finally, Intown Concord or the Chamber of Commerce might have tried to package heating system replacements to attract more expertise and lower prices.

Respectfully Submitted,



Dated: February 8, 2017

By: _____

Roy Schweiker
12 Chapel St
Concord, NH 03301
(603) 224-0598
royswkr@hotmail.com

Certificate of Service

I hereby certify that on this 8th day of February of 2017, a copy of this Petition to Intervene was sent electronically to the service list.



By: _____

Roy Schweiker