

STATE OF NEW HAMPSHIRE
Before the
PUBLIC UTILITIES COMMISSION

DG 07-050

Energy North Natural Gas, Inc. d/b/a
KeySpan Energy Delivery New England
Indirect Gas Costs

MOTION TO REOPEN THE RECORD
BY THE STAFF OF THE PUBLIC UTILITIES COMMISSION

Staff of the Public Utilities Commission respectfully requests that the Commission grant this Motion to Reopen the Record in order to admit Staff's Revised Surrebuttal Testimony ("Revised Testimony"). Staff's Revised Testimony corrects an incorrect statement in Staff's Surrebuttal Testimony at page 6 lines 18 -21. The original testimony reads as follows:

"Rather, the inclusion of the extra revenue in October corrects an error made when the billed revenue accounting methodology was first implemented: namely, the inclusion of only half a month's revenue in the initial month."

The Mr. McCluskey did not realize that this statement was incorrect until he heard the testimony of KeySpan witness Anne Leary on the second day of hearings in this docket held on Thursday November 8, 2007. On November 8, 2007, for the first time KeySpan witness Leary described the process of allocating revenues between the peak and off-peak accounts during the 2001-2002 timeframe. This description was not contained in witness Leary's pre-filed testimony. Witness Leary demonstrated, by reference to several cost of gas filings covering 2001-2002, a full month of revenues were allocated between the two separate accounts in connection with the transition to service rendered billing.

Since Staff's statement concerning a half month of revenue quoted above was the subject of extensive cross examination, as well as new testimony on November 8, 2007, by witness Leary, Staff requests the opportunity to submit its Revised Testimony as an additional late filed exhibit.

Puc 203.30 allows the Commission to authorize filing of exhibits after the close of hearing, if the Commission finds "that late submission of additional evidence will enhance its ability to resolve the matter in dispute." Since Staff now believes that its original Surrebuttal Testimony was incorrect on the issue of whether a half of month of revenues was included in the peak and off peak accounts in 2001, granting this request will correct the record and enhance the Commission's ability to resolve the matter in dispute.

Staff's Revised Testimony will argue that the addition of the October unbilled revenue to the October billed revenue is appropriate because without that adjustment the starting balance for accrued revenue accounting will overstate KeySpan's actual under-collection, or conversely understate KeySpan's actual over-collection, by an amount equal to the revenues billed in November for usage in October. The Revised Testimony will not change Staff's recommendation on the transition issue, nor the exhibits on which it is based.

If the parties to this docket wish to have an opportunity to question Witness McCluskey on his Revised Testimony, or to present additional testimony to rebut his Revised Testimony, Staff would agree to the Commission's provision of an additional hearing date in order to provide such an opportunity. Staff would request, however, that any additional testimony by other parties be pre-filed to allow ample time for Staff and other parties to review and consider any new analysis or exhibits.

Staff requests that the Commission re-open the record in this docket and allow admission of Staff's Revised Surrebuttal Testimony as a late filed exhibit. Staff has attached a copy of its Revised Surrebuttal Testimony as Exhibit 1 to this Motion.

Respectfully submitted,
Staff of the Public Utilities Commission



F. Anne Ross, Esq.
Staff Attorney

Dated: November 20, 2007

CERTIFICATE OF SERVICE

The undersigned certifies that this Motion to Re-open has been served on all the parties to the service list by electronic mail on November 20, 2007, pursuant to Puc 203.11.



F. Anne Ross, Esq., Staff Attorney

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

Docket No. DE 07-050

KeySpan Energy Delivery New England
Indirect Gas Costs

Revised Surrebuttal Testimony

of

George R. McCluskey

1 **I. INTRODUCTION**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is George McCluskey and my business address is 21 South Fruit Street,
4 Suite 10, Concord, NH 03301.

5

6 Q. ARE YOU THE SAME GEORGE MCCLUSKEY THAT FILED DIRECT AND
7 SURREBUTTAL TESTIMONY IN THIS PROCEEDING?

8 A. Yes, I filed direct testimony on June 22, 2007 and joint surrebuttal testimony with
9 Amanda Noonan on October 19, 2007.

10

11 Q. WHAT IS THE PURPOSE OF YOUR REVISED SURREBUTTAL
12 TESTIMONY?

13 A. My revised testimony corrects a false statement in the portion of Staff's
14 surrebuttal testimony that addresses the transition from billed revenue accounting

1 to accrued revenue accounting in the cost of gas reconciliation. In its surrebuttal
2 testimony, Staff argued that under accrued revenue accounting the November 1,
3 2005 starting balance in the off-peak account should be net of the October 2005
4 unbilled revenue.

5
6 Q. PLEASE IDENTIFY THE STATEMENT THAT NEEDS TO BE CORRECTED

7
8 A. The statement in question is on page 6, lines 18-21, of the surrebuttal testimony
9 and reads as follows:

10 ... the inclusion of the extra revenue in October corrects an error made when
11 the billed revenue accounting methodology was first implemented: namely,
12 the inclusion of only half a month's revenue in the initial month.
13

14 This statement provided Staff's rationale for adjusting the November starting
15 balance for the October unbilled revenue.
16

17 Q. WHY DO YOU NOW BELIEVE THAT THE STATEMENT IS FALSE?

18 A. In response to KeySpan discovery, Staff stated that the error referenced in the
19 above statement relates to "the use of a methodology that: (i) matches accrued
20 costs with billed revenues; and (ii) uses only one half month of billed revenue in
21 the first month for each season." Staff went on to say that it had no knowledge of
22 when KeySpan first began to use "only one half month of billed revenue in the
23 first month for each season." During the course of the November 8, 2007 hearing
24 in this proceeding, previously unseen testimony and exhibits were presented by
25 KeySpan that indicated the Company began in November 2001 to prorate billed

1 revenue between the peak and off-peak reconciliation accounts. In addition,
2 KeySpan testified that its reconciliation calculation for November 2001 reflected
3 a full month of revenue, albeit split between peak and off-peak accounts. Based
4 on a review of the relevant documents in the 2002 proceeding that included the
5 final reconciliation for the Winter 2001/02 period, I now accept that KeySpan
6 reflected in its reconciliation calculation a full month of revenue in the month the
7 proration was first introduced and that no “error” was made.

8
9 Q. DOES THIS CHANGE STAFF’S POSITION ON THE NEED TO ADJUST THE
10 NOVEMBER STARTING BALANCE?

11 A. No, I continue to believe that the November 2005 starting balance in the off-peak
12 account should be adjusted downward to reflect October 2005 unbilled revenue.

13
14 Q. PLEASE EXPLAIN WHY YOU BELIEVE AN ADJUSTMENT TO THE
15 NOVEMBER STARTING BALANCE IS STILL APPROPRIATE.

16 A. Based on the above document review, I have concluded that for each month
17 beginning November 2001 and ending October 2005 the Company properly
18 matched a month of accrued gas costs with a month of billed revenue in its
19 reconciliation calculation. In addition, beginning November 1, 2005, the
20 Company is proposing to match a month of accrued gas costs with a month of
21 accrued revenue when it implements its new reconciliation methodology.
22 Because October billed revenue excludes revenue associated with October usage
23 billed in November (i.e., October unbilled revenue) and the November accrued

1 revenue relates to usage in November only, neither reconciliation methodology
2 will recognize October unbilled revenue absent a one-time transition adjustment.
3 Absent such an adjustment, the reconciliation balances would be higher than
4 otherwise resulting in unreasonable interest payments by customers. By setting
5 the November starting balance under accrued revenue accounting equal to the
6 October ending balance under billed revenue accounting, KeySpan is effectively
7 recommending that no transition adjustment be made.

8
9 Q. USING A HYPOTHETICAL, PLEASE EXPLAIN WHY THIS
10 RECOMMENDATION IS INAPPROPRIATE.

11 A. For simplicity, assume that the October 2005 ending balance in the off-peak
12 account results in an under-collection of gas costs equal to \$5 million under the
13 billed revenue reconciliation methodology. Assume also that the October 2005
14 unbilled revenue is \$4.5 million. Under Staff's proposal for accrual accounting,
15 the November starting balance would be an under-collection of \$0.5 million.
16 Under KeySpan's proposal, however, the November starting balance would be \$5
17 million even though the Company bills customers an additional \$4.5 million
18 related to usage in October. Clearly, a \$5 million balance would overstate the
19 Company's actual under-collection for the period ending October 31, 2005 and
20 would result in customers paying unreasonable interest charges.

21
22 Q. DOES THAT COMPLETE YOUR REVISED SURREBUTTAL TESTIMONY?

23 A. Yes.

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RATHER THAN WITH THE EXECUTIVE DIRECTOR

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BULK MATERIALS:

Upon request, Staff may waive receipt of some of its multiple copies of bulk materials filed as data responses. Staff cannot waive other parties' right to receive bulk materials.

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