Case No. 18-G-____

DIRECT TESTIMONY

OF

LIBERTY UTILITIES CO. PANEL

PETER EICHLER, STEVEN E. MULLEN

AND

MARK T. TIMPE

February 28, 2018

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I. INTRODUCTION

Q. Mr. Eichler, please state your name and business address.

A. My name is Peter Eichler. My business address is 354 Davis Road, Oakville, Ontario Canada L6J 2X1.

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

A. I am employed by Liberty Utilities (Canada) Corp., which is the parent company for Liberty Utilities Co. ("Liberty Utilities"). Liberty Utilities is a holding company that owns corporations which own and operate regulated gas, water, sewer, and electric utilities in twelve states—Arizona, Arkansas, California, Iowa, Illinois, Georgia, Massachusetts, Missouri, Kansas, New Hampshire, Oklahoma and Texas. I am employed as Vice President of Centralized Operations.

Q. Please describe your duties and responsibilities as Vice President of Centralized Operations.

A. My responsibilities include oversight for Regulatory Strategy, Business & Community Development, Commodity Procurement, Dispatch and Control, and Operations Strategy. As part of my role, I regularly evaluate the regulatory environments within which Liberty Utilities' businesses operate and provide advice to Liberty Utilities' management teams about investment decisions.

Q. Please describe your professional and educational background.

A. Before joining Liberty Utilities, I spent four years at regulated electric utilities in Ontario, Canada, working in the areas of Corporate Finance, Ratemaking and Regulatory Affairs. I am a designated accountant, having received the Certified Management Accountant ("CMA") designation in Canada, which is now referred to as a Chartered Professional Accountant ("CPA, CMA"). That designation is similar to a Certified Public Accountant designation in the United States. In addition, I have completed a Masters of Business Administration degree from the University of Windsor in Ontario, Canada, and I have a Bachelor of Commerce degree with a specialization in Finance from Ryerson University in Toronto, Canada.

Q. Do you have any specialized training related to utility ratemaking?

A. In addition to my work experience, I completed the National Association of Regulatory Utility Commissioners ("NARUC") Utility School in November, 2009.

Q. Have you testified before the New York Public Service Commission (the "Commission") or other state public utility regulatory commissions?

A. I have not previously testified before the New York Commission; but I have testified previously before many other commissions including the Arizona Corporation Commission, Arkansas Public Service Commission, California Public Utilities Commission, Georgia Public Service Commission, Illinois Commerce Commission, Iowa Utilities Board, Kansas Corporation Commission, Massachusetts Department of Public Utilities, Missouri Public Service Commission, New Hampshire Public Utilities Commission, Oklahoma Corporation Commission and the Texas Commission on Environmental Quality.

Q. Mr. Mullen, please state your name and business address.

A. My name is Steven E. Mullen. My business address is 15 Buttrick Road, Londonderry, New Hampshire.

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

A. I am employed by Liberty Utilities Service Corp. ("LUSC") as Senior Manager, Rates and Regulatory Affairs. LUSC is a subsidiary of Algonquin Power & Utilities Corp. ("Algonquin").

Q. Please describe your duties and responsibilities as Senior Manager, Rates and Regulatory Affairs.

A. I am responsible for rates and regulatory affairs for Liberty Utilities (EnergyNorth Natural Gas) Corp. ("EnergyNorth") and Liberty Utilities (Granite State Electric) Corp. ("Granite State"). My duties involve preparation and review of testimony and other aspects of regulatory filings, interacting with regulators and other parties on behalf of Liberty Utilities, internal approval of rate changes for EnergyNorth and Granite State, development of regulatory strategy, and assisting the Director of Rates and Regulatory Affairs with management of the department.

Q. Mr. Mullen, please state your professional experience and educational background.

A. Prior to joining LUSC in 2014, I was employed by the New Hampshire Public Utilities Commission ("NHPUC") from 1996 through 2014, in various roles. From 1996 through 2008, I held positions first as a NHPUC Examiner, then as a Utility Analyst III and Utility Analyst IV. In those roles, I had a variety of responsibilities that included field audits of regulated utilities' books and records in the electric, telecommunications, water, sewer, and gas industries, rate of return analysis, review of a wide variety of utility filings, and presentment of testimony before the NHPUC. In 2008, I was promoted to Assistant Director of the Electric Division. Working with the Electric Division Director, I was responsible for the day-to-day management of the Electric Division, including decisions on matters of policy. In addition, I evaluated and made recommendations concerning rate, financing, accounting and other general industry filings. In my roles at the NHPUC, I represented NHPUC Staff in meetings with utility officials, outside attorneys, accountants and consultants relative to the NHPUC's policies, procedures, Uniform System of Accounts, rate case, financing, and other industry and regulatory matters.

From 1989 through 1996, I was employed as an accountant with Chester C. Raymond, Public Accountant in Manchester, New Hampshire. My duties involved preparation of financial statements and tax returns, as well as participation in year-end engagements. In 1989, I graduated from Plymouth State College with a Bachelor of Science degree in Accounting. I attended the NARUC Annual Regulatory Studies Program at Michigan State University in 1997. In 1999, I attended the Eastern Utility Rate School sponsored by Florida State University. I am a Certified Public Accountant and have obtained numerous continuing education credits in accounting, auditing, tax, finance and utility related courses.

Q. Have you previously testified before this Commission?

A. No; but I have testified in numerous proceedings before the NHPUC during my employment by both the NHPUC and LUSC. My testimony before the NHPUC has covered a wide range of topics in the electric, gas, water, sewer, and telecommunications industries. Such topics include rate case/revenue requirements, mergers and acquisitions, purchased power agreements, utility financings, franchise expansions, and other subject matters.

Q. Mr. Timpe, please state your name and business address.

A. My name is Mark T. Timpe. My business address is 602 S. Joplin Avenue, Joplin, Missouri 64801.

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

A. I am employed by LUSC as the Director, Treasury for Liberty Utilities. As Director, Treasury, I am responsible for, among other things, the day-to-day funding needs of all Liberty Utilities subsidiaries and management of banking services.

Q. Please describe your professional and educational background.

A. I received a Bachelor's degree in Business Administration from St. Louis University in 1981 and a Master of Business Administration from St. Louis University in 1985. Following an initial 11-year career in banking, I was the treasurer of a Joplin, Missouri-based truckload carrier for 15 years and director of finance for approximately seven years with the successor company. In August 2014, I was hired as Director of Financial Services for The Empire District Electric Company ("Empire") and in October 2014 was elected its Treasurer. I continued in that capacity until the acquisition of Empire by Liberty Utilities, which was effective January 1, 2017, at which time I became Director, Treasury of Liberty Utilities. I have extensive experience in the areas of banking, finance, contract review and administration and retirement plan investments.

Q. Have you testified before this Commission?

A. No.

Q. Please describe the subject matter of the Panel's testimony.

A. This testimony is being filed in support of, and as Attachment 1 to, the Verified Joint Petition (the "Petition") submitted by St. Lawrence Gas Company, Inc. ("SLG") and Liberty Utilities (collectively, the "Joint Petitioners"), to the Commission for approval, pursuant to Section 70 of the New York Public Service Law ("PSL"), of the acquisition by Liberty Utilities from Enbridge Gas Distribution Inc. ("Enbridge Gas") of all of the outstanding shares of SLG in exchange for the consideration of $70 million (the "Transaction"), subject to certain adjustments that will be determined as of the closing date of the Transaction. SLG is the sole shareholder of St. Lawrence Co. Service & Merchandising Corp. ("SLG Service & Merchandising") and S.L.G. Communications Corp., ("SLG Communications") and, as a result, Liberty Utilities will also be indirectly acquiring these entities. The Transaction is described fully in the Securities Purchase Agreement (the "Agreement") executed by Enbridge Gas and Liberty utilities on August 31, 2017, a copy of which is appended to the Petition as Attachment 2. More specifically, our testimony complements and supports the Petition by demonstrating that the Transaction meets the "public interest" standard for approval under PSL §70 in that it will have no adverse impacts on SLG's current customers or employees, and, in fact, will provide substantial net benefits. Accordingly, the Joint Petitioners respectfully request that the Commission approve the Transaction under PSL § 70. In addition, our testimony supports the portion of the Petition that requests Commission approval, pursuant to PSL §69, for the issuance of long-term indebtedness by SLG to be used to replace current existing long-term indebtedness (the "Financing"). As Liberty Utilities will demonstrate, this proposed issuance is to be used for appropriate purposes and is in the public interest, thereby meeting the standards for approval under PSL §69.

Q. Please identify those areas of the testimony for which each Panel member has primary responsibility.

A. Mr. Eichler will be providing a description of Liberty Utilities' background and its business philosophy and practices, and discussing why Liberty Utilities is undertaking the acquisition of SLG and how SLG customers will benefit from that acquisition. In addition, he will describe the proposed Transaction and the implications of the

Transaction with regard to affiliate relations and cost allocation. Mr. Mullen has primary responsibility for addressing Liberty Utilities' local approach to regulation, operations and customer service, and how that approach will benefit SLG's customers. Mr. Timpe will be addressing how the Transaction will be financed, the financial strength of Liberty Utilities, the request for approval of financing, and proposed participation by SLG in the Liberty Utilities Money Pool Agreement ("Money Pool"). As a whole, the Panel's testimony demonstrates why the Transaction and the Financing are in the public interest and should be approved.

Q. Are you sponsoring any exhibits as part of your direct testimony?

A. Yes. We are sponsoring the exhibits listed at the end of this testimony. In addition to being discussed in our testimony, a number of these exhibits are also discussed in the Petition. We also discuss several of the attachments to the Petition.

II. PURPOSE AND SUMMARY OF THE TESTIMONY

Q. Please explain the purpose of and provide a summary of this testimony.

A. As mentioned above, the purpose of this testimony is to complement and support the Petition filed under PSL Sections 70 and 69 for Liberty Utilities to acquire the shares of SLG and for SLG to issue long-term indebtedness to replace existing long-term indebtedness. We are providing relevant background regarding Liberty Utilities' existing regulated utility operations in the United States, describing Liberty Utilities' business philosophy and practices, describing key features of the proposed acquisition of SLG and post-acquisition operations, and addressing how the proposed Transaction meets the standards for approval under PSL §70 and Commission precedents. In particular, we will focus on the Commission's criteria for determining whether the Transaction is in the "public interest" by describing the benefits of the proposed

Transaction to the customers of SLG and the lack of offsetting risks. In addition, we will describe how, notwithstanding that lack of risk, Liberty Utilities is willing to undertake beneficial mitigation measures to ensure against any conceivable detriments. In short, we are providing support for the conclusion that the proposed Transaction meets the "public interest" standard for approval under PSL §70 without the need for mitigation measures, other than those we are proposing, or Positive Benefit Adjustments ("PBA"), such as those that have been found necessary to offset net risks found to have existed in other cases. With regard to the request for authorization, pursuant to PSL §69, for SLG to issue long-term indebtedness, this testimony demonstrates that the proposed Financing is for appropriate purposes and is in the public interest.

III. LIBERTY UTILITIES CO. AND ITS BUSINESS PRACTICES

A. Description of Liberty Utilities

Q. Please describe the history and current operations of Liberty Utilities.

A. Liberty Utilities is a U.S.-based holding company whose strategy is to invest in, own, and operate a national portfolio of moderately sized electric, natural gas, water, and wastewater utility businesses, located in regulatory jurisdictions, like New York, that support Liberty Utilities' strong customer-focused approach and local management and operations strategies. Liberty Utilities provides safe, high quality, and reliable services to its customers across the U.S. Liberty Utilities is an indirect wholly-owned subsidiary of Algonquin, a diversified generation, distribution and transmission utility company with regulated and non-regulated operations conducted through two separate subsidiaries: Liberty Utilities, the corporate parent of a family of diversified rate-regulated natural gas, electric and water distribution, sewer, and transmission utilities and Liberty Power, the non-regulated electrical generation owner/operator. Liberty Utilities has deep experience in the regulated utility business. Liberty Utilities acquired its first regulated utility approximately 15 years ago and has grown to serve over 756,000 customers today in twelve States and to operate a diversified portfolio of regulated utility systems that includes regulated water, wastewater, natural gas and electric utilities throughout the United States. Exhibit 1 is a map which depicts the facility locations of Liberty Utilities' subsidiary utilities. Liberty Utilities' regulated natural gas distribution utility systems are located in Georgia, Illinois, Iowa, Massachusetts, New Hampshire, and Missouri, serving approximately 335,000 natural gas connections. Liberty Utilities' regulated electrical distribution utility systems and related generation assets are located in California, New Hampshire, Missouri, Kansas, Oklahoma, and Arkansas. The electric utility systems in total serve approximately 263,000 electric connections and operate a fleet of generation assets with a net capacity of 1,424 megawatts. Liberty Utilities' regulated water distribution and wastewater collection utility systems are located in Arizona, Arkansas, California, Illinois, Missouri, and Texas which together serve approximately 158,000 connections. With growth in its regulated utility companies, Liberty Utilities has organized into three regions (East, Central, and West) for management purposes. The following table summarizes the utilities in the East Region. If the Transaction is approved, SLG would be part of this Region.

State	East Region Companies	Utility Type	Approximate Number of Customers
New Hampshire	Liberty Utilities (EnergyNorth Natural Gas) Corp.	Gas	90,000
New Hampshire	Liberty Utilities (Granite State Electric) Corp.	Electric	44,000
Georgia	Liberty Utilities (Peach State Natural Gas) Corp.	Gas	64,500
Massachusetts	Liberty Utilities (New England Natural Gas Company) Corp.	Gas	55,000
New York	St. Lawrence Gas Company, Inc.	Gas	16,000

Q. How is the regional structure governed?

A. Liberty Utilities has developed boards of directors and managers (the "regional boards") for each of the East, Central and West regions. Each regional board has five members consisting of three independent senior business and community leaders and two internal managers (collectively, the "regional directors"). Each of the regional directors serves as director of each of the utilities within their respective region, and for the purpose of enhancing the governance of its utilities across all three regional organizations, Liberty Utilities has grouped the regional directors into regional boards. For clarity, the regional boards are not legal entities. Nonetheless, the regional directors carry out their governing fiduciary duties for the region within the regional structure as described in detail in the Corporate Governance Guidelines document (Attachment 5 to the Petition). These boards are not window-dressing. Each of these regional boards meets quarterly, has direct access to top management and outside experts, and actively provides oversight and strategic guidance to the operations of the utilities within the region, to be able to better serve the needs of customers and the community. To illustrate the level of involvement of the East regional board, that board's recommendation in favor of the Transaction was obtained prior to approval of the purchase of SLG by Algonquin's Board of Directors.

Q What are the criteria used in selecting the independent board members?

A. The potential candidates for the independent directorships were drawn from a list of individuals developed by the Presidents of each Region. This list was comprised of individuals who were believed to have the capacity and capabilities to enhance the governance of Liberty Utilities' subsidiaries across all three regional organizations. The candidates are representative of a diverse group of qualified and respected individuals within their communities. The profile of the current East independent regional directors is provided in Attachment 6 to the Petition. Additionally, candidates were screened for possessing broad personal knowledge of and strong relationships in the communities in which they reside.

Q. Please describe Liberty Utilities' financial strength.

A. Attachment 8 to the Petition contains Liberty Utilities' balance sheet and income statement for the period ending December 31, 2016, and contains Liberty Utilities' balance sheet and income statement for the nine months ending September 30, 2017. Because most Liberty Utilities financial information is not publicly disclosed, and, as a consequence, public disclosure in this context would raise concerns about compliance with securities regulation, as well as business confidentiality and competitive concerns, Attachment 8 has been redacted accordingly. The confidential information contained in this Attachment is being filed with the Commission's Records Access Officer with a request that it be protected from public disclosure pursuant to the Commission's regulations (16 NYCRR §6-1.3). Providing this information to the Commission and the Staff of the Department of Public Service ("Staff") subject to such protection should not impair the ability of Staff and the

Commission to review such information and to conclude that the representations made in this testimony and in the Petition are correct and true.

In addition to the picture presented in Attachment 8, Liberty Utilities' financial strength is evident from its BBB credit rating with both DBRS and S&P. Attachment 9 to the Petition contains credit rating reports for Liberty Utilities that underscore its solid financial footing. In addition to containing non-public information on Liberty Utilities that raises concerns similar to those discussed in connection with Attachment 8, these reports are copyrighted materials whose dissemination is restricted. Consequently, Attachment 9 has been redacted to prevent unauthorized and unlimited dissemination. Liberty Utilities will cooperate with the Commission and Staff on a means of permitting review of the subject information without running afoul of copyright protection.

Over the past five years, Liberty Utilities has successfully raised over $1.28 billion in private debt placements to fund its acquisitions. As mentioned, Liberty Utilities is an indirect, wholly-owned subsidiary of Algonquin and Liberty Utilities accesses the equity markets through its relationship with Algonquin. Algonquin's common stock and debentures are publicly traded on the New York Stock Exchange and the Toronto Stock Exchange under the ticker symbol AQN. Algonquin's Annual Report (Attachment 10 to the Petition, pages 72-75) contains the balance sheet and income statement for the 12 months ending December 31, 2016 for Algonquin, and Algonquin's financial results for the nine months ending September 30, 2017 are also shown in that Attachment. Because Algonquin is publicly traded, with shares and debentures being widely held throughout the U.S. and Canada, and has a strong balance sheet, Algonquin has ready access to the equity and fixed income capital markets as most recently demonstrated by the successful completion of a CAD$575 million equity offering in November 2017. Attachment 11 to the Petition presents the calculation of certain key ratios for both Algonquin and Liberty Utilities. Because the key ratios of Liberty Utilities were calculated using its financial statements, all the content of Liberty Utilities' ratios in Attachment 11 has been redacted for the reasons explained above with regard to Attachment 8. As shown by the key ratios, Algonquin and Liberty Utilities have reasonable levels of indebtedness and strong interest expense coverage ratios.

Q. Is the acquisition of SLG consistent with maintaining Liberty Utilities' financial objectives?

A. Yes. The financing plan for the acquisition of the shares of SLG is designed to maintain a strong investment grade rating, and as a result, Liberty Utilities does not anticipate any changes to Liberty Utilities' current BBB credit rating discussed above, and believes that the SLG acquisition will be supportive of maintaining the rating.

Q. How, specifically, will Liberty Utilities finance the acquisition of SLG?

A. Liberty Utilities will close the acquisition of SLG with a combination of equity, cash from operations, and borrowings under its then-current revolving credit facility (the "Credit Facility").

B. Liberty Utilities' Approach to Management and Operation

Q. What is Liberty Utilities' overall philosophy regarding operation of its regulated utility businesses?

A. Liberty Utilities' experience in integrating regulated utilities into its family goes back to 2001, and over this time it has developed a culture and methodology known as the "Liberty Way." The Liberty Way is Liberty Utilities' philosophy on how it does business. It has direct influence on all business activities and guides the actions of the organization in carrying out a customer-centric local, responsive and caring approach. Liberty Utilities uses a decentralized approach to operating its regulated utility business, which emphasizes the importance of local management and local control of day-to-day business operations. This approach is premised on a belief that utility services are best delivered locally, and this is especially true for customer service, employee, and regulatory functions and community outreach activities.

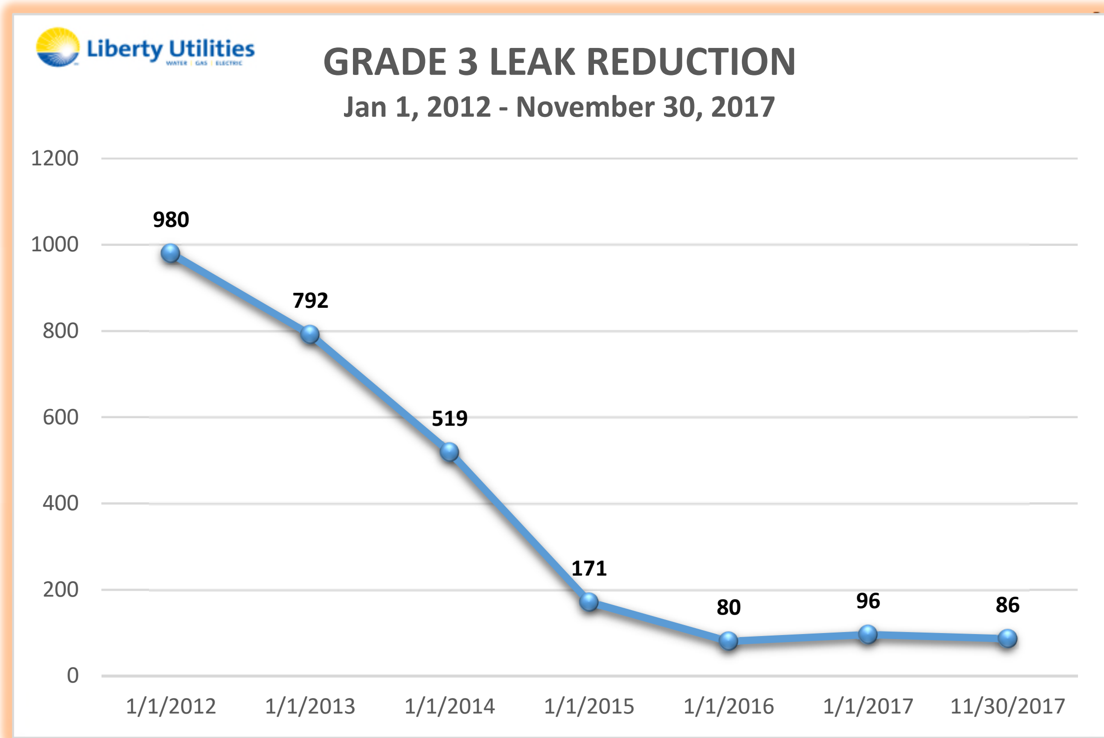
To evidence this, when Liberty Utilities acquired utility assets in California, Massachusetts, New Hampshire, Georgia, Arkansas and Missouri, it established local headquarters in the service area to provide critical customer and regulator-facing functions like customer service, billing, and regulatory. Liberty Utilities established a local leadership team empowered to make the right business decisions for customers and other stakeholders. For example, as part of its natural gas utility acquisition in Georgia and Massachusetts, Liberty Utilities repatriated jobs and call centers in the local community. In Georgia, 27 new positions were added and a customer service walk-in center, in the service territory, was opened. In Massachusetts, Liberty Utilities opened a call center in Fall River which resulted in the addition of 14 new jobs. With the acquisition of its natural gas company in Missouri, Liberty Utilities added approximately 10 new jobs and opened 10 walk-in customer service centers.

Even though Liberty Utilities generally favors performing activities locally, where there is an opportunity to realize economies of scale or other efficiencies through shared corporate support services without impairing the quality of those services or relationships with customers, Liberty Utilities will take advantage of its shared services model. For example, treasury, information technology, insurance and risk management are provided centrally which provides the benefits of relying on a service group with broad experience, delivers certain economies of scale, and facilitates the standardization of these activities. When structured and carried out correctly, providing these selected services centrally enhances the local presence Liberty Utilities believes its customers prefer.

C. Liberty Utilities' Approach to System Reliability and Integrity

Q. Does Liberty Utilities currently have in place any measures that address and continually enhance system reliability and integrity?

A. Yes. Liberty Utilities places a high value on system reliability, integrity, and safety, and those commitments exist at each gas, electric, water, and wastewater utility owned by Liberty Utilities. Examples of those commitments are demonstrated at both the Liberty Utilities' gas and electric utilities in New Hampshire, and at Liberty Utilities' gas utility in Massachusetts (Liberty Utilities (New England Natural Gas Company) Corp. ("Liberty New England")). On the gas side, EnergyNorth has substantially reduced the number of Grade 3 leaks from 980 at the beginning of 2012 under prior ownership to 86 as of November 30, 2017 (as depicted in the graph below).



The reductions were accomplished through a number of actions, including:

- Improvement of the leak management process, evaluating each leak location and eliminating duplicate recording of leaks;
- Regularly repairing Grade 3 leaks on streets in locations in coordination with municipalities where pavement overlaying was being performed;
- Expediting a reduction to the leak backlog during 2014 and 2015 by utilizing additional resources to address changes to the NHPUC administrative rules that reclassified a significant number of leaks from Grade 3 to Grade 2; and
- Aggressive replacement of leak prone pipe as part of EnergyNorth's Cast Iron/Bare Steel ("CIBS") Program.

EnergyNorth's CIBS Program was originally approved by the NHPUC in 2007. In recent years, Liberty Utilities has more than doubled the number of miles of leak-prone pipe replaced. Liberty Utilities has significantly increased the pace of replacement from five miles during the fiscal year ended March 31, 2016 to ten miles the following year, and is planning to replace 13 miles per year with complete CIBS replacement accomplished in 2024, well ahead of the original schedule which provided for the annual replacement of four to five miles of CIBS pipe for a system that had slightly more than 150 miles of CIBS pipe at the inception of the program. In Massachusetts, since the acquisition of its natural gas utility in 2014, Liberty New England replaced 40.3 miles of leak prone main (158% above that completed by the previous utility owner over the same period) and increased leak prone service replacements by 138% from the previous owner. Liberty New England is actively replacing its leak prone infrastructure through its Gas System Enhancement Plan and is on a 20 year plan to completely eliminate all cast / wrought iron and unprotected bare steel mains and services throughout its 173 square miles of service territory. While Liberty Utilities recognizes that ensuring the reliability and integrity of natural gas systems is most relevant to the Commission's consideration of the public interest in this proceeding, it is Liberty Utilities' belief that its commitments and actions with respect to electric facilities demonstrates a consistency of commitment and action with respect to utility systems within the Liberty Utilities family of companies. In that regard, Granite State provides a valuable illustration. Liberty Utilities' commitment to electric system reliability is evident through the continued decreases in the frequency and duration of customer interruptions achieved at Granite State through its Reliability Enhancement and Vegetation Management Program. That program targets funding to specific capital improvements such as the installation of spacer cable in Granite State's forested territory, as well as additional sectionalizing devices. In addition, the vegetation management program provides for regularly scheduled tree trimming over a cycle for which Liberty Utilities recently received NHPUC approval to reduce from five years to four years, thereby further enhancing the reliability of service to customers. This type of proactive, forward thinking is representative of the types of policies implemented by Liberty Utilities at its utility companies spanning the various utility industries.

D. Liberty Utilities' Approach to Customer Service

Q. What is Liberty Utilities' philosophy regarding customer service?

A. Liberty Utilities' approach to customer service is guided by the following principles:

- Liberty Utilities' goal is to provide high quality service to all of its customers at a reasonable price. Liberty Utilities wants its customers to receive service quickly, accurately and through the channel of their choice (local office, over the phone, walk-in, or on the web). It wants satisfied customers and is willing to take the steps necessary to achieve that objective.
- Liberty Utilities' model is to deliver service to customers primarily through customer service representatives located in the local utility service territory. Liberty Utilities believes its customers respond most favorably to customer service representatives who are familiar with the service territory's geography, demography, and economy. Simply put, Liberty Utilities wants its customer service representatives to be from and be part of the communities they serve so they can experience and understand, in real time, what customers experience.
- Liberty Utilities gives its local management teams significant authority and autonomy to determine how best to meet customers' needs. It believes managers and employees who are empowered are more inclined to take initiative and are more resourceful in

resolving customer problems. More importantly, by maintaining a local management focus on keeping customers satisfied, Liberty Utilities is able to more efficiently satisfy its legal and regulatory obligations.

- Because the Liberty Utilities family of companies includes numerous utilities, it constantly seeks ways to share information across companies and benefit from the knowledge and experience of affiliates while still leaving decision making in the hands of local management.
- As a regulated business, Liberty Utilities is committed to meeting all legal and regulatory obligations, and it believes local management and satisfied customers help to achieve that objective.

Q. What effort does Liberty Utilities undertake to monitor and measure the effectiveness of its customer service initiatives?

A. Liberty Utilities strives to continuously improve its customer service. To that end, it tailors its offerings locally and continually measures its performance in customer satisfaction surveys completed by an independent vendor. In 2016, Liberty Utilities achieved an overall customer satisfaction rating of 82% from its gas customers in New Hampshire, Massachusetts, Georgia, Illinois, Iowa, and Missouri. In addition, customer satisfaction surveys were completed for New Hampshire and Massachusetts for 2017, and the customer satisfaction results for those two States were 83% and 91%, respectively. These satisfaction ratings either meet or exceed the requirements of the respective State regulators. Exhibit 2 and Exhibit 3 are copies of Liberty Utilities' independent survey result reports for New Hampshire and Massachusetts, respectively, which outline the score results and recommendations for improvement.

In addition, Liberty Utilities measures monthly service levels, billing timeliness, and bad debt performance to ensure that the model delivers an experience that is consistent with best practices as defined by leaders in the customer service field. These measurements are done internally and for each utility. All Liberty Utilities' regions achieved their 2017 monthly targets. Finally, Liberty Utilities emphasizes local programs that ensure that its customers are able to benefit from services (*e.g.*, low income and energy efficiency programs).

Q. Has Liberty Utilities' East region been recognized for its achievements related to energy efficiency?

A. Yes. The New Hampshire Energy Efficiency group has been recognized by the United States Environmental Protection Agency with an ENERGY STAR award for the last five years for outstanding management of the New Hampshire Energy Efficiency Programs. In addition, for the fourth consecutive year, the American Council for an Energy-Efficient Economy ("ACEEE") gave Massachusetts ACEEE top ranking based on a strong commitment to energy efficiency under the Massachusetts Green Communities Act. This recognition is for the state whose efforts are based on the MassSave® program, of which Liberty Utilities is a part.

<u>E. Liberty Utilities' Approach to Community Involvement</u>

Q. Please describe how Liberty Utilities supports the communities it serves.

A. As part of its local, responsive, and caring approach, Liberty Utilities encourages employees to volunteer in local community events and participate in civic organizations such as the Chamber of Commerce and Rotary. One way of facilitating that community involvement is through the "Liberty Days" program whereby employees are allowed time off work hours to work directly on local community projects under the direction of local organizations. The individual utilities also make charitable donations supporting local causes in their communities. Exhibit 4 provides a summary of the variety and extent of Liberty Utilities' 2016 awards and accolades received throughout its organization for its community involvement and fundraising campaigns.

Q. Does Liberty Utilities promote career opportunities with local educational institutions?

A. Yes. Like most utilities, Liberty Utilities is facing an aging workforce and, to that end, is working collaboratively with local institutions to promote careers in the utilities field. Liberty Utilities' East region currently has partnerships with the University of New Hampshire and University of Massachusetts, Lowell, and has plans to work with other universities for career fairs. In addition, in New Hampshire, Liberty Utilities partnered with a community college where HVAC students come to Liberty Utilities' training center for hands-on training. Liberty Utilities also sends employees to local high school classrooms to discuss careers at Liberty Utilities and generally to encourage student interest in utility careers.

F. Liberty Utilities' Approach to Affiliate Relations

Q. Please describe Liberty Utilities' affiliate service and cost allocation model.

A. Liberty Utilities and its subsidiaries operate under a shared services model pursuant to which certain services are provided to the operating businesses from affiliates and charged to these utilities based on either a direct charge or defined cost allocation methodology (which methodology is structured pursuant to guidelines set by NARUC). By utilizing direct charges whenever feasible, the shared services model has a significant level of transparency and simplicity that enables regulators to readily determine the costs attributable to parent level or affiliate services and whether those costs are appropriate. In the case of labor costs, time sheets are maintained by all employees and the costs for each employee are charged to the business to which such employee is providing services. Costs for shared services that cannot be specifically attributed to a particular utility business are allocated across all businesses in proportions determined by a defined cost allocation methodology (again, based on guidelines set by NARUC).

Q. Please describe Liberty Utilities' experience with affiliate requirements and codes of conduct.

A. Being the owner and operator of regulated utilities in a number of jurisdictions, Liberty Utilities is well-versed in adhering to rules governing affiliate transactions. For example, the NHPUC requires an annual filing of an affiliate transaction compliance plan that identifies affiliates and delineates the policies and procedures in place for complying with its affiliate transactions rules. Liberty Utilities' distribution utility affiliates in California (electric and water) also have affiliate compliance plans that are filed annually with the California Public Utilities Commission. Liberty Utilities conducts annual jurisdiction-specific affiliate compliance training where required. Algonquin conducts annual Cost Allocation Compliance training (Exhibit 5) among all non-union employees to ensure employee familiarity with the Algonquin Cost Allocation Manual ("CAM") (Exhibit 6) and to promote a culture of compliance around affiliate issues. With regard to codes of conduct, Algonquin has a Code of Business Conduct and Ethics (Exhibit 7) on which all employees are trained annually. In addition, Algonquin has Standards of Conduct Policies and Procedures to address standards of conduct required by the Federal Energy Regulatory Commission (Exhibit 8) to ensure proper separations between transmission function and marketing function employees. There is also annual training provided to affected employees on the Standards of Conduct Policies and Procedures.

Q. Within Liberty Utilities, are there any shared corporate services that are likely to be particularly beneficial to the individual utilities?

A. Yes. As previously mentioned, Liberty Utilities' business model incorporates providing shared corporate and regional support services centrally where there is an opportunity to realize economies of scale, efficiencies, and the standardization of activities without impairing the quality of local services or our relationship with customers. These shared services are provided by groups within Liberty Utilities with broad experience in delivering high quality service such as IT, internal audit, compliance, health and safety, human resources, and others as outlined in the CAM. These shared services are provided to Liberty Utilities entities through affiliate service agreements as provided in Exhibit 9.

<u>G. Liberty Utilities' Relationships with Regulatory Bodies</u>

Q. Please describe Liberty Utilities' approach to working with the regulatory agencies having jurisdiction over its utility subsidiaries.

A. Liberty Utilities believes that the regulatory affairs function is best carried out by local professionals who are able to build long-term relationships with the commissions under whose authority each utility operates. To that end, Liberty Utilities makes every effort to retain employees who currently provide this function in the same capacity.

Q. What is Liberty Utilities' philosophy on regulatory relationships?

A. Liberty Utilities' regulatory approach emphasizes developing trust through a transparent relationship. That means that it provides regulators with accurate and timely information they need to perform their jobs. Liberty Utilities aims to be upfront, honest and forthright in its communications and in providing information to regulators.

Q. In addition to mutual trust, respect, and cooperation, is there another fundamental concept involved in effective regulatory relationships?

A. Yes. Having open two-way lines of communication with regulatory staff is essential to fostering productive regulatory relations. The free flow of information ensures the healthiest of regulatory relationships. Liberty Utilities practices a "no surprises" approach. This means that regulators should be made aware of an issue that arises or a company public announcement before learning of it through other means, including through the media. Fostering and maintaining strong regulatory relationships is very important to Liberty Utilities. Strong relationships build confidence in a company and its objectives and keep all parties well informed. Building those relationships does not have to be complicated, but it does not happen overnight. Solid regulatory relationships are built through experience over time, and Liberty Utilities has taken that long-term approach in all of the jurisdictions in which it has a presence.

IV. THE PROPOSED TRANSACTION

A. Reasons for Liberty Utilities' Interest in Acquiring SLG

Q. Please explain why Liberty Utilities is interested in acquiring SLG.

A. First and foremost, SLG represents the opportunity to acquire a well-managed utility. SLG's long history as a valued member of the community provides Liberty Utilities with the confidence that, through the retention of the current management staff, SLG can continue to enjoy the strong results it has historically produced. Second, with the Franklin County expansion, SLG also provides the opportunity to grow the utility utilizing skills that Liberty Utilities can bring to bear with its natural gas sales experience. Further, the Transaction provides the opportunity for Liberty Utilities to continue to increase its footprint in the northeast, a region where it has made significant investments since 2012 and enjoys a familiarity and involvement with the types of communities that SLG serves. In addition, SLG is comparable in size to other utilities within the Liberty Utilities family. Liberty Utilities has extensive experience as the owner of "small-town" service providers and its localized approach to management of those companies has been very successful. SLG is a good fit from that perspective. For these reasons, SLG is an ideal prospective member of the Liberty Utilities family of public service providers.

Q. What is your understanding of the reasons for the decision by Enbridge Gas to sell SLG?

A. Our understanding is as described in the Petition. That is, in connection with its merger with Spectra Energy Corp., Enbridge Inc., the parent of Enbridge Gas, determined to divest some of its businesses, based on long-term strategic objectives to focus on gas distribution business in high-growth, high-population regions. Liberty Utilities' expression of interest in SLG coincided with Enbridge Gas' review of its holdings and, to Liberty Utilities' knowledge, was consistent with Enbridge Gas' objectives. As a consequence, Liberty Utilities' interest was entertained in the negotiations that followed.

Q. What, in your view, is the consequence of the strategic decision by Enbridge Gas to sell SLG?

A. It is reasonable to conclude that a decision by the parent of a utility to divest that utility renders the status quo untenable over any period of time other than the very near term.

Q. Please explain.

A. Once the owner of any property determines to sell, the focus on that property inevitably dissipates. That is not to say that the property will necessarily be ignored or allowed materially to deteriorate; but the owner necessarily moves on to other interests that require attention and is inclined to pay less attention to the soon-to-be divested property. That is business reality. In the case of SLG, as with other regulated entities, there is no real danger that such re-focusing of interest by Enbridge Gas would result in poor service or other indicia of neglect; indeed, regulatory supervision is designed, at least in large measure, to prevent such results. Nevertheless, it is simply unrealistic to expect sustained performance at high levels when the owner's attention is focused elsewhere. Once a decision to divest is made, therefore, it is important to ensure that a qualified new owner is installed promptly.

Q. Why is Liberty Utilities the ideal acquirer of SLG?

A. Liberty Utilities is the ideal acquirer of SLG because it represents an opportunity to continue to increase and enhance local management and ownership of a well-run utility in New York. In short, although Liberty Utilities' ultimate parent, Algonquin, is a Canadian company, Liberty Utilities is itself a U.S. entity operating exclusively in the U.S. More specifically, real benefits will be brought to SLG in the areas of strengthened local management, community and business involvement, customer service, and system reliability and integrity, as described in section V.B. (Post-Acquisition Benefits) below, through the implementation of the business practices and philosophies of Liberty Utilities as described in section III (Liberty Utilities Co. and its Business Practices) above.

B. Description of the Proposed Transaction

Q. Please describe the Transaction the Joint Petitioners are asking the Commission to approve in this case.

A. Under the proposed Transaction, Liberty Utilities will acquire all 435,000 shares of common stock of SLG (a New York corporation), which shares (i) constitute 100% of the issued and outstanding capital stock of SLG, and (ii) are owned by Enbridge Gas (an Ontario corporation). The acquisition includes two subsidiaries of SLG: SLG Service & Merchandising, an unregulated business primarily engaged in the rental of water heaters and other natural gas appliances; and SLG Communications, an unregulated business engaged in providing communication services to SLG. The specific terms of the proposed Transaction are set out in the Agreement. A copy of the Agreement is being filed as Attachment 2 to the Petition in this case.

Q. When do you anticipate that this Transaction would close?

A. The Transaction will close upon receipt of all approvals.

Q. Upon closing, will SLG continue to operate on a stand-alone basis or be merged in to a larger entity?

A. SLG will continue to operate on a stand-alone basis, with assets, books and records that are distinct from those of its affiliates. SLG will be a wholly owned subsidiary of Liberty Utilities. Liberty Utilities' plans are to re-name SLG as "Liberty Utilities (St. Lawrence Gas) Corp." and to retain the legal names of SLG Service & Merchandising and SLG Communications. To the extent that a formal name change proves to be impracticable, the designation "St. Lawrence Gas Company, Inc. d/b/a Liberty Utilities (St. Lawrence Gas) Corp." may be used.

Q. Will customers of SLG bear any of the costs of the Transaction?

A. No. Liberty Utilities does not seek to pass along to customers either the premium above book value (*i.e.*, goodwill) or the transaction costs associated with the Transaction. Accordingly, SLG rates will not be impacted by these costs.

C. Financing

Q. What are Liberty Utilities' plans with respect to SLG's existing debt?

A. Liberty Utilities plans to replace the existing debt through a combination of the following measures:

- SLG's $6 million line of credit with KeyBank that expires in June 2019 will be replaced with SLG's inclusion in Liberty Utilities intercompany Money Pool, as described later in this testimony. Funds available through the Money Pool will be available at rates comparable to the existing line of credit.
- The existing $7 million term loan with KeyBank that expires in July 2019 will be replaced with an intercompany note. Given that this obligation will require refinancing regardless of the SLG acquisition, and given that the maturity of this obligation would follow shortly on the heels of the acquisition, Liberty Utilities proposes to combine this obligation with the $25.5 million note payable to Enbridge (U.S.) Inc. ("Enbridge U.S.") and extend the maturity for the combined $32.5 million for 10 to 15 years. In so doing, the $25.5 million (balance as of January 26, 2018) Enbridge U.S. Note Payable, which is subject to the Subordination Agreement issued by Enbridge U.S. in favor of KeyBank, would be discharged, combined with the balance of the $7 million KeyBank term loan, and replaced with one or more tranches of intercompany long-term notes with expected maturities of 10 to 15 years at interest rates priced using similar U.S. Treasury maturities plus credit spreads comparable to those

incurred by Liberty Utilities during its most recent investment grade rated private placement of debt in March 2017. Given the current relatively low interest rate market, it is an opportune time to replace the Enbridge U.S. debt with notes of longer maturities.

Q. Are the Joint Petitioners requesting approval at this time for one or more of the foregoing financing measures?

A. Yes. In connection with the Transaction, the Petition includes the Joint Petitioners' request for authority under Section 69 of the PSL to replace SLG's existing $7 million term loan with KeyBank and its $25.5 million Enbridge U.S. Note Payable and refinance the combined $32.5 million with one or more tranches of intercompany long-term notes with expected maturities of 10 to 15 years. As discussed below, Liberty Utilities is also seeking to use the Money Pool to replace the KeyBank line of credit.

Q, What is the basis for approving the replacement or refunding of the existing $7 million and $25.5 million long-term loans?

A. Liberty Utilities understands that, under PSL §69 and the Commission's regulations thereunder, it is necessary to show that a proposed issuance of long-term indebtedness is for an appropriate purpose, that the amount of the borrowing is within the utility's "reimbursement margin," and that the terms of the borrowing are reasonable. In this case, the proceeds will be used to replace existing indebtedness which was originally used, consistent with the relevant requirements, for any or all of the following purposes: the acquisition of property to be used in the SLG's business; the construction, completion extension or improvement of facilities; improvement or maintenance of service; discharge or refunding of obligations; reimbursement of moneys expended from income or other sources not obtained from the issuance of stocks, bonds, notes or other evidences of indebtedness; and/or for any other lawful proposes that may be authorized by the Commission.

Q. What other information is being provided in support of this request for Commission approval to replace SLG's existing debt?

A. The Petition contains the information required by the Commission's regulations governing long-term debt issuances (16 NYCRR Part 37).

Q. Please explain what the Joint Petitioners are proposing with respect to SLG's $6 million line of credit with KeyBank that expires in June 2019.

A. As described below, the Joint Petitioners are proposing that this amount be financed through the Liberty Utilities Money Pool.

Q. What are the Joint Petitioners' plans with respect to SLG participation in Liberty Utilities' Money Pool?

A. The Joint Petitioners are seeking to have SLG Service & Merchandising, SLG Communications, and SLG participate in the Money Pool. As described further below, the Joint Petitioners anticipate adhering to an affiliate code of conduct identical to SLG's current Affiliate Code of Conduct ("Code"), which was filed with the Commission on November 20, 2017, updated to reflect Liberty Utilities ownership. The SLG Code, however, contains a provision that, on its face, would appear to restrict SLG participation in the Money Pool. That provision (Section 2.9) reads as follows: "Without prior permission of the Commission, SLG may not: (i) make loans to any Affiliate; (ii) guarantee the obligations of any Affiliate; or (iii) pledge its assets as security for the indebtedness of any Affiliate." The first condition, precluding loans to affiliates without prior Commission authorization, would effectively prevent SLG

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from participating in the Money Pool, to the detriment of SLG and its customers. Consequently, in addition to Joint Petitioners' request for the issuance of long-term debt, the Joint Petitioners are seeking clarification or, to the extent necessary, modification of the Code to accommodate participation of SLG, together with SLG Service & Merchandising, and SLG Communications, in the Liberty Utilities Money Pool. Alternatively, Liberty Utilities seeks express approval to permit SLG "to make loans to any Affiliate" within the context of the Money Pool. To be clear, we are not seeking authority for SLG to guarantee obligations of affiliates or to pledge its assets as security for the indebtedness of affiliates. Money Pool participation is limited to the subsidiaries of Liberty Utilities and, as noted in Section 1.03 of the Money Pool Agreement (Exhibit 10), Liberty Utilities guarantees all loans made from the Money Pool, thereby insulating SLG from any potential credit risk emanating from the failure of any Liberty Utilities subsidiary to repay loans received from the Money Pool which might, in part, be made from excess funds provided by SLG. Because Liberty Utilities guarantees all loans made from the Money Pool, and due to the fact that Liberty Utilities' non-regulated subsidiaries represent less than 2% of its 2016 business by any measure including revenues, gross plant and customers, the Joint Petitioners seek SLG's participation in the Money Pool, regardless of whether loans from the Money Pool are made to Liberty Utilities' regulated and non-regulated subsidiaries.

Q. Please describe in more detail how the Liberty Utilities Money Pool operates.

A. The Money Pool operates in accordance with the Money Pool Agreement (Exhibit 10). The Money Pool is a cash-management arrangement among subsidiaries of Liberty Utilities under which the parties to the Money Pool Agreement may lend to (when they have excess cash) or borrow from (when they have short-term cash needs) each other. The participation of SLG, SLG Service & Merchandising, and SLG Communications in the Money Pool as borrowers would be unlimited except that they may not borrow beyond any such point that would cause a violation of any regulatory imposed debt limits. Liberty Utilities is not permitted to be a borrower from the Money Pool; instead, the funds are available exclusively for its operating subsidiaries. The Money Pool Agreement allows for an efficient use of funds among Liberty Utilities' regulated and unregulated operations and minimizes external short-term borrowing of the group. The interest rate applied to all borrowing under the Money Pool Agreement is equal to the lowest rate payable on borrowings under the Liberty Utilities' Credit Agreement, determined as if a 30-day interest period had occurred under the Liberty Utilities' Credit Agreement as of the first day of the month in which the applicable contribution to or borrowing from the Money Pool occurs. The borrowing rate of interest is also the interest rate paid to Money Pool participants who contribute excess funds, to the extent such funds are lent to borrowing participants. Any excess funds after borrowing participant needs have been met are invested into qualifying highly liquid and high quality investment vehicles as outlined in the Money Pool Agreement. Participants contributing excess funds to the Money Pool receive a pro-rata share of all loan and/or investment interest.

Q. What are the benefits of the Money Pool?

A. As a participant in the Money Pool, SLG, SLG Service & Merchandising, and SLG Communications will have an opportunity to earn a higher rate of return on their excess cash than what they could earn on those funds in a stand-alone money market fund, as any portion of excess funds lent to borrowing participants will receive interest at the higher loan rate, in addition to the remaining funds being invested in high grade overnight money market instruments. There will also be benefits when SLG, SLG Service & Merchandising, and SLG Communications borrow from the Money Pool because the loan interest rate is based on the lowest available borrowing rate under the Liberty Utilities' Credit Agreement, the pricing for which is based on Liberty Utilities' investment-grade credit rating.

Interest rates paid by money market funds vary, but today's rates for government money market funds are generally in the range of 95 basis points, which is significantly below the interest rate a participant can receive through lending excess funds to the Money Pool. Per Section 1.05 of the Money Pool Agreement, borrowers will pay the lowest rate available under the Liberty Utilities' Credit Agreement which will be the LIBOR Rate plus 125 basis points, which, as of January 10, 2018, translates to an indicative rate of approximately 2.80 percent. This arrangement also lessens the potential for excess funds to be left sitting idle in checking or other bank accounts paying low rates of interest or not invested due to an insufficient investment amount.

Q. Which Liberty Utilities entities currently participate in the Money Pool?

A. Exhibit 11 lists the Liberty Utilities subsidiaries which are expected to join the Money Pool in the very near future. An existing, more limited money pool will be wound down shortly and replaced by the new Money Pool. The following four entities are participating in Liberty Utilities' current money pool: Liberty Utilities (Peach State Natural Gas) Corp., Liberty New England, Liberty Utilities (White Hall Water) Corp., and Liberty Utilities (White Hall Sewer) Corp. Liberty Utilities will be adding other entities to the Money Pool as regulatory approval is obtained. As noted from the table in Exhibit 11, the non-regulated entities that will be participating are quite small, relative to the regulated entities, based on their 2016 revenues and December 31, 2016 gross plant assets (well below 2% of the overall revenues and assets). Because the information related to the non-regulated entities in Exhibit 11 is not publicly disclosed, and, as a consequence, public disclosure in the context would raise concerns about compliance with securities regulation, as well as business confidentiality and competitive concerns, Exhibit 11 has been redacted accordingly. The confidential information contained in this exhibit is being filed with the Commission's Records Access Officer with a request that it be protected from public disclosure pursuant to the Commission's regulations (16 NYCRR §6-1.3). Providing this information to the Commission and Staff subject to such protection should not impair the ability of Staff and the Commission to review such information and to conclude that the representations made in this testimony and in the Petition are correct and true.

Q. Does SLG's Code make any distinction between regulated and non-regulated entities, so that, if it were construed to permit participation by SLG, it would not necessarily be construed to prohibit participation by non-regulated affiliates of regulated utilities, such as SLG Service & Merchandising and SLG Communications?

A. No, the SLG Code does not make such a distinction. However, to the extent that there is any doubt about that point, it would be helpful if the Commission, in addressing our request, clarified that the participation by the existing non-regulated affiliates is permissible and will not preclude participation by regulated entities, such as SLG and non-utility entities such as SLG Service & Merchandising and SLG Communications. Any potential concern about involvement of non-utility entities in the Money Pool is readily addressed in the present circumstances by the relatively small size of the non-regulated entities and the fact that Liberty Utilities is guaranteeing all loans made from the Money Pool as per section 1.03 of the Money Pool Agreement. Therefore, SLG would not be exposed to credit risk from any loans made to non-regulated entities. Under the conditions we are recommending, SLG customers will reap the benefits, and experience none of the potential risks, of participation by non-utility affiliates. Accordingly, it is appropriate to include these entities, along with SLG, SLG Service & Merchandising, and SLG Communications in the Money Pool.

D. Approvals Required

Q. What approvals are required before the proposed Transaction can be consummated?

A. In addition to approval from the Commission, pursuant to PSL Section 70, for the Transaction and, pursuant to PSL Section 69, for the Financing, approval is required from the Committee on Foreign Investment in the United States ("CFIUS"). The Petitioners also anticipate making any necessary filings with the Federal Communications Commission ("FCC") pertaining to SLG's FCC radio licenses.

V. LIBERTY UTILITIES' PLAN TO SUPPORT SLG AND ITS LOCAL OPERATIONS

A. Post-Acquisition Transition Planning

Q. Does Liberty Utilities have an overarching approach to the integration of SLG into the Liberty Utilities family?

A. Yes. In its simplest terms, the transition should be seamless to customers from a customer service, reliability, rates and operational perspective. As is described earlier in this testimony, Liberty Utilities uses a decentralized approach to operating its regulated utility business, which emphasizes the importance of local management and local control of day-to-day business operations. Liberty Utilities plans to apply this same philosophy to the integration of SLG into the Liberty Utilities family.

Q. Please describe the key elements of the contemplated transition of ownership of SLG from Enbridge Gas to Liberty Utilities and, in particular, how Liberty Utilities intends to operate SLG together with Liberty Utilities' existing utility portfolio.

A. In SLG, Liberty Utilities is acquiring a utility capable of operating mostly on a stand-alone basis. Consequently, it is contemplated that SLG will continue to operate in the same manner it currently operates, with the important distinction of increased local responsibility through the hiring of a local General Manager, and the repatriation to the region of two other important functions, gas supply and gas dispatch and control, which will now be provided from nearby New Hampshire.

Q. What is the current status of the transition planning process?

A. In early November 2017, transition teams began meeting in Massena, New York, followed by meetings in Londonderry, New Hampshire. These transition teams consist of subject matter experts from Liberty Utilities, Enbridge Gas, and SLG. The teams are tasked with ensuring a seamless transition and with synchronizing SLG and Liberty Utilities practices.

B. Post-Acquisition Benefits

1. Continuation of Commitments under Existing Rate Plan

Q. The Commission's Order Establishing Multi-Year Rate Plan, issued July 15, 2016, in Case 15-G-0382 *et al.*, SLG's last rate proceeding (the "2016 Rate Order"), approved a Joint Proposal that included a number of specific commitments by SLG. What is your understanding of those commitments?

A. As one would expect, the commitments contained in the Joint Proposal cover virtually all aspects of SLG's operations. Liberty Utilities has studied those commitments and developed an understanding of them. While some of the commitments are simply resolutions of contested issues in the rate case, others reflect goals and have specific regulatory consequences, in the form of positive or negative regulatory adjustments tied to SLG's performance with respect to the stated metrics. In evaluating the implications of the Joint Proposal, as approved, Liberty Utilities took into account both types of commitments. While the one-time resolutions of various contested issues are generally matters of one-time compliance, the commitments to meet particular goals represent on-going responsibilities and potential liabilities. Accordingly, these latter provisions of the Joint Proposal warranted particular attention. In each case, Liberty Utilities has reviewed these commitments and has concluded that it has the capability to ensure that the specified goals are met.

Q. Please provide specific examples of these goals and Liberty Utilities' response to them.

A. Section VII ("Regulatory Goals") of the Joint Proposal details SLG's regulatory commitments. The following is a summary of the obligations stated therein, together with our indication of how Liberty Utilities will assist SLG in addressing those goals, including any potential modifications needed to reflect the Transaction and Financing.

1) <u>Customer Service Quality Performance Mechanism</u>: Continue the Service Quality Performance Mechanism measuring Commission Complaint Rate, Customer Satisfaction Index, and Termination/Uncollectible Expense Incentive. SLG is required to make an annual filing of the results of its service quality performance and file a report of its survey results report with the Commission. On February 24, 2017, SLG filed with the Commission its Customer Service Quality Performance Mechanism results for the period ending December 31, 2016. SLG achieved its service quality thresholds in the

area of Commission Complaint Rate and Customer Satisfaction Index; hence no negative revenue adjustment was imposed. In the areas of customer terminations and uncollectible expense, SLG received a $6,000 incentive for the year since its termination rate was below the target level and its uncollectible amount was at the three-year average. As described above, Liberty Utilities currently conducts yearly customer satisfaction surveys and completes performance metrics for its utilities. Liberty Utilities believes that its experience in this field will be helpful in assisting and supporting SLG as it continues measuring and improving on the results of customer service quality performance mechanisms measured by the Commission.

2) Low Income Reporting: A low income annual report is to be filed with the Commission to include the number of low income bill discount recipients, program expenditures for the year, number of customers terminated, and the number of terminated participants who had service reconnected. On August 11, 2017, SLG filed this report as it pertains to Rate Year 1. This is also an area in which Liberty Utilities has experience in other jurisdictions and is well positioned to support SLG's continued reporting.

3) Gas Safety and Service Reliability:

i) Gas Safety Performance Metrics: SLG is subject to performance measures in the areas of leak backlog management, emergency response, damage prevention, occurrences of incidents under certain pipeline safety regulations, and annual reporting. Safety is paramount to Liberty Utilities and it is highly cognizant of all of the requirements to operate gas utilities in the various jurisdictions in which it operates. Liberty Utilities fully supports SLG in complying with all such requirements, including those listed in Appendix F of the Joint Proposal.

ii) SLG Affiliate Code of Conduct: On November 20, 2017, SLG filed with the Commission its Code. This Code sets out requirements with respect to the sharing of services, information, and resources among SLG and its affiliates, representatives, and customers. Liberty Utilities has reviewed the filed Code and has no concerns with SLG's compliance with its requirements under the ownership of Liberty Utilities, should the acquisition be approved. Liberty Utilities and SLG will work with the Commission on updating the Code to reflect the new ownership. As discussed earlier in this testimony, the Joint Petitioners seek confirmation that the Code does not preclude the participation of SLG, SLG Service & Merchandising, and SLG Communications in the Money Pool described above, or, in the alternative, specific authorization for lending by SLG within the context of the Money Pool, so that SLG and its customers can reap the benefits of such participation.

iii) Gas Network Enhancement Program: On February 16, 2017, SLG filed with the Commission its Gas Network Enhancement Program. A 15-year model was established to determine the feasibility of gas main line extensions and franchise expansions by applying a Contribution in Aid of Construction ("CIAC") surcharge over a 15-year period. The intent of the program is to determine if there are enough customers willing to pay the required CIAC and commit financially to the service. SLG will monitor the attachment rates over the program period and update the Commission annually. Liberty Utilities is committed to addressing how its regional sales and Business and Community Development groups can assist in achieving the objectives of this program. SLG advised that it does not anticipate any franchise enhancement projects in the near future, and provided its forecast of line extension projects. In regard to the commitment to hire an additional employee to assist with this program, SLG advised that the hire was not necessary since a current employee (formerly working on the Franklin County Expansion Project) is working on this program. Liberty Utilities has been expanding service in its territories and can use that experience to assist with expansion efforts for SLG. For instance, in New Hampshire, Liberty Utilities has received approval for revisions to its tariff, including the implementation of Managed Expansion Program ("MEP") rates to aid in providing service to areas that would otherwise be uneconomic to serve under standard tariff rates. MEP rates include a premium on standard distribution rates and are charged for a period of 10 years to customers only in that designated MEP geographic area. This experience can be of particular value to SLG.

4) Natural Gas Vehicles ("NGV"): On November 15, 2017, SLG filed an update report with the Commission advising that the employee NGV training, RFP process for a study on the potential development of NGV in SLG's service territory, and review of the NGV opportunities were completed. In its update report, SLG advised the Commission that, at this time, because of resource constraints, further exploration or implementation of NGV opportunities is on hold. Liberty Utilities has experience with NGV in its New Hampshire territory and can draw on that experience to help evaluate possible NGV solutions in SLG's franchise territories and, as warranted, to implement those solutions.

5) Capital Performance Incentive, Net Plant True-Up, and Budget Process: SLG has committed to develop a capital performance mechanism to incentivize capital cost savings and the sharing of the savings between customers and shareholders, and a written procedure to address variances and reallocations in capital project expenditures greater than 15%. SLG is currently developing, for Staff input, a mechanism and budgeting processes it expects to be filed in February 2018. Liberty Utilities notes that the requirement that all capital projects be bid out on a unit cost basis is aligned with the

process that is currently in place in New Hampshire and anticipates no difficulty in implementing that requirement for SLG.

6) First Responder Communication and Training: A commitment was made to establish and conduct a program for first responder communication and training in order to enhance communications with fire department first responders. There was a commitment to purchase two base station radios/accessories for the Emergency Operations Center and improve this Center, and complete one drill per year with the fire department first responders, rotating among the three counties served by SLG. Work on the Center began during the winter of 2017–2018. After review of web based tools available to monitor emergency communications, it was determined that the radios/accessories were not required. In regards to the training with the fire department first responders, SLG has provided access to the Northeast Gas Association ("NGA") First Responders training through its website or the NGA website, conducted a presentation at a Franklin County Fire Chiefs' meeting, and is investigating avenues with NGA on how to increase training participation. Liberty Utilities has experience with conducting drills and working with first responders and will assist SLG in meeting its commitments.

7) Workforce Development Program: SLG will undertake outreach to increase interest/awareness of jobs in the natural gas industry and at local distribution companies. A capital budget of $30,000 for a three-year period has been provided for this initiative. Liberty Utilities can assist with these programs because, as described earlier in this testimony, it undertakes similar programs in New Hampshire and Massachusetts. In addition, as part of Liberty Utilities, there is an opportunity for SLG to draw on utility expertise from a local employment pool based in New England.

8) Total Compensation Study: SLG will collaborate with Staff in developing the methodology to be used for the total compensation study to be completed for the next rate case. Liberty Utilities is committed to working with Staff on achieving this objective.

9) Affiliate Services: The following conditions apply to corporate cost allocations: executed Service Level Agreements, detailed documentation to support SLG's requested cost recovery, and the completion of a benchmarking study (at no cost to consumers) comparing large cost components to those of similar sized companies. As described above, shared services are provided to Liberty Utilities' entities through affiliate service agreements, and the allocation of costs for the services is described and supported by Algonquin's CAM (Exhibit 6). If the acquisition is approved, SLG will enter into Liberty Utilities' service agreements which will be filed with the Commission. These agreements are provided in Exhibit 9. In addition, Liberty Utilities is committed to completing the benchmarking study and will be able to utilize information from a financial service to which it subscribes to obtain information that should assist in completing the study.

2. Support for Franklin County Expansion

Q. Are you familiar with SLG's Franklin County Expansion Project (the "Expansion Project")?

A. Yes.

Q. What is your understanding of the Expansion Project and its current status?

A. In February 2011, the Commission issued SLG an "Order Granting Certificate of Environmental Compatibility and Public Need and Authorizing Exercise of New Franchises" approving the construction of a 48-mile natural gas transmission pipeline, extending into northern Franklin County from SLG's pre-existing pipeline in eastern St. Lawrence County, and approving the expansion of SLG's natural gas delivery service in those two counties. As of December 2015, all 48 miles of transmission pipe had been completed with expanded gas service in St. Lawrence County in November 2013 and in Franklin County July 2015. The total capital investment is estimated to be $70.9 million through 2033 and, as of September 30, 2017, approximately $53 million of capital has been spent. SLG has implemented both a revenue surcharge and a CIAC surcharge for customers served by the expansion to prevent subsidization from existing customers. The drastic drop in fuel oil and propane prices in 2015 has negatively impacted customer growth and delayed customer additions. On February 26, 2018, SLG filed in Case 18-G-0133 an application pursuant to PSL §66 seeking recovery of costs for the Franklin County Expansion Project, including those that are the subject of the July 2015 Petition, over the next 15 years. Accordingly, SLG stated its intention to withdraw the July 2015 Petition contemporaneously with the filing of its PSL §66 application.

Q. What is Liberty Utilities' position regarding the Expansion Project?

A. Liberty Utilities strongly supports this project. Through its experience in its other operating territories, Liberty Utilities recognizes the value and importance of providing natural gas service to previously unserved areas. The availability of natural gas service allows customers the choice of alternative fuels and provides economic benefits to current residents and businesses, as well as those who may be considering relocating to the area. In light of those benefits and the recognized opportunities for system expansion in the region over a number of years, Liberty Utilities is committed to fulfilling the objectives outlined in SLG's application, pursuant to PSL §66, for rate relief necessary for completion of the Expansion Project. Liberty Utilities understands that the Expansion

Project has encountered some obstacles since its inception–some with the physical construction, some financial—yet, despite those obstacles, SLG's current plan for continuing and completing the project and extending the period for cost recovery is well thought out and keeps as its main focus the provision of energy choice and economic benefits to the region while remaining cost competitive for expansion customers.

3. Enhancement to Post-Acquisition Operations of SLG

Q. Earlier in this testimony, you described Liberty Utilities' business approach and practices and how Liberty Utilities has applied them in the other U.S. jurisdictions in which it operates. Please describe how Liberty Utilities' experience in the regulated utility business will play a role in SLG's post-acquisition operations.

A. In the following series of questions and answers, Liberty Utilities will show how its approach to each of the major subject areas discussed earlier will be beneficial to SLG's customers and communities.

i) Decentralized and Local Approach to Management and Operation

Q. Please describe the benefits of Liberty Utilities' approach to management and operations.

A. As mentioned above, Liberty Utilities uses a decentralized approach to operating its regulated utility business, which emphasizes the importance of local management and local control of day-to-day business operations. Consistent with that approach, Liberty Utilities is committed to repatriating the General Manager position to SLG's service territory, has no proposed changes to SLG's current organizational structure, and is committed to retaining current SLG employees for at least 12 months after the close of the acquisition on the terms described in the Agreement.

By being a part of the East region, SLG will have access to additional resources from a group of employees dedicated to providing services in that region. This will allow for sharing of best practices that are pertinent to the service areas that SLG serves. As an example, Liberty Utilities has significant experience in gas sales in New England which can be translated to assist with the Franklin County expansion. This team has successfully added over 6,000 new connections from 2014 to 2016 and is led locally in New England. In addition, certain functions currently being performed in Canada by Enbridge Gas will be replaced with identical services based in New England. These services include the gas supply purchasing and gas dispatch and control functions.

Q. Can you provide additional detail regarding the services currently provided by Enbridge Gas in Canada?

A. Yes. Currently, there is an Intercorporate Services Agreement between Enbridge Gas and SLG whereby Enbridge Gas provides, or arranges to provide, services to SLG under 13 separate schedules pertaining to particular functions. In addition, there is an Agency Agreement between SLG and an Enbridge Gas affiliate, Tidal Energy Marketing Inc. ("Tidal"), whereby Tidal provides gas supply planning, gas acquisition, risk management and contract administration services to SLG. Liberty Utilities has reviewed those agreements and has identified the locations from which the subject services are generally provided. We have prepared the table contained in Exhibit 12 to show this information for each agreement. As noted, with one minor exception, the services currently provided by Enbridge Gas and Tidal originate in Canada – primarily in Toronto or New Brunswick, with some functions provided from Calgary and Edmonton. The exception to this is a portion of Legal Corporate and Executive Services that is provided from Houston.

Q. Can you identify the specific locations from which Liberty Utilities proposes to provide the same types of services to SLG?

A. Yes. Exhibit 12 also has a column showing where those services will be sourced under Liberty Utilities' management. As shown in the table, the vast majority of the indicated services will be provided in New York (*i.e.*, the SLG service area), New Hampshire, and (in one case) New Jersey. Even where it is expected that a portion of the services in a particular subject area will be provided in Canada, Liberty Utilities anticipates that the bulk of those services will be based in the United States. Indeed, in only one case, Risk Management Services (*i.e.*, insurance), is it contemplated that the services will be provided solely through offices in Canada. The services to be provided to SLG by the various groups within Liberty Utilities will be performed pursuant to Liberty Utilities' affiliate services agreements to which SLG will be a party if the Transaction is approved. As we discussed previously, Exhibit 9 contains copies of relevant service agreements that are in effect between Liberty Utilities and other utility operating subsidiaries.

Q. Do you have any further observations regarding Exhibit 12?

A. Yes. At the risk of restating the obvious, the Exhibit makes clear that there will be a major repatriation of functions from Canada to the United States and, more particularly, to SLG's service area and the East region within which SLG operates. This is a major benefit both from the standpoint of ensuring a close connection among SLG, its customers and the providers of the services they require, and from the standpoint of the local and regional economy.

Q. You mentioned previously that SLG will be part of the East region. How will the East regional board affect the operations of SLG?

A. As outlined above, the East regional board is comprised of three independent business and community leaders and two members of Algonquin management. The board meets quarterly and reviews and advises management on community, financial, operational, and other stakeholder matters. With the inclusion of SLG into the East region, a local regional board will be reviewing, advising, and guiding the operations of SLG.

ii) Approach to Enhanced System Reliability and Integrity

Q. Earlier, you discussed how Liberty Utilities has upgraded its utilities' infrastructure, including an aggressive leak reduction program at EnergyNorth in New Hampshire. How can that experience benefit SLG's customers?

A. Liberty Utilities has demonstrated its commitment to installing and maintaining safe, reliable, and updated system infrastructure throughout its service territories and in various utility industries. That same commitment will be applied to the SLG service territory, including areas set for expansion, and will benefit existing and future customers of SLG.

Q. Following the proposed acquisition, what assurances can you provide that SLG will continue to provide safe, adequate, reliable, and cost-effective utility service to its customers?

A. In addition to its obligations under the jurisdiction of the Commission, Liberty Utilities has a strong customer service and gas operational record that will complement the strong record of SLG. Liberty Utilities' regional structure, described earlier, which encompasses a Regional President and an East regional board, will provide oversight and support in ensuring that targets of operational excellence are achieved. As the Regional President and members of the regional board are professionals from the local communities who are familiar with local issues, the regional structure provides local guidance on customer and company issues that is particularly pertinent to the Liberty Utilities companies that operate in the region. Further, the addition of a local General Manager and the presence of a regional gas control and gas dispatch center are measures that demonstrate Liberty Utilities' commitment that SLG will continue to provide safe and reliable services employing cost-effective measures. Lastly, the proximity of Liberty Utilities' other operating companies within the region means resources from neighboring states can be readily mobilized to assist as necessary with the operations of SLG (further described below).

iii) Focus on Improved Customer Service

Q. What is your understanding of SLG's current customer service offerings, efforts to measure the effectiveness of its customer service efforts, and how successful these efforts are in satisfying customers?

A. It is Liberty Utilities' understanding that SLG offers customers the same payment channels as Liberty Utilities does (*i.e.*, office walk-in, phone, online, mail, and authorized payment center), and measures the effectiveness of its customer service efforts by way of the four matrices established by the Commission under the "Customer Service Quality Performance Mechanism": (1) the number of customer complaints to the Commission (PSC Complaint Rate), (2) the results of a customer satisfaction survey (Overall Customer Satisfaction Index), (3) reduction in customer terminations, and (4) uncollectible bad debt. It is Liberty Utilities' understanding that SLG has met all these targets and exceeded targets in the areas of Commission Complaint Rate and the Customer Satisfaction Index.

Q. Even though SLG has demonstrated sound customer service results, is there any area in which you believe that adoption of existing Liberty Utilities practices could enhance those results?

A. Liberty Utilities is committed to ensuring that customer service is provided to all SLG customers at the levels required by the Commission and consistent with the needs and feedback received from SLG customers. These objectives can be achieved by employing Liberty Utilities local strategy and enterprise-wide services. The local strategy is addressed by ensuring that customer service to SLG customers is maintained, managed, and supported by a local and responsive customer service team. The enterprise-wide services are addressed with the implementation of customer service surveys and recommendations from the survey results, the employment of internal call handling analytics to ensure quality and efficiency, and redundancy support that other Liberty Utilities call centers can provide in case of emergency and outages at SLG's customer service centers. As part of the integration of SLG into the Liberty Utilities family of companies, Liberty Utilities will explore options with SLG to see where existing services can be improved upon to benefit customers and where additional services can be offered.

<u>iv) Committed Community Involvement</u>

Q. Earlier, you described Liberty Utilities' commitment to the communities it serves. How will Liberty Utilities support the communities SLG serves currently and in the future?

A. One way of facilitating that community involvement is through the "Liberty Days" program, as described earlier, whereby employees are allowed time off during work hours to work directly on local community projects under the direction of local organizations. In addition, a majority of Liberty Utilities' companies and Liberty Utilities' employees make charitable donations supporting local causes in their community. Liberty Utilities is committed to continuing this practice in SLG's communities.

v) Employment of Standards Pertaining to Affiliates and Codes of Conduct

Q. You earlier described Liberty Utilities' approach to relations among affiliates. How will those principles be applied to SLG?

A. As described above, Liberty Utilities' subsidiaries operate under a shared services model whereby certain services are provided to the operational businesses from affiliates and charged to the utilities. These services are provided pursuant to affiliate services agreements to which SLG will be a party if the acquisition is approved. Exhibit 9 contains copies of the affiliate service agreements. The services and allocation of costs for the services are described and supported by Algonquin's CAM (Exhibit 6). Liberty Utilities has reviewed SLG's Code and supports SLG's adherence to this Code (with the clarification noted earlier with regard to participation in the Money Pool) to reflect Liberty Utilities' ownership. In addition, Algonquin has a Code of Conduct Business and Ethics document (Exhibit 7) which will apply to SLG upon the approval of the acquisition.

vi) Maintenance of Sound Relationships with Regulators

Q. Earlier in this testimony, you discussed Liberty Utilities' approach to working with regulatory bodies that oversee its regulated utilities. How will that approach be beneficial to SLG and its customers?

A. As described earlier, Liberty Utilities' approach to regulatory relations is based on communication and respect. SLG already has a strong regulatory relationship based on those same tenets, and Liberty Utilities will be able to provide whatever regulatory support is necessary to maintain and further enhance the relationship with the Commission.

VI. STANDARD FOR APPROVAL OF ACQUISITION

A. The "Public Interest" Standard

Q. Are you familiar with the legal standard that governs the Commission's consideration of utility acquisitions in New York?

A. Liberty Utilities is advised by counsel that, under PSL Section 70, approval of a Transaction of this nature requires that the transaction be shown to be in the "public interest." It has also been informed that the Commission, in assessing whether a Transaction is in the "public interest," requires that the transaction produce "positive net benefits," and that, to determine whether that is the case, considers (1) the expected benefits attributable to the transaction, offset by (2) risks or detriments remaining after (3) reasonable mitigation measures. (This analysis is described in greater detail in the Petition.) It is further understood that if the foregoing analysis results in a conclusion that the risks remaining after mitigation are not outweighed by the benefits of the transaction, the Commission may require that those benefits be supplemented by monetized benefits commonly referred to as "positive benefit adjustments" or "PBAs."

Q. In applying the foregoing analytical framework, what conclusions did you derive?

A. Liberty Utilities concluded that there are numerous benefits inherent in this Transaction. While not all of them are readily quantifiable, they will positively impact customers. It also determined that there are no real risks flowing from the Transaction. Moreover, even if any potential risks were present, they would be neutralized by mitigation measures that are standard features of acquisition cases the Commission has decided. Because no risks outweigh the benefits of the Transaction, there is no need to apply a PBA requirement to create a positive benefit to customers.

B. Application of the Standard

1. Benefits of the Transaction

Q. What benefits will result from the Transaction?

A. As elaborated in the Petition and the Post-Acquisition Transition Planning and Liberty Utilities' Business Practices sections (V.A. and III, respectively) of this Testimony, in summary the principal benefits to customers that will result from this Transaction can be described under the following categories:

1) Decentralized and Local Approach to Management and Operations: Liberty Utilities is committed to supporting SLG as a stand-alone operation with centralized strategic support. It will undertake this support by recognizing the benefits of SLG's management that is attuned to local needs and concerns, and at the same time providing corporate support services. This philosophy has proven successful to Liberty Utilities over the last six years as it has obtained regulatory approval for and has implemented nine major acquisitions in a smooth and efficient manner. Liberty Utilities will add the position of a full time General Manager in SLG's Massena office, bring significant experience in gas sales to SLG from its gas sales team that resides in New England, and have its local gas control and gas purchasing functions in New Hampshire, rather than in Canada, providing services to SLG. Liberty Utilities intends to keep in place SLG's current local management team and is committed to maintaining SLG's current workforce complement after the Transaction is complete (consistent with the Agreement). Hence, the Transaction will not have any negative

impact on the level of employment at SLG. All these functions and SLG itself will be supported by Liberty Utilities' East regional board and President providing support and strengthening the operations and management of SLG.

2) System Reliability and Integrity: Liberty Utilities places a premium on system improvement to provide safe and reliable service. Included in this commitment is ensuring that SLG has the resources to meet the targets for safety, reliability and capital improvements in the 2016 Rate Order.

3) Customer Service: Liberty Utilities is committed to maintaining and enhancing the customer service experience by supporting a locally managed customer service team with the implementation of customer service surveys and deploying call recording and call handling analytics, as needed, to ensure quality and efficiency. In the case of an emergency, voice support can be provided remotely, by Liberty Utilities' employees, to ensure that customer inquiries are handled in a timely way.

4) Community Involvement: Liberty Utilities will ensure that SLG continues to meet expectations and commitments in the communities it serves. Liberty Utilities has a long-standing tradition of supporting local community organizations through its "Liberty Days" program, whereby employees are encouraged to work directly on projects of local importance, under the direction and supervision of those local organizations.

5) Regulatory Relations: Liberty Utilities has a history of cooperation with and respect for the regulatory bodies in the jurisdictions in which its subsidiaries operate. The members of the Liberty Utilities family of companies enjoy excellent reputations in their respective jurisdictions and Liberty Utilities looks forward to continuation of solid relationships in New York.

6) <u>Access to capital:</u> Based on the financial strength of Liberty Utilities and Algonquin, it is expected that SLG will be provided competitively priced and low-cost debt and equity capital on terms that are at least as favorable as those currently available to SLG. Assuming confirmation by the Commission, SLG, SLG Service & Merchandising and SLG Communications will have the opportunity to participate in Liberty Utilities' Money Pool providing them with competitive lending and borrowing interest rates for short-term financial needs.

<u>2. Lack of Risk of the Transaction</u>

Q. In your previous answer, you pointed to numerous benefits SLG and its customers would derive from the proposed Transaction. Are there any detriments the Commission should consider in evaluating the Transaction under its "net positive benefits" standard?

A. No. Although to a casual observer, the fact that Liberty Utilities is a smaller parent than Enbridge Gas in terms of assets might appear to support an argument that customers of SLG are somehow placed at greater financial risk, this is a distinction without a difference for purposes of "public interest" analysis. As stated previously, Liberty Utilities is an indirect, wholly-owned subsidiary of Algonquin. Liberty Utilities holds an investment grade credit rating of BBB as rated by both S&P and DBRS (Attachment 9 to the Petition). Further, Liberty Utilities has demonstrated its ability to access the bank and credit markets by means of its Credit Facility syndicated among a group of US and Canadian banks, and the successful completion of $1.28 billion in private debt placements to fund its acquisitions and growth over the period of 2012-2017. The key ratios provided in Attachment 11 to the Petition also demonstrate both Algonquin's and Liberty Utilities' financial strength, as indicated by its reasonable indebtedness to capital ratios and strong interest coverage ratios. Algonquin's common stock and debentures are publicly traded on the New York Stock Exchange and the Toronto Stock Exchange. Algonquin has a strong balance sheet and is readily able to access the equity capital markets as most recently demonstrated by the successful completion of a CAD$575 million equity offering in November 2017. As stated above, the financing plan for the acquisition of the shares of SLG is designed to maintain a strong investment grade rating, and as a result, no change is anticipated to Liberty Utilities' current BBB credit rating, and it is anticipated that the SLG acquisition will support and maintain this rating. Liberty Utilities is clearly financially sound and sufficiently creditworthy to support its subsidiaries' capital needs. The difference in parental assets between Enbridge Gas and Algonquin does not detract from that conclusion. Accordingly, there is no risk associated with Liberty Utilities' size.

Q. Does the proposed Transaction raise any concerns about possible exercise of vertical or horizontal market power that could be detrimental to SLG customers?

A. No. Liberty Utilities and its affiliates own no properties or other interests that could impact natural gas supplies to SLG's service area or otherwise impact pricing there or in neighboring areas. There are simply no market power issues associated with this proposed Transaction.

Q. What do you conclude with regard to whether the proposed Transaction is riskier than continuation of the status quo?

A. The proposed Transaction produces no detriments that would make it riskier than the status quo under Enbridge Gas ownership. Indeed, since Enbridge Gas has determined to sell SLG and to focus its attention elsewhere, the status quo actually presents greater risk and uncertainty than a sale to Liberty Utilities. As a consequence, the benefits Liberty Utilities has described earlier are not offset by incremental risk and, therefore, can only be viewed as net positive benefits.

Q. Your preceding answer suggests that, given the absence of risk, there is no need for mitigation measures to "neutralize" risk. Are you therefore suggesting that Liberty Utilities will not employ mitigation measures similar to those adopted in other Commission proceedings involving acquisitions under PSL Section 70?

A. Not at all. As stated in the Petition, despite the lack of need for such measures to meet the requirements of the Commission's "public interest" analysis, Liberty Utilities is willing to implement mitigation measures, along the lines of those adopted in other cases, that are appropriate to SLG's size and circumstances. Mitigation measures, however, should not be so onerous or costly to administer that they become a drain on other activities that would otherwise be beneficial to customers.

3. Mitigation Measures, Notwithstanding Lack of Risk

Q. Please describe the measures Liberty Utilities is willing to adopt.

A. As indicated earlier, Liberty Utilities will not seek to pass along to customers either the premium above book value (*i.e.*, goodwill) or the associated transaction costs. Liberty Utilities is willing to provide post-closing reports to the NYPSC to facilitate confirmation that no such costs are being passed through to customers.

Liberty Utilities will abide by the Affiliate Code of Conduct governing affiliate relations and related matters that was filed with the Commission in November 2017, with the requirements to apply to Liberty Utilities in the same manner as they apply to Enbridge Gas and with the clarification described earlier, to confirm that SLG, SLG Service & Merchandising, and SLG Communications may participate in the Liberty

Utilities Money Pool. Liberty Utilities' substantial experience with its own codes of conduct and cost allocation pre-dates the recently developed SLG Code by many years. That lengthy experience provides added assurance of protection to SLG's customers.

Liberty Utilities is willing to commit to implementation of the managerial and operational measures described earlier in this testimony. Specifically, the General Manager of SLG will be located in the service area and will be devoted full-time to SLG operations; the Regional President, to whom the General Manager will report, will reside in the New England region; and gas control and purchasing functions, as well as the sales force, will be based in the region. In addition, the East regional board of directors, the majority of whose members are independent, will enhance the importance of localized input and management.

The foregoing measures, in addition to constituting clear benefits to SLG's customers, are fully consistent with measures that we understand have been adopted to mitigate risk in cases in which risks have been found to outweigh the benefits of an acquisition. In this case, therefore, where risks are essentially non-existent, these "mitigation" measures only serve to enhance the benefits customers and other stakeholders will realize.

VII. CONCLUSION

Q. Please summarize the Panel's conclusions regarding whether the proposed Transaction and the Financing should be found to be in the public interest.

A. Our testimony demonstrates that the proposed acquisition of SLG by Liberty Utilities is in the public interest because of the positive benefits that will accrue to SLG's customers and the communities SLG serves under Liberty Utilities' ownership.

Liberty Utilities is an experienced, well-qualified owner of well-run utility companies across the United States and provides those utilities with the wherewithal, in the form of financial and technical support, they need to be successful. At the same time, Liberty Utilities affords its subsidiaries the autonomy they require to be able to address their unique, local circumstances. Liberty Utilities and the companies within its family of utilities enjoy solid relationships with the communities they serve, as well as maintaining mutual respect with regulators in the numerous jurisdictions in which the companies operate.

Liberty Utilities is committed to bringing the same successful approach to its ownership of SLG. Liberty Utilities proposes to retain the employees who have made SLG a success, while enhancing local management with a full-time General Manager, along with support from the Liberty Utilities East region based in near-by New Hampshire, rather than in Canada. As a “small-town” company, Liberty Utilities will nurture existing relationships with the communities SLG serves, including through volunteer efforts such as “Liberty Days.”

The proposed Transaction clearly passes muster under the “public interest” standard of PSL Section 70, as applied by the Commission in other acquisition proceedings. The benefits to customers that Liberty Utilities has enumerated, both in this testimony and in the Petition, are real and are not offset by any risks or other detriments that can be attributed to the Transaction. Nevertheless, even though there is no net negative impact from the Transaction that would require mitigation under the Commission’s approach, Liberty Utilities is willing to adopt significant risk mitigation measures that have been imposed in cases where the Commission found that significant risks existed and, therefore, required mitigation.

The Financing, as described in this testimony and in the Petition, is for appropriate purposes and on reasonable terms and meets all of the requirements of PSL §69 and the Commission's regulations thereunder.

The bottom line is that the Transaction will produce net benefits to the customers of SLG and the communities SLG now serves and will serve in the future; and the Financing is necessary and appropriate for the continuing operations of SLG. Accordingly, Liberty Utilities respectfully submits that the benefits of the proposed Transaction support a determination by the Commission that this Transaction meets the "public interest" standard of PSL Section 70 and should be approved promptly. Likewise, the Financing is in the "public interest" and warrants simultaneous approval.

Q. Does this conclude your direct testimony?

A. Yes, it does.

LIST OF EXHIBITS

Exhibit Number	Description/Name
1	Algonquin Map "North America Focus with Geographic Diversity"
2	Liberty Utilities, Customer Satisfaction Tracking, New Hampshire Gas, October 2017 LUTH Research Report
3	Liberty Utilities, Customer Satisfaction Tracking, Massachusetts Gas, October 2017 LUTH Research Report
4	Liberty Utilities Awards and Accolades
5	Algonquin Cost Allocation Compliance Training
6	Algonquin Cost Allocation Manual
7	Algonquin Code of Conduct Business and Ethics
8	Federal Energy Regulatory Commission, Standards of Conduct Policies and Procedures
9	Liberty Utilities Service Agreements
10	Liberty Utilities Money Pool Agreement
11	Liberty Utilities – List of Money Pool Participating Entities (Redacted)
12	Enbridge Gas and SLG Services Agreements