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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 9, 2009 - 10:14 a.m.
Concord, New Hampshire

NHPUC APR21'09 am11:49

RE: DG 09-050
ENERGYNORTH NATURAL GAS, INC., d/b/a
NATIONAL GRID NH:
Summer 2009 Cost of Gas Adjustment.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Graham J. Morrison
Commissioner Clifton C. Below

Connie Fillion, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas, Inc., d/b/a
National Grid NH:
Thomas P. O'Neill, Esq.

Reptg. Residential Ratepayers:
Rorie Hollenberg, Esq.
Kenneth E. Traum, Asst. Consumer Advocate
Office of Consumer Advocate

Reptg. PUC Staff:
Matthew J. Fossum, Esq., Esq.
Edward N. Damon, Esq.

Court Reporter: Steven E. Patnaude, LCR No. 52

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E X H I B I T S

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1	Summer 2009 Cost of Gas filing REDACTED - FOR PUBLIC USE (03-16-09)	6
2	Summer 2009 Cost of Gas filing CONFIDENTIAL (03-16-09)	6
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P R O C E E D I N G S

1
2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll open the hearing in docket DG 09-050. On
4 March 16, 2009, National Grid filed its proposed cost of
5 gas rates for the period May 1, 2009 through October 31,
6 2009. The proposed residential rate is 67.22 cents per
7 therm, and it's a decrease of 59.24 cents per therm from
8 last summer. Typical residential customer's bill would
9 decrease by approximately \$186.46. And, an order of
10 notice was issued on March 20 setting the hearing for this
11 morning. I'll also note that we have a notice of
12 participation from the Consumer Advocate. The affidavit
13 of publication has been filed. And, we have a settlement
14 agreement, was filed on March 23, regarding occupant
15 accounts.

16 So, can we take appearances please.

17 MR. O'NEILL: Thomas O'Neill, on behalf
18 of EnergyNorth Natural Gas, Inc., doing business as
19 National Grid NH.

20 CHAIRMAN GETZ: Good morning.

21 CMSR. MORRISON: Good morning.

22 CMSR. BELOW: Good morning.

23 MS. HOLLENBERG: Good morning. Rorie
24 Hollenberg and Kenneth Traum, here for the Office of

1 Consumer Advocate.

2 CMSR. BELOW: Good morning.

3 CMSR. MORRISON: Good morning.

4 CHAIRMAN GETZ: Good morning.

5 MR. FOSSUM: And, good morning. I'm
6 Matthew Fossum, Edward Damon, Bob Wyatt, and Stephen
7 Frink, on behalf of Staff.

8 CMSR. BELOW: Good morning.

9 CMSR. MORRISON: Good morning.

10 CHAIRMAN GETZ: Good morning. Is there
11 anything that we need to address before we hear from the
12 Company's witnesses? Mr. O'Neill.

13 MR. O'NEILL: No, just briefly the
14 process that we have discussed that we were going to
15 propose to follow this morning, would be that the Company
16 would put on a panel of witnesses, Ted Poe and Ann Leary.
17 Staff would then put their witness on. And, all those
18 issues would be dealing with the summer cost of gas.
19 Following which, Ms. Leary and Mr. Frink would take the
20 stand as a panel to discuss the settlement of the occupant
21 accounts issue that was held over from docket 07-129.

22 CHAIRMAN GETZ: Okay. All right. Thank
23 you.

24 MR. O'NEILL: The Company calls Ms.

[WITNESS PANEL: Poe|Leary]

1 Leary and Mr. Poe.

2 (Whereupon **Theodore Poe Jr.** and **Ann**
3 **Leary** were duly sworn and cautioned by
4 the Court Reporter.)

5 **THEODORE POE, JR., SWORN**

6 **ANN LEARY, SWORN**

7 **DIRECT EXAMINATION**

8 BY MR. O'NEILL:

9 Q. Mr. Poe, I'll start with you. Would you please state
10 your name and business address for the record.

11 A. (Poe) Good morning. My name is Theodore Poe, Jr. My
12 business address is 201 Jones Road, Waltham,
13 Massachusetts.

14 Q. And, what are your responsibilities for National Grid
15 with regard to this proceeding?

16 A. (Poe) I'm responsible for preparing the forecast of
17 natural gas requirements for its customers.

18 MR. O'NEILL: And, at this point, before
19 I go any further, I have provided copies of the redacted
20 filing and the confidential filing, which I'd ask be
21 marked as "Exhibit 1" and "Exhibit 2" for the record.

22 CHAIRMAN GETZ: They will be so marked.

23 (The documents, as described, were
24 herewith marked as **Exhibit 1** and

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[WITNESS PANEL: Poe|Leary]

1 **Exhibit 2**, respectively, for
2 identification.)

3 BY MR. O'NEILL:

4 Q. And, Mr. Poe, you've filed -- you've submitted prefiled
5 testimony in this proceeding, is that correct?

6 A. (Poe) Yes, I did.

7 Q. And, do you have any changes or corrections to that
8 testimony?

9 A. (Poe) No, I do not.

10 Q. And, that testimony is contained within what's been
11 marked as "Exhibits 1" and "2" in this proceeding?

12 A. (Poe) Yes, it is.

13 Q. And, could you briefly summarize that testimony.

14 A. (Poe) Certainly. My prefiled testimony provides an
15 overview of the Company's transportation and supply
16 contracts and storage arrangements. And, it's similar
17 to material that I've presented in previous COG
18 proceedings.

19 Q. And, are there any changes to the supply and capacity
20 contract portfolios from previous cost of gas
21 proceedings?

22 A. (Poe) While there have been no changes in the
23 transportation contracts in the portfolio since the
24 2008 Off-Peak period, there have been two changes to

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[WITNESS PANEL: Poe|Leary]

1 the supply contract portfolio. The first is the
2 Company, starting April 1st, has a new supply contract
3 at Dawn, Ontario, with Nexen Marketing, which will go
4 through October 31st of 2009. Nexen was selected based
5 on a response to an RFP, and it's a baseload 4,000 a
6 day, priced at NYMEX, with an increment. Secondly, the
7 Company still has its VPEM contract, which began
8 November 1st of 2008, for 8,000 a day delivered at the
9 citygate. It replaced the DOMAC contract that had
10 expired October 31st, 2008. And, it will remain in
11 place until October 31st, 2009. I had previously
12 discussed this in docket DG 08-106, the 2008-2009 peak
13 period COG proceeding.

14 Q. And, just as a means of keeping the record clear, you
15 referred to "VPEM". Could you just, what's the --

16 A. (Poe) "VPEM" is the acronym for Virginia Power Energy
17 Marketing.

18 Q. And, you also referred to "DOMAC". Could you --

19 A. (Poe) That would be Distrigas of Massachusetts.

20 Q. Okay. And, Mr. Poe, could you just tell us what the
21 forecasted sendout for the summer period is?

22 A. (Poe) Certainly. Under normal weather, on
23 Schedule 11A, the Company forecasts 24,063,721 therms
24 over the off-peak period. And, then, under design

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[WITNESS PANEL: Poe|Leary]

1 weather conditions, Schedule 11B, the Company's
2 forecast is 24,683,015 therms. For the design
3 forecast, that represents a 2.6 percent increase over
4 the normal, in weather that is 10.6 percent colder than
5 normal.

6 Q. And, unless there's anything else you'd like to add,
7 Mr. Poe, I'll move onto Ms. Leary at this point?

8 A. (Poe) No.

9 Q. Ms. Leary, would you state your name and business
10 address for the record please.

11 A. (Leary) Yes. My name is Ann Leary. My business
12 address is 201 Jones Road, Waltham, Mass. 02451.

13 Q. And, you filed prefiled testimony in this proceeding as
14 well, Ms. Leary?

15 A. (Leary) Yes, I did.

16 Q. And, that testimony is contained in what's been marked
17 as "Exhibit 1" and "2", redacted and confidential?

18 A. (Leary) Yes, it is.

19 Q. And, your education and -- educational background and
20 professional experience is contained in that testimony?

21 A. (Leary) Yes, it is.

22 Q. And, could you just briefly describe -- or, actually, I
23 won't ask you to briefly describe, since it's in the
24 testimony. But could you describe what your

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[WITNESS PANEL: Poe|Leary]

1 responsibilities are with respect to this case?

2 A. (Leary) Yes. I'm here today to explain the Company's
3 proposed 2009 Off-Peak cost of gas factor, which will
4 become effective May 1st, 2009.

5 Q. And, are there any changes or corrections that you'd
6 like to make to your testimony that you filed in this
7 proceeding?

8 A. (Leary) Yes. I just want to point out three small
9 errors that were uncovered during the discovery
10 process. First of all, on Schedule 6, Line 160, there
11 is an ACA rate formula that was incorrect. We will
12 correct this in our first trigger filing. And, it only
13 amounted to a total gas cost correction of about \$389,
14 so it would not impact the factor that we're proposing
15 today. Also, on Schedule 7, Line 10, it indicates that
16 we used a "15-day NYMEX average" to come up with the
17 average NYMEX for the off-peak period, we actually base
18 it on a 14-day. Again, that impact was immaterial.
19 And, finally, if you turn to Bates Stamp Page 66, which
20 is our reconciliation filing for the Off-Peak 2008
21 filing, in the second paragraph, on the second line, it
22 should read that this filing shows an "over recovery",
23 not an "under recovery".

24 Q. And, in terms of just a summary of your prefiled

[WITNESS PANEL: Poe|Leary]

1 testimony, could you tell us what the proposed cost of
2 gas rates filed by the Company are?

3 A. (Leary) Yes. For the residential customers, the
4 Company is proposing a rate of 67.22 cents per therm
5 for the off-peak period. For the commercial and
6 industrial low winter use customers, we are proposing a
7 cost of gas factor of 67.07 cents per therm. And,
8 finally, for the commercial/industrial high winter use
9 customers, we are proposing a factor of 67.27 cents per
10 therm.

11 Q. Thank you. And, how do these rates compare to last
12 summer's average rates?

13 A. (Leary) Yes. These rates that we're proposing here are
14 actually 51.48 cents lower than the initial cost of gas
15 rate that was approved for May of 2008. The actual
16 weighted average cost for the entire summer period last
17 year was, however, 1.2 -- \$1.2646 per therm.

18 Q. Thank you. And, could you just tell us what the bill
19 impact of this summer's proposed rates are as compared
20 to last summer?

21 A. (Leary) Yes. For a typical residential heating
22 customer, we are projecting that these rates will --
23 these customers will see approximately \$174, or a
24 32 percent total bill decrease. That's actually

[WITNESS PANEL: Poe|Leary]

1 comprised of two factors. There will be a \$186
2 decrease resulting from the cost of gas factors, but
3 this will be offset by a \$12 increase due to the
4 implementation of our temporary rates back in August of
5 2008.

6 Q. Thank you. And, could you just explain the major
7 factors that result in the decrease in rates.

8 A. (Leary) Yes. There are three major factors that
9 resulted in the decrease in the cost of gas factors.
10 First of all, there is a decrease in our direct gas
11 costs. This attributed to about 40 cents per therm on
12 this total decrease. And, this was basically driven by
13 the downturn in the NYMEX. The NYMEX is about 55 cents
14 less this winter -- this summer as opposed to last
15 summer. It was offset a little bit by the hedging
16 costs. There was also a decrease in our indirect gas
17 costs of approximately three cents per therm. This
18 resulted basically because of a, you know, your
19 decrease in gas costs results in a decrease in both bad
20 debt and working capital. And, also, it results in the
21 fact that the factors, the percentage factors that
22 we're using for both the bad debt factors and the
23 working capital are a result of the order that was
24 approved in DG 07-050, which was approved last May of

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[WITNESS PANEL: Poe|Leary]

1 2008. Last year's filings did not reflect those
2 numbers.

3 Finally, there is a decrease in our
4 prior period reconciliation. It's about eight cents
5 per therm. This is due to the fact that we actually
6 overcollected gas costs in the Off-Peak 2008 period.

7 Q. And, has the Company updated the filing for changes in
8 NYMEX at all?

9 A. (Leary) The Company took a look at the latest 15-day
10 NYMEX average as of April 6. And, we're not proposing
11 at this point to update the cost of gas factor for this
12 period. It would have resulted in about a one to two
13 cent change decrease in the factor that we proposed
14 back on March 15. So, we're not proposing any changes
15 at this point in time.

16 Q. And, has the Company proposed any changes to the Local
17 Distribution Adjustment Charge?

18 A. (Leary) No. The Company is not proposing any changes
19 to the Local Distribution Adjustment Charge at this
20 time. Those are generally adjusted in the peak
21 filings.

22 Q. And, does this filing reflect a change in the hedge
23 accounting for underground storage hedges?

24 A. (Leary) Yes, it does. Before I go on and describe

[WITNESS PANEL: Poe|Leary]

1 those changes, I just want to make it clear. Although
2 we're proposing to change the accounting treatment of
3 the hedges, the gains and losses on the underground
4 storage hedges, this does not impact the off-peak
5 factor that we filed here today. Historically, what
6 happened is, when the -- for the underground storage
7 hedge gains and losses, we have reflected those numbers
8 in the underground storage inventory. So, the unit
9 price that we end up charging our customers in the
10 winter period, as they withdraw underground storage,
11 incorporates the hedging gains and losses. The problem
12 that arises is the way this is booked is, if you do not
13 withdraw all of your inventory in that given winter
14 period, inherent in that unit price is still part of
15 those hedgings and gains/losses from that prior period.
16 So, we're concerned with making sure that, you know, we
17 reflect the prices in the appropriate period. So,
18 we're proposing to change the accounting treatment of
19 these underground storage hedges gains and losses.
20 And, what we want to do now is, instead of booking them
21 to the inventory, as we have historically, we now want
22 to reflect that gain or loss and book it to our peak,
23 we call it our "deferred reconciliation account", which
24 is our 175.20 account, and then we will incorporate

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[WITNESS PANEL: Poe|Leary]

1 that factor in our peak cost of gas filing and either
2 recover or give back the gain and loss associated with
3 that hedging during the winter period.

4 Q. Thank you. And, finally, Ms. Leary, have you had an
5 opportunity to review the testimony filed by Robert
6 Wyatt, dated April 3rd, 2009, in this proceeding?

7 A. (Leary) Yes, I have.

8 Q. And, specifically, Mr. Wyatt is proposing a change to
9 the over and under reconciliation adjustment -- I'm
10 sorry, a change in how gas utilities are allowed to
11 adjust a cost of gas in the interperiod. Are you
12 familiar with that testimony?

13 A. (Leary) Yes, I am.

14 Q. And, do you support Mr. Wyatt's recommendations in that
15 testimony?

16 A. (Leary) Yes, we do. We support removing the minimum
17 bandwidth, the minimum cap on the monthly adjustments
18 to the cost of gas filings. And, we also support
19 Mr. Wyatt's recommendation to increase the upper
20 maximum limit on the bandwidth from 20 to 25 percent.

21 MR. O'NEILL: I have no further
22 questions for the witnesses at this time, subject to Ms.
23 Leary will be coming back to discuss the occupant billing
24 issue.

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[WITNESS PANEL: Poe|Leary]

1 CHAIRMAN GETZ: Thank you.

2 Ms. Hollenberg.

3 MS. HOLLENBERG: Thank you. Good

4 morning.

5 WITNESS LEARY: Good morning.

6 WITNESS POE: Good morning.

7 **CROSS-EXAMINATION**

8 BY MS. HOLLENBERG:

9 Q. I will let either one of you field this first question
10 that I have. What is the longest period of time that
11 the Company hedges for its portfolios?

12 A. (Leary) The Company hedges 18 months out for the New
13 Hampshire portfolios.

14 Q. And, has the Company considered hedging contracts for
15 longer periods of time, now that the prices are so much
16 lower than they have been in the recent past?

17 A. (Leary) Well, right now, due to all of the financial
18 instability that's been occurring in the market over
19 the past year, the Company is evaluating all its
20 hedging policies for all its jurisdictions, not just
21 New Hampshire. And, at this point, they don't want to
22 make any changes to its existing policy till they
23 decide how they want to go forward with hedgings, you
24 know, companywide.

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[WITNESS PANEL: Poe|Leary]

1 Q. Do you have a sense of the time period of that
2 consideration? I mean, will that be something that
3 would be -- the Company would be prepared to discuss
4 with the parties and the Commission for the peak period
5 cost of gas?

6 A. (Leary) Most definitely.

7 Q. And, do you have a sense, understanding that the
8 Company has yet to decide whether or not they're going
9 to change this policy, do you have a sense or could you
10 opine about whether or not there are any downside risks
11 to purchasing longer term hedging contracts at this
12 point in time?

13 A. (Leary) At this point, until the analysis is complete,
14 I really would not want to comment on the Company's
15 perspective.

16 Q. Okay. Thank you. And, Ms. Leary, if I could ask you
17 to turn to your prefiled testimony at Page 7 please.
18 And, actually, the sentence begins at the very bottom
19 of Page 6. It's the two words on Page 6, Line 22, and
20 then Lines 1 and 2 on Page 7. Could you explain, you
21 discuss there a reduction in both gas cost and the
22 percentages used to calculate working capital and bad
23 debt. And, you would agree that there was a resolution
24 in the recent rate case for National Grid New Hampshire

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[WITNESS PANEL: Poe|Leary]

1 regarding the percentages used to calculate working
2 capital and bad debt, correct?

3 A. (Leary) That is correct.

4 Q. But the adjustments that you're discussing in your
5 testimony for this purpose are not those adjustments.
6 Can you explain what those adjustments you're talking
7 about now are?

8 A. (Leary) Yes. These adjustments that we're talking
9 about are not, as you said, the adjustments that were
10 reflected in the settlement in the EnergyNorth rate
11 case. What these adjustments were are, back in the
12 docket DG 07-050, we had agreed on a percentage for
13 both bad debt and working capital. I think that we
14 agreed that it was going to be 1.75 percent for bad
15 debt and the working capital number was approximately
16 0.64 percent. That docket was not approved until I
17 think it was May, the middle of May of 2008. So, the
18 Off-Peak 2008 filing that we made did not reflect those
19 numbers. They reflected the numbers that were -- had
20 been in place on a temporary basis, I can't remember
21 the docket number, but it goes back to November of
22 2006.

23 Q. Okay. And, the adjustments recommended -- you would
24 agree that the reason that the adjustments recommended

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[WITNESS PANEL: Poe|Leary]

1 in the rate case that we just resolved and the proposed
2 settlement agreement that's pending before the
3 Commission are not incorporated because that decision
4 is still pending?

5 A. (Leary) That is correct.

6 Q. Will you -- Will you adjust the CGA in the future, if
7 those adjustments are approved by the Commission in the
8 rate case?

9 A. (Leary) Yes, we could reflect those in our monthly
10 trigger filings.

11 Q. Thank you. Mr. Poe, could you explain, if you could
12 turn to your testimony at Page 9, it's actually 9 and
13 10, where you talk about your projected -- your
14 projections for sendout. And, it struck me, when I was
15 reviewing this, that there was a significant difference
16 between your projections this year, for both normal
17 sendout and for the design weather sendout, were very
18 different from last year. And, if you could just
19 explain that for the record please.

20 A. (Poe) Certainly. Obviously, the design weather sendout
21 is based on the normal forecast. So, as one moves, the
22 other will move. Discussing the normal forecast, in
23 the Off-Peak Period 2008, the Company had forecast
24 requirements of 25,976,071 therms. And, the current

[WITNESS PANEL: Poe|Leary]

1 forecast is now down to a little over 24 million. If
2 we had explored this as early as the peak period
3 2008-2009 filing, which was DG 08-106, about 50 percent
4 of that was made up of reduction in customer use and
5 50 percent was due to migration of customers from sales
6 to customer choice.

7 Q. Thank you.

8 A. (Poe) You're welcome.

9 Q. You touched upon, on direct, Ms. Leary, the proposal of
10 the Staff to modify the way that the -- modify the
11 bandwidth for the purposes of changing the rates after
12 the cost of gas is approved for a period. And, I just
13 wanted to ask you a couple of questions, if I might.
14 Before last summer, would you agree that there were
15 little -- there were little times, if any, that the
16 Company needed to request a mid period readjustment of
17 its rate?

18 A. (Leary) Yes, I would agree with you, before last
19 summer. I think it was sometime in the 2002 to 2004
20 period was the last time that we had requested a mid
21 cost of gas adjustment factor back then.

22 Q. So, would you agree that the, generally speaking, at
23 least before that period of time, the 20 percent
24 bandwidth up and down was an adequate allowance for

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[WITNESS PANEL: Poe|Leary]

1 purposes of the Company's adjustments of costs of gas?

2 A. (Leary) Well, correct. And, basically, that's all
3 driven mostly on the volatility of the NYMEX.

4 Q. Uh-huh.

5 A. (Leary) But, as a result of last summer, and continuing
6 on, the volatility of the NYMEX, it now looks like it's
7 time to reevaluate whether that 20 percent is adequate
8 --

9 Q. Okay.

10 A. (Leary) -- to capture what's going on in the
11 marketplace.

12 Q. Okay. Do you know -- and, I appreciate that. Do you
13 know whether, before last summer, the price had ever
14 dropped as much as it did in the summer period last
15 year, after the Company obtained a mid period resetting
16 of the rates?

17 A. (Leary) I would say not since I've been involved.

18 Q. Okay.

19 A. (Leary) I would never say "never", but not since I've
20 been involved with these filings.

21 Q. Okay. And, just a couple of questions about the
22 occupant account --

23 MS. HOLLENBERG: Oh, yes. Okay, the
24 occupant account settlement, I'm sorry, is for later.

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[WITNESS PANEL: Poe|Leary]

1 I'll ask those later. Thank you.

2 CHAIRMAN GETZ: Mr. Fossum. Good
3 morning.

4 WITNESS LEARY: Good morning.

5 BY MR. FOSSUM:

6 Q. Okay. Ms. Leary, to begin, you already -- okay, that's
7 already taken care of. Getting back to -- to get to
8 the storage hedging gain and loss issue, is it at all
9 unusual for the Company to have high volumes of unused
10 storage at the end of a given period?

11 A. (Poe) Typically, no. Typically, the underground
12 storage is part of the hedging of price that the
13 Company has, where it will purchase gas in the off-peak
14 period for use in the peak period. But, because of the
15 way that prices evolved over the 2007 and then 2008
16 period, the WACOG, the weighted average cost of the gas
17 in storage was higher than flowing is currently.

18 Q. Okay. And, so, I mean, given that volatility, so the
19 Company has been, I presume -- has the Company been, I
20 guess is a better way to put it, making sort of spot
21 purchases in place of pulling out its underground
22 inventory?

23 A. (Poe) Yes, that's right. Typically, the Company holds
24 roughly two and a half Bcf of underground storage

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[WITNESS PANEL: Poe|Leary]

1 capacity. Typically, we use a good part of that, two
2 Bcf or so, in the wintertime, which would take us down
3 to maybe a 10 or 15 percent inventory level at the end
4 of winter. Currently, the Company is sitting at around
5 60 percent. It purchased roughly, order of magnitude,
6 about a Bcf of spot gas, in lieu of using its
7 underground storage. And, that was merely driven
8 because of the price and the consideration of the
9 carrying costs.

10 Q. And, so, about how much does the Company have in
11 underground storage now?

12 A. (Poe) Well, if the inventory level is 60 percent, and
13 we have about two and a half Bcf of storage, then we
14 have about one and a half in storage right now, one and
15 a half Bcf.

16 Q. And, what sort of plans do you have to refill that over
17 the next period?

18 A. (Poe) Over the May through October period, it will be
19 refilled. The Company has just sent out an RFP, I
20 believe it was last Friday, for bidders to offer their
21 services to refill the storage for us.

22 Q. All right. Regarding the -- On Page, Mr. Poe, on Page
23 4, and Line 14 of your testimony, you reference the
24 Tennessee Gas Pipeline capacity?

[WITNESS PANEL: Poe|Leary]

1 A. (Poe) Yes, sir.

2 Q. Do you have an update on the Concord Lateral Expansion
3 that was approved last year relative to that, to
4 Tennessee?

5 A. (Poe) The Company has negotiated with Tennessee
6 Pipeline for an expansion of the Concord Lateral. That
7 project is due to be in service November 1 of 2009.
8 Let's see. There are a number of different approvals
9 that have been received already. The construction is
10 about to begin in May, with tie-ins in May and June,
11 and an in-service date of November 1st of 2009.

12 Q. So, everything's on schedule at this point?

13 A. (Poe) Everything seems to be on schedule, yes, indeed.

14 Q. Okay. And, also, is the Company currently seeking
15 additional supplies through the Dracut Pipeline
16 interconnect?

17 A. (Poe) The Company will periodically purchase gas at
18 Dracut and flow on its existing transportation contract
19 from Dracut to the citygates. It had a contract of
20 firm delivery throughout the wintertime, baseloaded for
21 December, January, and February. We still have access
22 to swing supplies in March and April. And, then,
23 throughout the summertime, we can purchase on the spot
24 market and pick up gas there, if the price is

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[WITNESS PANEL: Poe|Leary]

1 advantageous.

2 Q. And, how have the prices been there, say, compared to
3 what is the Tennessee Zone 6 price?

4 A. (Poe) Typically, the Company was purchasing spot
5 supplies in the fall, because the price was
6 advantageous. We have slowed down the purchasing in
7 the springtime. But we continue to watch the market.
8 Until then, we flow our Canadian gas and Tennessee
9 long-haul from the Gulf.

10 Q. And, just a couple of questions about Canadian gas, I
11 guess as you just mentioned. The Dawn supply is
12 reflecting a significant decrease compared to last
13 year. Do you know what is happening in the market
14 that's creating that decrease, dropping the basis as to
15 --

16 A. (Poe) The basis differential?

17 Q. Yes.

18 A. (Poe) Certainly. Typically, the Company has seen a
19 basis differential, the cost of Dawn versus the cost of
20 NYMEX, of anywhere from 25 to 35 cents, where Dawn is
21 at a premium because it's closer to our market. For
22 the off-peak period this year, the premium is a little
23 over a penny. And, the reason for that is not because
24 of as much what's happening on our side of the border,

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[WITNESS PANEL: Poe|Leary]

1 as what's happening on the Canadian side, where the
2 price in Alberta has fallen drastically. The demand is
3 not there, the industrial consumption is off. The oil
4 end use is not picking up yet. And, so, the market
5 there got soft, prices at AECO, at Alberta got soft.
6 And, so, the differential between AECO and Dawn
7 collapsed, and the prices got closer to NYMEX
8 themselves. We're hoping that this will stay that way
9 for a while. But, as industrial activity starts to
10 pick up again, following the current situation, we
11 should probably see prices return back to the way they
12 were, 2010 possibly.

13 Q. Also, you're familiar with the Sable Island production
14 facility?

15 A. (Poe) Yes, sir.

16 Q. And, apparently, that production is expected to be out
17 for a while. Do you have any indication, any
18 knowledge, an expectation of how that might impact the
19 New England market, and the Company in particular?

20 A. (Poe) As long as it's during the off-peak period, it
21 should be at a minimum, because the Company does not
22 purchase from Sable Island directly, but rather at the
23 Dracut, Massachusetts pooling point, where that supply
24 can be delivered, as well as a number of other domestic

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[WITNESS PANEL: Poe|Leary]

1 supplies. So, as long as there is adequate supplies in
2 the area, there shouldn't be a huge effect on pricing.

3 MR. FOSSUM: Thank you.

4 WITNESS POE: You're welcome.

5 BY CHAIRMAN GETZ:

6 Q. Mr. Poe, can I just follow up on the Sable Island
7 issue? And, you said the expectation would be that it
8 would be -- the supply would be off or not available
9 off-peak. But it's my recollection there's going to be
10 a planned outage in August for an extended period or
11 are we talking about different things?

12 A. (Poe) I don't know particularly what the schedule is
13 for the supply being off-line. All I was saying was,
14 generically, if it's just during the off-peak period,
15 there should be adequate supplies to not have a major
16 effect on pricing. If it went into the peak period,
17 then, yes, it would have some effect on the area.

18 Q. But you're not aware of what their --

19 A. (Poe) I don't know the specific times.

20 Q. The specifics?

21 A. (Poe) No.

22 CHAIRMAN GETZ: All right. Any
23 redirect, Mr. O'Neill?

24 MR. O'NEILL: No, I have none.

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[WITNESS: Wyatt]

1 CHAIRMAN GETZ: All right. Then, the
2 witnesses are excused. Thank you. And, the plan is to
3 turn to Mr. Wyatt next?

4 MR. FOSSUM: Yes. I call Mr. Wyatt
5 please.

6 (Whereupon **Robert Wyatt** was duly sworn
7 and cautioned by the Court Reporter.)

8 **ROBERT WYATT, SWORN**

9 **DIRECT EXAMINATION**

10 BY MR. FOSSUM:

11 Q. Good morning.

12 A. Good morning.

13 Q. Would you state your name and place of business for the
14 record please.

15 A. Yes. My name is Robert Wyatt. I am a Utility Analyst
16 IV for the New Hampshire Public Utilities Commission.
17 And, that's in Concord, New Hampshire.

18 Q. And, you've testified previously before the Commission?

19 A. Yes, I have.

20 Q. And, you filed prefiled testimony in this matter?

21 A. Yes, I did.

22 Q. Let me show you, does this look like your testimony in
23 this matter?

24 A. Yes, it does.

[WITNESS: Wyatt]

1 Q. Is it a true and accurate copy to the best of your
2 recollection of the testimony filed?

3 A. That's correct.

4 Q. Are there any changes, additions, alterations that you
5 wish to make to your filing?

6 A. I have one minor correction. On Page 3, Line 7, at the
7 end of that line there should be a period after "COG".
8 I don't know what happened to it, but --

9 Q. Anything more severe than that or --

10 A. No.

11 MR. FOSSUM: Okay. I'd like to mark
12 this as an exhibit.

13 CHAIRMAN GETZ: Okay. Mr. Wyatt's
14 testimony will be marked for identification as "Exhibit
15 Number 3".

16 (The document, as described, was
17 herewith marked as Exhibit 3 for
18 identification.)

19 BY MR. FOSSUM:

20 Q. Could you briefly summarize your testimony this
21 morning.

22 A. Yes. My testimony covers two topics. The first is the
23 Staff recommendation to modify the monthly over/under
24 cost of gas adjustment policy. And, the second is to

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[WITNESS: Wyatt]

1 comment generally on the Summer 2009 EnergyNorth Cost
2 of Gas filing.

3 Q. Okay. And, I guess taking those in order, could you
4 just explain the Staff recommendation to modify the
5 over/under policy?

6 A. Yes. As I explain in greater detail in my written
7 testimony, the monthly over/under policy is designed to
8 reduce or eliminate over-/undercollections in the cost
9 of gas period. And, after a further discussion with
10 the parties, I have modified Staff's proposal that was
11 submitted in the -- during the winter cost of gas
12 proceeding six months ago. And, we decided to table
13 that proposal at the time to further discuss. As a
14 result of those discussions, the Staff is now asking
15 the Commission to change the upper bandwidth, as Ms.
16 Leary stated in her direct, to -- we're recommending to
17 increase the upper bandwidth to 25 percent from the
18 current level. And, at the same time, we're asking
19 that the lower limit of the bandwidth be eliminated
20 altogether. Currently, as you recall, the limits on
21 both upper and lower are 20 percent of the initially
22 approved cost of gas rate.

23 Q. All right. And, what will you expect would happen to
24 the cost of gas filings going forward should this

[WITNESS: Wyatt]

1 recommendation be adopted?

2 A. I expect the changes will enable the Company to more
3 efficiently react to projected over and
4 undercollections in the current cost of gas periods.
5 And, as a result, it will reduce the carrying charges
6 and the over-/undercollection balance that's carried
7 forward to future cost of gas periods. In particular,
8 lowering or reducing the -- or eliminating the lower
9 limit will give the Company the ability to much more
10 efficiently eliminate overcollections in the cost of
11 gas periods, by being able to reduce the cost of gas
12 rate as much as necessary to eliminate those costs or
13 those projected overcollections.

14 Also, the modified policy should also
15 create administrative efficiencies in reducing or
16 eliminating the need to file mid period cost of gas
17 filings, like the Company had to do last summer. This,
18 in turn, will also reduce or eliminate Company and
19 Commission resources such filings demand. Because the
20 cost of gas filings are based on actual costs, and
21 actual costs to date, and projected costs based on
22 NYMEX prices, the rate requests have not been and are
23 not likely to be disputed. Ultimately, all cost of gas
24 costs are fully reconciled and reviewed by the Audit

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[WITNESS: Wyatt]

1 Staff here at the Commission.

2 Q. More generally related, now getting away from the
3 bandwidth adjustment, there, as you heard Ms. Leary
4 testified to, there's been a proposal to change how the
5 Company books its hedging gains and losses. Does the
6 Staff have an opinion on that?

7 A. Yes. Staff has evaluated and discussed the proposal
8 with the parties, and supports the Company's proposal.
9 Hedges are made to provide price/rate stability in the
10 specific period. And, Staff supports any gains and
11 losses in those hedges being accounted for in those
12 periods. And, the change should have a minimal impact
13 on the cost of gas rates.

14 Q. And, has Staff otherwise finished or completed, for now
15 anyway, its review of this filing?

16 A. Yes. After a thorough review of the Summer Cost of Gas
17 filing, the Staff's recommendation is for approval of
18 the proposed rates supported in this filing.

19 MR. FOSSUM: Thank you. I have nothing
20 further.

21 CHAIRMAN GETZ: Ms. Hollenberg?

22 MS. HOLLENBERG: Thank you. I don't
23 have any questions. I had contemplated asking Mr. Wyatt
24 questions, but I asked them of Ms. Leary instead. Thank

[WITNESS PANEL: Leary|Frink]

1 you.

2 CHAIRMAN GETZ: And, Mr. O'Neill?

3 MR. O'NEILL: No questions.

4 CHAIRMAN GETZ: Nothing from here. So,
5 I take it no redirect, Mr. Fossum?

6 MR. FOSSUM: No.

7 CHAIRMAN GETZ: Then, the witness is
8 excused. Thank you, Mr. Wyatt. And, now we turn to Ms.
9 Leary and Mr. Frink?

10 MR. O'NEILL: Yes.

11 (Whereupon **Ann Leary** was recalled to the
12 stand and **Stephen Frink** was duly sworn
13 and cautioned by the Court Reporter.)

14 MR. O'NEILL: Okay. I guess I'll begin
15 with Ms. Leary.

16 **ANN LEARY, PREVIOUSLY SWORN**

17 **STEPHEN FRINK, SWORN**

18 **DIRECT EXAMINATION**

19 BY MR. O'NEILL:

20 Q. And, Ms. Leary, we are turning now to the topic of the
21 settlement of what's known as the "occupant account
22 issue", which was held over from DG 07-129 to this
23 proceeding. So, actually, I'll just start with asking
24 you to tell us what is an "occupant account"?

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[WITNESS PANEL: Leary|Frink]

1 A. (Leary) Okay. An "occupant account" is an account on
2 the Company's records that the Company does not have a
3 name on the account. So, there's no customer of
4 record. The Company will establish an occupant account
5 under the following premise: First, an identified
6 customer at a premise will notify the Company that they
7 want to terminate service. The Company will then go
8 out and take a final meter reading on this account.
9 If, after that point, when the final meter reading was
10 taken, the Company observes that there is usage at that
11 premises that exceeds 13 ccfs, the Company -- the
12 billing system will then just automatically generate an
13 account, and the name on the account will be called
14 "occupant". What the Company refers this to is often
15 called the Company's "soft on/soft off process". It's
16 a process that we use when customers move in and out of
17 tenant buildings. And, basically, it's the process
18 that the Company uses in lieu of physically going out
19 and turning off and locking every meter when the
20 customer moves out, and then physically going back out
21 and turning the meter on with a customer moves back in.

22 Q. And, Ms. Leary, is there an ongoing investigation
23 regarding occupant accounts?

24 A. (Leary) Yes, there is. The Company has historically

[WITNESS PANEL: Leary|Frink]

1 recovered the gas cost portion of the occupant account
2 through its unaccounted for gas. So, it would be
3 inherent in part of its cost of gas reconciliation
4 filing. In docket DG 07-093, the Commission identified
5 what it -- it actually wanted to investigate what
6 constitutes an "unaccounted for volume", and also asked
7 to investigate what is a reasonable level of
8 unaccounted for gas. This investigation particularly
9 focused on the occupant portion of the unaccounted for
10 gas. There are other matters and other reasons why the
11 Company has unaccounted for gas, but -- like leaks or
12 loss or theft, but we were focusing specifically on the
13 occupant usage. This investigation has remained opened
14 in subsequent cost of gas proceedings since, as I said,
15 the original investigation in DG 07-093.

16 Q. And, have the parties reached a proposed resolution to
17 that docket?

18 A. (Leary) Yes. The Company, the Staff, and the OCA have
19 all entered into a settlement that would resolve the
20 occupant account investigation. The Company believes
21 that this settlement is a fair and equitable resolution
22 to how to look at and identify what is an appropriate
23 occupant account volume that should be recovered
24 through the cost of gas filings. On March 23rd of

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[WITNESS PANEL: Leary|Frink]

1 2009, the parties submitted a Joint Settlement -- a
2 Joint Statement in Support of the Settlement, and which
3 --

4 MR. FOSSUM: Okay, and I'll stop you
5 there for a second.

6 WITNESS LEARY: Okay.

7 MR. O'NEILL: At this point, I'd like to
8 ask that the Settlement Agreement and the Joint Statement
9 in Support be marked as an exhibit.

10 CHAIRMAN GETZ: It will be marked for
11 identification as "Exhibit Number 4".

12 (The document, as described, was
13 herewith marked as **Exhibit 4** for
14 identification.)

15 BY MR. O'NEILL:

16 Q. And, Ms. Leary, I recognize that there is a Joint
17 Statement that does summarize the Settlement. But,
18 given that this Settlement is a somewhat complicated
19 document, are you prepared to walk us through that --
20 walk us through that Settlement at this time?

21 A. (Leary) Yes, I am.

22 Q. And, would you please do that.

23 A. (Leary) Okay. There were basically eight major points
24 in the Settlement, and I'll kind of summarize those

[WITNESS PANEL: Leary|Frink]

1 points for you. The first, the parties agreed that the
2 soft off process that I just described is reasonable.
3 The parties also agreed that it was reasonable that an
4 output account would be created at the 13 ccf usage
5 level. An account that actually has less than 13 ccfs
6 can continue to be recovered as part of unaccounted for
7 gas through our cost of gas filings.

8 There were also some issues regarding
9 the landlord. The Company has agreed that it will
10 attempt to capture landlord information. And,
11 basically, at the time that either a new customer is
12 moving into, a tenant, or an existing tenant is
13 leaving, we are -- our call reps have been trained to
14 ask for the landlord information. What we're hoping
15 then at that point is we will then reach out to the
16 landlords to seek their permission, so that, when
17 customers leave the system, those accounts, instead of
18 going into the name of occupant, can be placed right
19 into the landlord's name.

20 There were also a settlement regarding
21 termination notices. And, it was agreed that, for
22 these occupant accounts, we can now send these account
23 -- these premises, because we don't know who the name
24 on the account is, send these premises letters, and in

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[WITNESS PANEL: Leary|Frink]

1 these letters we'll notify these customers that, you
2 know, there has been monitoring and there has been
3 usage at this premise. If we do not receive the name
4 at this premise, the Company has the right to terminate
5 service within ten days.

6 The Company has also agreed that it will
7 make, you know, every effort to establish the date of
8 residency for these tenants, and to ask customers
9 questions when they do become the customer of record,
10 and to provide things like lease agreements, so we can
11 verify the dates, and actually back-bill these occupant
12 bills or assign these occupant bills to that customer.

13 There were also a bunch of reporting
14 information that the Company has agreed to provide in
15 the future. Such an example of some of these items
16 would be we're going to provide information on the
17 occupant volumes, on the occupant gas costs, the number
18 of occupant accounts that are occurring, the number of
19 occupant accounts that we are opening and closing, and
20 also some arrearage information on the occupant
21 accounts.

22 This settlement also stipulated how --
23 what is going to be an appropriate level of occupant
24 accounts that will be allowed to be recovered as part

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[WITNESS PANEL: Leary|Frink]

1 of our cost of gas filings. What we've done is, for
2 the first year, we established what we felt was an
3 appropriate threshold. And, we agreed that an
4 appropriate amount that should be allowed to be
5 recovered through the cost of gas will be 85 therms.
6 We then set a bandwidth around that 85 therms. So, we
7 set a bandwidth of 20 therms. So, there's a bandwidth
8 between 65 and, in this case, for the first year, 105
9 therms. We agreed that if the -- we will then take the
10 actual occupant use in a 12-month period, and we're
11 going to compare that to this threshold and this
12 bandwidth that we established. And, the easiest way to
13 describe this is, I think, as to how it's going to
14 exactly work, if I go through a very quick example.
15 So, what I'm going to do is, I'm going say, let's
16 assume, first of all, that the actual use for the -- we
17 have one occupant account, and the actual use turns out
18 to be 110 therms. Let's also assume that the cost of
19 gas is a dollar. This will make it a very simple
20 example. What happens is, is, if the Company is within
21 this bandwidth, there's a sharing mechanism. In fact,
22 the sharing mechanism is a 50/50 sharing. So, in this
23 case, what happens is, we're above the -- we're
24 actually above the threshold and above the bandwidth.

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[WITNESS PANEL: Leary|Frink]

1 So that, for the first 20 units, what we'll do is,
2 we're going to share 50/50 with the customer. So,
3 we're going to take the 20 units, we're going to
4 multiply by 50 percent, so we're at ten units, multiply
5 by a dollar, there's a \$10 disallowance. But we're
6 actually beyond the threshold, we're actually -- excuse
7 me, beyond the bandwidth, as I said in the example,
8 we're at the 110 level. So, for those units that
9 exceed that bandwidth, so it would be the 110 minus the
10 105 for those five units, there is no sharing. The
11 Company will be totally disallowed that amount. So,
12 we'll take those five units, multiply by the dollar,
13 and that will be allowed -- a disallowance of \$5.00.
14 So, in total, on this analysis, we would be disallowed
15 -- the Company would be disallowed \$15.

16 Now, conversely, if we have a very
17 aggressive program with our occupants and are able to
18 reduce the use per customer for the occupant, the
19 Company is going to be allowed to earn an incentive.
20 It's going to work the exact same way. So, for
21 instance, if we were at the -- we were very aggressive
22 with our occupants, and we got the average use down to
23 60 therms per customer, we would have a sharing between
24 the 65 and the 85, just like we did between the 85 and

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[WITNESS PANEL: Leary|Frink]

1 105. So, what happens there, for those 20 units, we'd
2 times 50 percent, times a dollar, there would be a
3 \$10.00 incentive the Company would earn. And, then,
4 for anything above that bandwidth, so, in this case, 60
5 minus 65, for those five units, the Company would get a
6 100 percent incentive, which would be the five times a
7 dollar. So, in total, the Company could earn, in that
8 analysis, a \$15.00 incentive. So, it's kind of -- the
9 equations are equal on both sides, in terms of the
10 disallowance, in terms of the incentive for the
11 Company.

12 The Company has also agreed, and we
13 talked about this threshold of 85 therms, the Company
14 will update that threshold every year, and we've agreed
15 based on a three-year rolling average. And, what we're
16 going to do is, we've agreed that we're going to look
17 at what an average occupant account uses over a 60-day
18 period and we're going to look at what an average
19 occupant account uses over a 90-day period. And, we
20 believe that we're going to take an average of those
21 two, but we're going to have a higher weighting to the
22 60-day occupant use. So, we're going to have a
23 75 percent weighting for the 60-day and a 25 percent
24 weighting for the 90-day. So, each year we're going to

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[WITNESS PANEL: Leary|Frink]

1 be establishing that threshold amount.

2 The Company has already agreed on the
3 delivery rates to include or impute a disallowance of
4 \$32,072 in the base rates. And, that amount was
5 incorporated as part of the EnergyNorth rate settlement
6 in DG 08-009.

7 And, finally, we have agreed that we are
8 going to give a refund to low income customers of
9 \$256,308. We're going to do it on a per capita basis.
10 And, we should be doing it -- we're expecting to do
11 this sometime during, we're hoping, the off-peak
12 period, this coming off-peak period.

13 MR. O'NEILL: I have no further
14 questions for Ms. Leary.

15 CHAIRMAN GETZ: Mr. Fossum.

16 MR. DAMON: Actually, I have a few.

17 MS. HOLLENBERG: I do have a couple, but
18 --

19 CHAIRMAN GETZ: Okay. I was just
20 wondering how we're going to do this.

21 MS. HOLLENBERG: Right.

22 CHAIRMAN GETZ: Are we going to do
23 direct with Mr. Frink or --

24 MR. DAMON: Well, why don't I do that

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[WITNESS PANEL: Leary|Frink]

1 then.

2 BY MR. DAMON:

3 Q. Good morning, Mr. Frink.

4 A. (Frink) Good morning.

5 Q. You have been involved with this issue of occupant
6 accounts for how long?

7 A. (Frink) In 2006, the Company filed for a change in its
8 indirect gas costs. And, part of those indirect gas
9 costs are bad debt expenses. And, during discovery on
10 that, the occupant account issue came to light. And,
11 so, since that point in time it's been continuing, so,
12 roughly, from 2007 on.

13 Q. And, I think, for the record, I should probably go back
14 and ask you to state your name and place of employment
15 please.

16 A. (Frink) Stephen Frink, at the New Hampshire Public
17 Utilities Commission.

18 Q. Now, the Staff has signed the Settlement Agreement and
19 supports it. And, would you explain what Staff's
20 concerns were with respect to the occupant account
21 issue and how the Settlement Agreement addresses those
22 concerns?

23 A. (Frink) Similar to the bad debt issue, Staff felt that
24 the occupant account, the losses related to the

[WITNESS PANEL: Leary|Frink]

1 occupant account policy were higher than they should
2 be. That, because the Company wasn't shutting those
3 accounts off as aggressively as we felt they should be,
4 some of these accounts were going on for a very long
5 time, that those losses were then being passed back to
6 paying customers, and those losses were excessive. So,
7 that was Staff's concern.

8 Through the course of discovery, we
9 found that there are offsetting savings. Northern
10 Utilities, for instance, has a policy where they lock
11 the meter when the customer moves out, and a customer
12 moving in then has to call the Company, arrange an
13 appointment, and have the meter turned on. And,
14 there's, obviously, a cost associated with that. They
15 have to have the proper level of staffing and
16 supporting staff and equipment to do that. And, so,
17 there is a cost to that. On the other hand, you don't
18 have losses under that policy.

19 Now, somewhere there's an intersect
20 where, you leave an account open for a while and limit
21 your losses, and it would exactly match the savings for
22 not having the staff to do that. Determining where
23 that intersect is, I'm not sure that's even possible,
24 and it's different for every company. But, in this

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[WITNESS PANEL: Leary|Frink]

1 proceeding, in looking at the occupant account, that
2 really has been the goal, to balance what the saving is
3 and how aggressive we should be in the shut-offs to
4 achieve a balance that would be most -- is most
5 cost-effective and beneficial to the ratepayers and the
6 Company.

7 Q. The Settlement Agreement provides for approximately a
8 \$32,000 amount, I believe that's in -- it's on Page 6
9 of the Settlement Agreement, in G, the "Delivery
10 Rates". And, there's imputed additional delivery
11 revenues of \$32,072. Could you explain the basis for
12 that number?

13 A. (Frink) The 32,072 is based on half of what we expect
14 revenues would have been if the proposed policy, which
15 is encompassed in the Settlement, had been in effect
16 for the test year used for the rate case. So, what we
17 did is we looked at, if the Company had shut off the
18 accounts, occupant accounts in 60 days, or 25 percent
19 of them within 90 days -- if they shut off 75 percent
20 of the accounts within 60 days and 25 percent of the
21 accounts within 90 days, they would have -- by shutting
22 off those accounts, they would have put paying
23 customers on after that point in time. And, this
24 reflects the additional revenues that would have come

[WITNESS PANEL: Leary|Frink]

1 -- been achieved by paying customers that were forgone
2 because the accounts weren't shut off in that amount of
3 time. It was cut in half to reflect the fact that they
4 don't have the staffing to do that, so there was a --
5 there's associated savings with letting the accounts go
6 for as long as they did; there's also a cost. And, we
7 split that difference. And, that's how we arrived at
8 the \$32,072.

9 Q. And, in the Settlement Agreement on Page 7, in Section
10 H, there is a provision regarding this \$256,000 benefit
11 to low income customers. And, would you explain the
12 basis for that.

13 A. (Frink) Again, consistent with what we did for the test
14 year, there was an accounting change made by the
15 Company that caused the occupant account losses to show
16 up in the cost of gas in 2005. So, we went back to
17 2005 and looked at, if this policy had been in place,
18 it would have limited losses, what would those losses
19 have been? We also computed carrying costs on those,
20 and then came up with a number. Then, taking into
21 account that there are associated savings not reflected
22 in that number, we split the number and said "okay, for
23 that period, this is, you know, customers paid 256,000
24 more than they would have otherwise." So, that's where

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[WITNESS PANEL: Leary|Frink]

1 that number came from. It was just a rough estimate.
2 Again, it's impossible to determine these, specifically
3 what the savings are. The cost is -- we looked at the
4 cost side as being, these were the occupant accounts,
5 how long did they run? Could you reasonably expect to
6 shut off those customers within 60 days or some will go
7 a little longer, so some within 90 days? And, that's
8 how we determined where that cut-off was.

9 Q. So, is it true to say that, not only does this
10 Settlement Agreement describe how things will be going
11 into the future regarding occupant accounts, but also
12 takes into account the issue of occupant accounts in
13 past cost of gas periods?

14 A. (Frink) Yes. In prior testimony, Staff had advocated
15 disallowances or that they would be coming forward
16 asking for disallowances related to the occupant
17 accounts, and that's -- this resolves that issue.
18 We're not looking to go back and prior to -- well, once
19 we implement this policy, that's it. There's no
20 looking back. This resolves all issues related to
21 prior periods.

22 Q. And, the Settlement Agreement provides a fairly
23 complicated mechanism for how to determine the future
24 recovery of occupant account usage, and I'll just ask

[WITNESS PANEL: Leary|Frink]

1 you a question about when do you expect that mechanism
2 to be implemented, if this Settlement is approved by
3 the Commission?

4 A. (Frink) Well, the impact would be effective, and I'll
5 ask Ms. Leary if she's in agreement on this, that we'd
6 actually -- the results would apply to the period
7 starting November 1st of 2008. So, we'd be looking at
8 the -- what occurred in 2000 -- from November 1st, 2008
9 through October 2009, and then proposing the adjustment
10 going forward based on that. So, it's really using
11 actuals from a prior period, and making an adjustment
12 in the next period. I believe that's how this works,
13 but --

14 A. (Leary) Yes. Yes, I agree. I think, actually, we do,
15 in the Settlement, on Page 6, we do talk about the fact
16 that this will be for the -- well, inherent is the fact
17 that we will be looking at the period November of '08
18 through October of '09. But the actual true-up and the
19 calculations will not be provided until we do the
20 off-peak reconciliation filing, which will be made next
21 January 2010. That's when we'll actually include those
22 calculations.

23 A. (Frink) I agree with that.

24 MR. DAMON: I have no further questions.

{DG 09-050} {04-09-09}

[WITNESS PANEL: Leary|Frink]

1 Thank you.

2 CHAIRMAN GETZ: Well, let's see.
3 Everything seems to be in the nature of friendly cross
4 here. Mr. Damon, do you want to question Ms. Leary, and
5 then we'll --

6 MR. DAMON: I'm all set.

7 CHAIRMAN GETZ: Okay. Then,
8 Mr. O'Neill, do you have questions for Mr. Frink?

9 MR. O'NEILL: I have nothing.

10 CHAIRMAN GETZ: So, Ms. Hollenberg, do
11 you have questions for either of them? And, I guess I
12 could be thankful that Mr. Traum is not up there as well.

13 [Laughter]

14 MR. TRAUM: Would you like me to be?

15 MS. HOLLENBERG: I have just a few
16 questions.

17 CHAIRMAN GETZ: Okay.

18 MS. HOLLENBERG: Thank you.

19 **CROSS-EXAMINATION**

20 BY MS. HOLLENBERG:

21 Q. Ms. Leary, related to the Occupant Account Settlement,
22 just one clarification. That Settlement was filed in
23 this cost of gas adjustment proceeding for the purposes
24 of convenience. It's not related to the cost of gas

[WITNESS PANEL: Leary|Frink]

1 adjustment. Do you agree with that?

2 A. (Leary) That is correct.

3 Q. Thank you. And, could you estimate for me what the
4 credit per low income customer will be provided by
5 Section II.H please.

6 A. (Leary) Well, if we assume we have approximately, let's
7 say, 6,000 low income customers, the credit could be
8 around \$40 per customer. So, it will be depending on
9 the actual number of customers we have.

10 Q. Thank you. I understand that. Thank you. Though, I
11 appreciate you're just giving me a rough sense of that.
12 And, you mentioned that that credit will be coming
13 sometime in the future, I believe you said on direct,
14 and it's not specified in the Settlement Agreement when
15 that will occur. Do you agree that, roughly, the
16 credit is likely to be done at some point in June or
17 July?

18 A. (Leary) That's what we're going to -- we're shooting
19 for, yes.

20 Q. Okay. And, to the extent that the Company is not able
21 to do that, the Company will be in touch with Staff and
22 the OCA to work something else out, do you agree with
23 that?

24 A. (Leary) Yes, we will.

{DG 09-050} {04-09-09}

[WITNESS PANEL: Leary|Frink]

1 Q. Thank you. And, it will be a one-time credit, is that
2 correct?

3 A. (Leary) Yes, it will.

4 Q. Okay. And, I guess for both of you, you would agree
5 that Ms. Locke, who is represented by New Hampshire
6 Legal Assistance, is not a signatory to this Settlement
7 Agreement, but she did not have any objection to the
8 Settlement Agreement, and, in fact, supported the
9 refund provided by Section II.H?

10 A. (Leary) Yes, she did.

11 A. (Frink) Yes.

12 MS. HOLLENBERG: Thank you. Nothing
13 further. Thank you.

14 CMSR. BELOW: Yes.

15 BY CMSR. BELOW:

16 Q. On Page 6 of the Joint Statement in Support of the
17 Settlement, Paragraph 7 concludes by saying that "The
18 Partial Settlement presented in DG 08-009 reflects the
19 \$32,072 reduction to test year revenues." Might that
20 be clearer or another way of saying that to say that it
21 "reflects a \$32,072 reduction to test year revenue
22 requirements"?

23 A. (Frink) That would be more accurate, yes.

24 A. (Witness Leary nodding affirmatively).

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[WITNESS PANEL: Leary|Frink]

1 Q. And, the incentive that's discussed in the previous
2 paragraph, which is a mirror of essentially the
3 shareholder penalty, if you will, in either case, that
4 would be an adjustment to -- that would flow back
5 through the cost of gas as part of the unaccounted for
6 gas calculation, is that the case?

7 A. (Frink) It will not flow back through the cost of gas.
8 It will be -- well, the \$256,000 isn't being returned
9 to ratepayers --

10 Q. No, not that figure.

11 A. (Frink) What number are you looking at?

12 Q. I'm talking about the "cost recovery sharing
13 mechanism".

14 A. (Frink) Oh. Right.

15 Q. And, it's described on Page 6 of the Joint Statement --

16 A. (Frink) Oh.

17 Q. -- as a "shareholder incentive", where the Company is
18 successful in lowering the average occupant account
19 usage below a certain level at the lower end of the
20 range. The question is, where -- how will that be
21 accounted for, either the incentive or the penalty?

22 A. (Frink) Right now, the way it works, is that occupant
23 account, the gas used on the occupant accounts is
24 included in the calculation of the rate. In essence,

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[WITNESS PANEL: Leary|Frink]

1 you'll be taking out that gas. But the way we're doing
2 it is by putting a dollar amount to that gas and adding
3 it as a credit. So, you will see a credit, assuming
4 that it's a credit, it could go the other way as well,
5 but there will either be an addition or a credit.

6 Q. Right. But will that be through the unaccounted for
7 gas or will that be a separate item?

8 A. (Frink) It's going to be -- It will be a separate item.

9 Q. Because the amount, when it's within the range, that
10 gas usage by occupant accounts will still be charged
11 through to unaccounted for gas, is that correct?

12 A. (Frink) That's correct.

13 Q. And, so, if it goes out of range on the high side,
14 there's some sharing of that. And, essentially, the
15 Company will have to pay for some of it. So, it will
16 come out of unaccounted for gas essentially, you'll
17 adjust downward unaccounted for gas. And, part of the
18 shareholder account will actually be charged to
19 shareholders or simply not recovered?

20 A. (Frink) Correct. It will be a credit, it will be a
21 line item credit on the -- in the cost of gas filing,
22 that you'll be able to see exactly what's being --

23 Q. So, in a sense, if they're on the high range, there
24 will be -- it will show up, even if it's out of range

[WITNESS PANEL: Leary|Frink]

1 on the high side in unaccounted for gas, but there will
2 be a corresponding credit pursuant to this mechanism?

3 A. (Frink) Right. Unless it's exactly on target, you will
4 see a line item adjustment, either a credit or a
5 charge, related to this mechanism.

6 Q. Okay. Thank you.

7 A. (Leary) But I just want to add, I just want to clarify
8 a little bit. When we talk about the unaccounted for
9 gas, that's actually a residual. You do not see that
10 really spelled out in the filings. So, I just want to
11 make sure it's clear that we're not going to be
12 adjusting a line item called "unaccounted for gas".
13 It's, when we make our reconciliation filings, and we
14 propose here all the gas costs that we want to recover,
15 inherent in that gas cost and all those invoices is the
16 gas that is unaccounted for in the part that goes to
17 the occupant account. So, you're not going to actually
18 see a number or see a calculation.

19 Q. Okay. So, I mean, you're simply charging for what you
20 bought and recovering it through what you sold?

21 A. (Leary) Correct.

22 Q. And, there's always a delta between those?

23 A. (Leary) Correct. Correct.

24 A. (Frink) As part of this Settlement, you will now see a

[WITNESS PANEL: Leary|Frink]

1 line item for occupant account gas. Previously,
2 currently, it's just rolled up into the unaccounted for
3 gas. It's just unaccounted for gas. Now, we're going
4 to have occupant account gas, unaccounted for gas. So,
5 it will be a discrete item, so you can see how many
6 volumes actually -- how much gas is actually used by
7 occupant accounts.

8 CMSR. BELOW: Okay. Thank you.

9 CHAIRMAN GETZ: Anything further for the
10 witnesses?

11 CMSR. BELOW: Actually, I do have one
12 more question.

13 BY CMSR. BELOW:

14 Q. Is one of the things that is complicating about a
15 physical shut-off is the fact that it might shut down
16 pilot lights or heating systems, and to restart it,
17 there's obviously the potential of damage if heat's cut
18 off and for some reason the landlord isn't aware of
19 that or something, but there's also time involved in
20 checking to restarting pilots when you do a physical
21 shut-off and a restart?

22 A. (Leary) Correct.

23 CMSR. BELOW: Okay. Thank you.

24 CHAIRMAN GETZ: Anything further?

1 MR. O'NEILL: I have nothing further.

2 CHAIRMAN GETZ: Hearing nothing, then
3 the witnesses are excused. Thank you. Is there any
4 objection to striking identifications and admitting the
5 exhibits into evidence?

6 (No verbal response)

7 CHAIRMAN GETZ: Hearing no objection,
8 they will be admitted into evidence. Is there anything to
9 address before we provide opportunity for closings?

10 (No verbal response)

11 CHAIRMAN GETZ: Then, Ms. Hollenberg.

12 MS. HOLLENBERG: Thank you. I'd first
13 like to say that we appreciate the Company and Staff's
14 efforts and cooperation in this proceeding, particularly
15 the Staff's outreach about its proposed change to the
16 monthly rate adjustment mechanisms. We support the
17 Commission's approval of the proposed Settlement Agreement
18 on the occupant account issue. And, we are appreciative
19 of the Company's willingness to assist low income
20 customers, particularly at this time when the economy is
21 so bad.

22 With regard to the recommendation of the
23 Staff's new bandwidths. I guess what I would say is that
24 we support the upper limit of the 25 percent. And, with

1 regard to the lower limit, I do have one concern. And, it
2 is just that. It's the lower limit is basically named as
3 "no limit". And, I think my concern is that it should
4 probably be identified with a number. And, that might be
5 considered as a semantic issue, but I guess I have
6 concerns about the requirement in the statute, which is
7 RSA 378:7, that requires notice and an opportunity for a
8 hearing with regard to a change in rates. And, I guess
9 they're the same thing, but naming it "no limit" seems to
10 me to be less strictly in compliance with that
11 requirement. And, arguably, you could say that this
12 hearing today, especially since the Commission's order of
13 notice teed up the issue of the bandwidth issue, would
14 qualify as sufficient process if you identified the lower
15 limit as "100 percent limit", as opposed to a "no limit".
16 And, I apologize. This is something that I've kind of
17 been internally struggling with. And, it may not make a
18 big difference, but I would defer to the Commission in
19 terms of its determination of whether or not that's really
20 legally required. I just mention it. And, I do
21 appreciate the Staff's willingness to work with us with
22 our concerns on that issue.

23 And, we have no -- we don't object in
24 any way to the Company's proposed cost of gas for the

1 summer period. Thank you.

2 CHAIRMAN GETZ: Thank you. Mr. Fossum
3 or --

4 MR. FOSSUM: I guess I don't have all
5 that much to say. In closing, we appreciate the Company
6 and the OCA's involvement in the completing finally of the
7 Occupant Account Settlement, and support -- obviously
8 support the Settlement in its entirety. Also support the
9 Staff's recommendation of changes to the bandwidth, both
10 on the upper side and the removal of the limit on the
11 lower side. I guess we're not as concerned about a notice
12 and hearing issue related to the lack of a named limit as
13 is OCA, and that we'd leave that to the Commission to
14 decide.

15 And, other than that, support the
16 Company's cost of gas filing. Thank you.

17 CHAIRMAN GETZ: Mr. O'Neill.

18 MR. O'NEILL: Yes. The Company, at this
19 point, would ask that the Commission approve the cost of
20 gas as filed by the Company. We appreciate the efforts of
21 the Staff and the OCA with regard to the filing. The
22 Company does support the Staff's proposal on the bandwidth
23 adjustment. And, as stated by the Staff, we recognize the
24 OCA's concerns, but feel, as the Staff does, we're not as

1 concerned with the notice issue. I think that the
2 Commission's notice in this proceeding, it would be
3 sufficient on that. And, as with the other parties, we
4 would leave that issue to the Commission to decide. We do
5 think that the change in the bandwidth does provide some
6 additional flexibility, and would have been very
7 beneficial had it been in effect last summer.

8 We'd also ask that the Commission
9 approve the Occupant Account Settlement as filed. And,
10 especially with respect to that portion of today's
11 proceeding, on behalf of the Company, I would like to
12 express thanks to all of the parties for the patience in
13 working through that issue. It took a long time to
14 resolve that issue. As was evident here today, we were
15 all in agreement, and, as noted by the Commission, all of
16 the cross on that subject was in the nature of friendly
17 cross. But, based on what you heard today, it was a very
18 complicated matter. You know, some of the issues, and
19 trying to find the right solutions, were not easy to come
20 to, which is why it took so long to actually resolve. But
21 the Company is very pleased to have that issue behind it
22 and be in place where I think, going forward, everybody
23 understands what's expected and, you know, we now know how
24 to proceed. So, I do appreciate everybody's patience in

1 that regard. Thank you.

2 CHAIRMAN GETZ: Okay. Thank you,
3 everyone. We'll close the hearing and take the matter
4 under advisement.

5 (Whereupon the hearing ended at 11:34
6 a.m.)

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