

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

October 22, 2013 - 1:39 p.m.  
Concord, New Hampshire

NHPUC MAR07'14 PM 2:49

RE: DG 13-251  
ENERGYNORTH NATURAL GAS, INC.  
d/b/a LIBERTY UTILITIES, INC.:  
*Winter 2013-2014 Cost of Gas.*

PRESENT: Chairman Amy L. Ignatius, Presiding  
Commissioner Robert R. Scott  
Commissioner Michael D. Harrington

Sandy Deno, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas, Inc.  
d/b/a Liberty Utilities:  
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:  
Rorie E. P. Hollenberg, Esq.  
Office of Consumer Advocate

Reptg. PUC Staff:  
Michael Sheehan, Esq.  
Alexander F. Speidel, Esq.  
Stephen Frink, Asst. Dir. Gas/Water Div.  
Robert Wyatt, Asst. Dir./Safety Div.

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

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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Winter 2013-2014 Cost of Gas filing, including testimony, tariff pages, etc. (09-03-13) <i>(Redacted - For Public Use)</i>	7
2	Confidential Winter 2013-2014 Cost of Gas filing (09-03-13) <b>(Confidential &amp; Proprietary)</b>	7
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5	ENGI d/b/a Liberty Utilities Peakshaving Storage Requirement Winter 2013/2014	<b>PREMARKED</b>

**P R O C E E D I N G**

1  
2 CHAIRMAN IGNATIUS: I'd like to open the  
3 hearing in DG 13-251. This is EnergyNorth Natural Gas,  
4 doing business as Liberty Utilities, 200 -- excuse me 2013  
5 Winter Period Cost of Gas Adjustment docket. And, this is  
6 all growing out of a filing made on September 3rd, 2013 by  
7 the Company for a number of things. Its cost of gas  
8 proposed rate and Fixed Price Option rate for the winter  
9 period, both of those are November 1, 2013 through  
10 April 30th, 2014; resetting its Delivery Adjustment --  
11 excuse me, Local Delivery Adjustment Clause charges for  
12 November 1, 2013 through October 31st 2014. There are  
13 also a number of other adjustments and updates and  
14 proposed changes to the Company's hedging policy. So,  
15 it's kind of a hodgepodge of many different things going  
16 on at once, all for a November 1 implementation date.

17 So, let's begin first with appearances.

18 MS. KNOWLTON: Good afternoon,  
19 Commissioners. My name is Sarah Knowlton. And, I'm here  
20 today on behalf of Liberty Utilities. And, with me today  
21 from the Company are the Company's three witnesses: Mary  
22 Casey, Mark Savoie, and Francisco DaFonte. And, Mr. Hall  
23 is at counsel table with me.

24 CHAIRMAN IGNATIUS: Good afternoon.

1 Ms. Hollenberg.

2 MS. HOLLENBERG: Good afternoon. Rorie  
3 Hollenberg and Jim Brennan here for the Office of Consumer  
4 Advocate.

5 CHAIRMAN IGNATIUS: Good afternoon.

6 MR. SHEEHAN: Good afternoon. Michael  
7 Sheehan for PUC Staff, along with Bob Wyatt, Steve Frink,  
8 and Alexander Speidel.

9 CHAIRMAN IGNATIUS: Welcome, everyone.  
10 What's the plan? Are we going to do this through a panel  
11 or through a series of different witnesses?

12 MS. KNOWLTON: The Company proposes to  
13 put all three of its witnesses up as a panel. We also  
14 have some exhibits that we propose to mark for  
15 identification.

16 CHAIRMAN IGNATIUS: All right. And, is  
17 that acceptable to everyone, to do it as a panel?

18 MR. SHEEHAN: Yes, ma'am.

19 MS. HOLLENBERG: Yes, it is.

20 CHAIRMAN IGNATIUS: All right. Then, if  
21 you want to have folks heading up to the witness table,  
22 and at the same time --

23 MS. KNOWLTON: Okay.

24 CHAIRMAN IGNATIUS: -- start marking the

1 exhibits.

2 MS. KNOWLTON: So, we propose marking  
3 the confidential version of the Company's September 3rd  
4 filing as "Exhibit 1".

5 CHAIRMAN IGNATIUS: And, is that the  
6 full notebook?

7 MS. KNOWLTON: That's the full notebook.  
8 Right. So, there's some pages in there that are actually  
9 not confidential. The ones that have the gray shading are  
10 confidential. And, for ease of use of everyone, I think,  
11 you know, we've done this where we've had a full  
12 confidential version, and then the full redacted version.  
13 The redacted version being what we would propose to mark  
14 for identification as "Exhibit 2".

15 CHAIRMAN IGNATIUS: All right. And, we  
16 don't have that copy. We just have it blended, which is  
17 fine.

18 MS. KNOWLTON: You may not. The Clerk  
19 has a copy. And, I'm happy to give you a copy, if you  
20 would like, or copies?

21 CHAIRMAN IGNATIUS: No, that's okay.

22 MS. KNOWLTON: Exhibit 3 and Exhibit 4,  
23 I've left copies for you. Exhibit 3 are revised  
24 schedules. And, it's marked "confidential". Again, some

[WITNESS PANEL: Savoie~DaFonte~Casey]

1 of the pages have gray shading and they're confidential,  
2 but the entire package itself is not confidential. There  
3 are clean copies of the revised schedules, which Mr.  
4 Savoie is going to address. And, then, Exhibit 4 is the  
5 same package, but with redactions where there's  
6 confidential information.

7 CHAIRMAN IGNATIUS: And, Exhibit 5?

8 MR. SHEEHAN: That was an exhibit that  
9 we would ask to be marked --

10 CHAIRMAN IGNATIUS: All right.

11 MR. SHEEHAN: -- that we will use for  
12 asking Mr. Savoie some questions.

13 CHAIRMAN IGNATIUS: All right. We can  
14 wait for that. So, make sure everybody got that. Exhibit  
15 1 will be the full filing made September 3rd, which is a  
16 mix of confidential and non-confidential items shaded.  
17 Exhibit 2 is the redacted public version of Exhibit 1.  
18 Exhibit 3 are the updated schedules from the Company that  
19 contain some confidential materials. And, Exhibit 4 is a  
20 redacted version, public version of Exhibit 3. All right  
21 good.

22 (The documents, as described, were  
23 herewith marked as **Exhibit 1** through  
24 **Exhibit 4**, respectively, for

{DG 13-251} {10-22-13}

[WITNESS PANEL: Savoie~DaFonte~Casey]

1 identification.)

2 CHAIRMAN IGNATIUS: All right. Good.

3 (Whereupon **Mark G. Savoie,**

4 **Francisco C. DaFonte,** and **Mary E. Casey**

5 were duly sworn by the Court Reporter.)

6 **MARK G. SAVOIE, SWORN**

7 **FRANCISCO C. DaFONTE, SWORN**

8 **MARY E. CASEY, SWORN**

9 **DIRECT EXAMINATION**

10 BY MS. KNOWLTON:

11 Q. Good afternoon. Mr. DaFonte, I'll start with you. If  
12 you would state your full name for the record please.

13 A. (DaFonte) Francisco DaFonte.

14 Q. By whom are you employed?

15 A. (DaFonte) I'm employed by New Hampshire -- I'm sorry,  
16 Liberty Energy Utilities New Hampshire Corp.

17 Q. What is your role with that company?

18 A. (DaFonte) I am the Senior Director of Energy  
19 Procurement.

20 Q. In your role as Director of Energy Procurement, do you  
21 have any responsibilities associated with the Company's  
22 winter cost of gas filing?

23 A. (DaFonte) Yes, I do.

24 Q. What are those responsibilities?

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 A. (DaFonte) I am responsible for overseeing the  
2 development of the demand forecast for the filing, as  
3 well as the utilization of the SENDOUT optimization  
4 model, to determine dispatch of the various resources  
5 within the Company's portfolio, as well as providing  
6 pricing information with regard to the basis  
7 differentials where we purchase our gas supplies, and  
8 also responsible for the hedging that goes along with  
9 the winter cost of gas.

10 Q. Do you have before you a copy of what's been marked as  
11 "Exhibit 1", the Company's September 3rd, 2013 Winter  
12 Cost of Gas filing, confidential version?

13 A. (DaFonte) I do.

14 Q. And, am I correct that that filing contains your  
15 prefiled direct testimony, beginning on Bates Page 22?

16 A. (DaFonte) That's correct.

17 Q. Was that testimony prepared by you or under your  
18 direction?

19 A. (DaFonte) Yes, it was.

20 Q. Do you have any corrections or updates to your  
21 testimony?

22 A. (DaFonte) I have one minor correction. On Bates  
23 Page 38, Line 9, there's a question mark at the end of  
24 the sentence, and that should be a period.

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 Q. If I were to ask you the questions contained in your  
2 testimony today, subject to that one correction, would  
3 your answers be the same?

4 A. (DaFonte) Yes.

5 Q. Ms. Casey, I'm going to ask you a similar series of  
6 questions. Would you please state your full name for  
7 the record.

8 A. (Casey) Mary Casey.

9 Q. By whom are you employed?

10 A. (Casey) Liberty Energy Utilities New Hampshire Corp.

11 Q. What is your position with the Company?

12 A. (Casey) I'm the Environmental Program Manager.

13 Q. In that role, do you have any responsibilities with  
14 regard to the Company's winter cost of gas filing?

15 A. (Casey) Yes, I do. My responsibilities are to report  
16 on the status of the site cleanups of the manufactured  
17 gas plant and associated sites, and summarize the costs  
18 involved.

19 Q. Do you have before you there a copy of what's been  
20 marked for identification as "Exhibit 1", the  
21 confidential version of the Company's Winter Cost of  
22 Gas filing?

23 A. (Casey) I do.

24 Q. And, does that contain your prefiled direct testimony

{DG 13-251} {10-22-13}

[WITNESS PANEL: Savoie~DaFonte~Casey]

1 beginning on Bates Page 40?

2 A. (Casey) Yes.

3 Q. Do you have any -- well, first let me ask, was that  
4 testimony prepared by you or under your direction?

5 A. (Casey) Yes.

6 Q. Do you have any corrections to your testimony?

7 A. (Casey) Yes, I do. I have one small correction. On  
8 Bates Page 46, Line 18, to insert the word "the"  
9 between the words "completed" and "first" at the end of  
10 the line, just for clarity.

11 CMSR. HARRINGTON: Could you repeat that  
12 please.

13 WITNESS CASEY: To just insert the word  
14 "the" between the words "completed" and "first", for  
15 clarity.

16 BY MS. KNOWLTON:

17 Q. If I were to ask you the questions today that are in  
18 your testimony, subject to that one correction, would  
19 your answers be the same?

20 A. (Casey) Yes. They would be.

21 Q. And, do you have any update that you can provide the  
22 Commission with regard to the matters that are  
23 discussed in your testimony?

24 A. (Casey) Yes. Actually, I do.

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 Q. Why don't you go ahead and provide that please.

2 A. (Casey) Okay. We've recently received a demand letter  
3 from PSNH/Northeast Utilities on the Keene site. The  
4 letter was dated August 30th. And, it was -- it was a  
5 demand to commence negotiations for the allocation of  
6 costs associated with the Keene MGP site cleanup that  
7 they paid for.

8 Q. Does the letter request any particular dollar amount  
9 from EnergyNorth?

10 A. (Casey) It states the total dollar amount of  
11 \$15 million. It does not go into how much of that is  
12 going to be allocated, because negotiations have not  
13 commenced.

14 Q. And, what is the process for those negotiations?

15 A. (Casey) We're in the midst of establishing that process  
16 right now.

17 Q. And, is it your expectation that that process will  
18 include a mediation?

19 A. (Casey) Yes. It is my expectation that it will.

20 Q. Do you have any update that you can provide on the  
21 Liberty Hill site?

22 A. (Casey) Yes, I do. Liberty Hill has been moving along  
23 quite steadily. The plans and specifications for the  
24 design, the construction design have been completed.

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 We plan on going out to bid to six bidders, six bidders  
2 that were vetted from a group of ten, this week, as a  
3 matter of fact. We've prepped the site by demolishing  
4 the two remaining houses and the barn. We've  
5 scheduled, prior to the bid going out, just so everyone  
6 could have it on their schedule, a pre-bid site walk  
7 for October 29th. Our target award date is in  
8 December, sometime in December. And, our construction  
9 start date is targeted for late March, weather  
10 depending.

11 Q. Your testimony refers to a public meeting that was  
12 going to occur. Has that meeting occurred with regard  
13 to the Liberty Hill site?

14 A. (Casey) Yes. I'm sorry, I left that out. There was a  
15 public meeting, a town council meeting, on  
16 September 25th at the Town Hall in Gilford, to update  
17 the public and the town officials on the details of the  
18 design.

19 Q. And, is that design final?

20 A. (Casey) The design is final.

21 Q. Thank you.

22 A. (Casey) And approved.

23 Q. By whom?

24 A. (Casey) The New Hampshire Department of Environmental

[WITNESS PANEL: Savoie~DaFonte~Casey]

1 Services.

2 Q. Mr. Savoie, I'll turn to you now and ask you a similar  
3 series of questions. Would you please state your full  
4 name for the record.

5 A. (Savoie) My name is Mark Savoie.

6 Q. By whom are you employed?

7 A. (Savoie) Liberty Energy Utilities New Hampshire Corp.

8 Q. What is your position with the Company?

9 A. (Savoie) I'm a Utility Analyst.

10 Q. In that role, do you have any responsibilities for the  
11 Company's winter cost of gas filing?

12 A. (Savoie) Yes. I prepare the gas cost recovery  
13 projections and the related reconciliations, with the  
14 help of Mr. DaFonte.

15 Q. Are you familiar with Exhibit 1 that is before us  
16 today?

17 A. (Savoie) I am.

18 Q. And, did you prepare the prefiled direct testimony that  
19 begins on Bates Page Number 1 that has your name on it?

20 A. (Savoie) Yes.

21 Q. Do you have any corrections to that testimony?

22 A. (Savoie) I do have one correction on Bates Page 20, on  
23 Line 16 and 17. On Line 16, the rate "\$18.53" should  
24 be change to "\$21.00". On Line 17, the "9 cent

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 decrease" should be changed to "\$2.38 increase".

2 CMSR. HARRINGTON: I'm sorry. Could you  
3 repeat that again, slower please.

4 WITNESS SAVOIE: Line 17, the "9 cent  
5 decrease" --

6 CMSR. HARRINGTON: Yes.

7 WITNESS SAVOIE: -- should be changed to  
8 "\$2.38 increase".

9 BY MS. KNOWLTON:

10 Q. What is the reason for that change?

11 A. (Savoie) The reason for the change is a contract with  
12 Distrigas that was executed on October 8th, and the  
13 impact it had on the demand peaking charge.

14 Q. Do you have any changes or corrections to the schedules  
15 that are attached to your testimony?

16 A. (Savoie) Yes. Other than what we'll talk about in  
17 Exhibit 3, I have one change on Bates Page 161.

18 Q. Okay. Is that reflected in Exhibit 3?

19 A. (Savoie) That one is not in Exhibit 3.

20 Q. Okay. Why don't we look at Bates Page 161 now. And,  
21 if you can walk us through what that change is.

22 A. (Savoie) On Bates Page 161, the "Broker Revenue" line,  
23 Line 19, in the next to the last column, the amount in  
24 May of "73,640" should be stricken. That was an amount

[WITNESS PANEL: Savoie~DaFonte~Casey]

1 that should be included in the current summer period  
2 reconciliation. And, that was discovered through the  
3 audit process.

4 CMSR. SCOTT: Does that change the  
5 balance below it?

6 WITNESS SAVOIE: It does change the  
7 undercollection of 5,118,000, along with two other audit  
8 findings. The total change to that figure is about  
9 \$1,114, an increase to the 5,118,000. Not enough to  
10 impact the CGA rate. But I will make that audit  
11 adjustment in the first trigger and reflect the correct  
12 undercollection.

13 CMSR. HARRINGTON: Excuse me. I'm  
14 trying to follow this. You're saying the 73,000, which  
15 was -- that was a cost, I guess, you pay to the broker  
16 revenues?

17 WITNESS SAVOIE: No. That's broker  
18 revenues paid to the Company. It's a credit.

19 CMSR. HARRINGTON: Okay. It's a credit.  
20 So, you didn't get the \$73,000 credit, and the bottom line  
21 only changes 4,000 -- a thousand dollars. What am I  
22 missing here? Where's the 69 --

23 WITNESS SAVOIE: There were two other  
24 audit findings --

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 CMSR. HARRINGTON: Okay.

2 WITNESS SAVOIE: -- that netted to a  
3 total increase in the over -- in the undercollection of  
4 \$1,114.

5 CMSR. HARRINGTON: And, they're not on  
6 this page?

7 WITNESS SAVOIE: No. Those don't show  
8 up on this page.

9 CMSR. HARRINGTON: But the number on the  
10 bottom of the page, "Ending Balance", should be  
11 approximately a thousand dollars less than shown?

12 WITNESS SAVOIE: Yes.

13 CHAIRMAN IGNATIUS: Less or more? I  
14 thought you were going up?

15 WITNESS SAVOIE: More. It should be  
16 more.

17 CMSR. HARRINGTON: More, I'm sorry.  
18 More, okay. Because it's --

19 WITNESS SAVOIE: An increase to the  
20 undercollection.

21 BY MS. KNOWLTON:

22 Q. Mr. Savoie, when you state that that will be "addressed  
23 in the Company's trigger filing", can you maybe just  
24 explain that a bit further what that means?

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 A. (Savoie) Okay. The first trigger filing is due at the  
2 end of November, for effect on December 1, when we  
3 recalculate any known adjustments, like the most  
4 current NYMEX 15-day average price, any actual costs  
5 that we may know to date. And, in that calculation,  
6 I'll reflect that we have a different undercollection  
7 than was in the original filing. It's not enough to  
8 actually change the rate. It's too small a dollar  
9 figure.

10 Q. If you would turn next to Exhibit 3, would you walk us  
11 through what is contained in Exhibit 3.

12 A. (Savoie) I'll go through each page. But, first, I just  
13 wanted to summarize. There are three pages related to  
14 changes made to Exhibit 7 [Schedule 7?], correcting  
15 some dates that had been entered incorrectly. One  
16 page, on Exhibit -- on Schedule 7, was to strike some  
17 information that was extraneous to the filing. It was  
18 language from a prior trigger, but it had no bearing on  
19 the CGA rate. And, the remaining six pages pertain to  
20 the contract that was executed on October 8th with  
21 Distrigas that I referred to, and the impact to the  
22 demand peaking charge.

23 So, I'll step through each of the ten  
24 pages and explain what the correction was?

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 Q. Yes, please.

2 A. (Savoie) Bates Page 65R, on Line III, the "Peaking  
3 Demand Charge", rather than "\$18.53" in the original  
4 filing, the correct rate is "\$21.00". On Bates Page  
5 78R, this is the same page, "Proposed Second Revised  
6 Page 155", only the redline version, showing that the  
7 proposed rate is "\$21.00". So, those are two identical  
8 pages, just one clean, one redline.

9 Bates Page 124R, on Lines 11 and 12,  
10 there were some figures there that were stricken,  
11 because they had no bearing to the filing. There were  
12 just some figures from the trigger filing, that should  
13 have been cleared out for this filing. So, that had no  
14 impact on the CGA rate.

15 MS. HOLLENBERG: Could you stop there,  
16 just so I can get that page and look at it.

17 MS. KNOWLTON: Uh-huh.

18 MS. HOLLENBERG: Thank you.

19 CMSR. SCOTT: And, while we're stopped  
20 on 124R and 124, can you -- I'm trying to see the  
21 differences. Is it annotated somehow that I should be  
22 seeing?

23 WITNESS SAVOIE: No. I didn't know how  
24 to annotate it. Just Lines 11 and 12 had some -- I'm

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 going to pull out 124, the original.

2 CMSR. SCOTT: Okay. So, you removed  
3 that text?

4 WITNESS SAVOIE: Just the text and the  
5 figures are removed, because they had no bearing on the  
6 filing.

7 CMSR. SCOTT: Thank you.

8 MS. HOLLENBERG: Thank you.

9 **BY THE WITNESS:**

10 A. Page 125R, on Lines 59, 60, and 63, those are Hedge  
11 Numbers 17, 18, and 21. The date column had a year of  
12 2012 in the original filing. So, on "January 4, 2012",  
13 that got corrected to "January 4, 2013". On Hedge  
14 Number 18, the date was corrected from "February 1,  
15 2012" to "February 1, 2013". And, on Line 63, which is  
16 Hedge Number 21, the date was corrected from "July 5,  
17 2012" to "2013". That change had no bearing on the CGA  
18 rate.

19 On Page 126R, Lines 102, 103, and 106,  
20 those are Hedges 17, 18, and 21, I made the same  
21 corrections, changing the date from "2012" to "2013".  
22 And, on 127R, Lines 144, 145, and 147, Hedges 17, 18,  
23 and 20, the same correction. The date was changed from  
24 "2012" to "2013".

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1                   Page 144R. The third box down is the  
2                   contract with Distrigas that I referred to. That  
3                   contract was executed on October 8th. So, in the first  
4                   box on that row, there was some text that said "To  
5                   renew - need to negotiate", that was stricken. The  
6                   column "MDQ MMBtu", that's the fifth column, the  
7                   language there was changed from "Up to 3, possibly 4  
8                   trucks", to "Up to 5 trucks". In the next column, the  
9                   text "100,000 National Grid total" was stricken, and  
10                  replaced with "200,000" per the contract.

11                  On Bates Page 253R, that's a similar  
12                  change to the first two I mentioned. Changing the  
13                  "\$18.53" to "\$21.00".

14                  Page 260R, on Line 23, the dollar figure  
15                  "\$4,441,240" was replaced with "\$5,000,297.40" -- I  
16                  said that wrong, "\$5,297,040".

17                  CMSR. HARRINGTON: Yes, you lost me on  
18                  that one.

19                  WITNESS SAVOIE: Okay. The prior figure  
20                  was "\$4,441,240", the new figure is "\$5,297,040". And,  
21                  that dollar change is as a result of the final contract  
22                  with -- the contract negotiated with Distrigas on  
23                  October 8th.

24                  **BY THE WITNESS:**

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 A. (Savoie) On Line 27 of that page, the prior total was  
2 "6,241,668", and the new figure is "7,277,468".

3 CMSR. HARRINGTON: Could you give us the  
4 old figure again please.

5 WITNESS SAVOIE: The old figure was  
6 "6,241,668".

7 CMSR. HARRINGTON: Thank you.

8 WITNESS SAVOIE: Oh, I transposed  
9 numbers. The old figure was 6 million --

10 CMSR. HARRINGTON: Hold it a second  
11 please. Six million --

12 WITNESS SAVOIE: I need my bifocals for  
13 this. The old figure was "6,421,668". I'm sorry, my eyes  
14 are not what they used to be.

15 **BY THE WITNESS:**

16 A. (Savoie) On Line 29, the prior number of "\$111.16" was  
17 corrected to "\$125.98". And, last on that page, at  
18 Line 31, the rate of "\$18.53" was changed to "\$21.00".

19 On Page 262R, on Line 1, there was some  
20 text that read "Granite Ridge 30 days at 15,000  
21 dekatherms". That was stricken, as it's not a current  
22 contract. On Line 5, and this is the change that  
23 caused most of the other changes, the Distrigas  
24 contract, I revised numbers in the "Volume", "Monthly

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 Cost", and "Annual Cost" column. That's redacted  
2 information.

3 BY MS. KNOWLTON:

4 Q. Mr. Savoie, is "DOMAC" an acronym for Distrigas?

5 A. (Savoie) Yes. "Distrigas of Massachusetts  
6 Corporation".

7 CHAIRMAN IGNATIUS: So, this, without  
8 revealing the numbers, unless it's necessary, this is a  
9 significant change to the volume, not just the pricing,  
10 but the volume as well?

11 WITNESS SAVOIE: Oh, the old volumes was  
12 a Grid allocation. I checked with National Grid, and I  
13 was told to disregard that. The "200,000" is the correct,  
14 as we saw in Exhibit 12 [Schedule 12?], the "200,000"  
15 figure.

16 MS. KNOWLTON: And, just to note for the  
17 record, that number is confidential.

18 WITNESS SAVOIE: It's not, on  
19 Schedule 12. I know it's shaded out here. That's a  
20 discrepancy from last year. That, Chico, was the  
21 "200,000" -- Mr. DaFonte, was the "200,000" figure  
22 confidential or only the dollar amount?

23 WITNESS DaFONTE: No. The "200,000",  
24 the volume, is not confidential, just the price.

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 MS. KNOWLTON: Is that the case as well  
2 on the Concord Lateral, that the volume is not  
3 confidential?

4 WITNESS DaFONTE: That's correct.

5 MS. KNOWLTON: So, that's --

6 WITNESS DaFONTE: And, the price is  
7 publicly available. So, it's not confidential either.  
8 It's a tariffed rate.

9 MS. KNOWLTON: The Concord Lateral  
10 price?

11 WITNESS DaFONTE: Yes.

12 MS. KNOWLTON: So, the Company would  
13 revise its request for confidential treatment with regard  
14 to the volume and rate, monthly cost and annual cost for  
15 the Concord Lateral, all of which should be public, and as  
16 well as the volume under the DOMAC contract should be  
17 public. And, we will, in the future, when we make cost of  
18 gas filings, we'll make those changes.

19 (Atty. Knowlton conferring with  
20 Mr. Hall.)

21 MS. KNOWLTON: And, Mr. Hall just  
22 pointed out to me that, by making those changes, you can  
23 back into the confidential numbers. So, we'll have to  
24 think about how we present this. It may be that that's

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 why it's all shaded. But --

2 WITNESS SAVOIE: Which means perhaps the  
3 amount on Schedule 12 needs to be redacted, if somebody  
4 could piece it together.

5 CHAIRMAN IGNATIUS: Why don't we ask you  
6 to sort out the best way to do that. And, then, if there  
7 are pages in the public redacted version that need to be  
8 swapped out for any of these schedules, then just  
9 substitute the individual pages --

10 MS. KNOWLTON: Thank you.

11 (Court reporter interruption.)

12 CHAIRMAN IGNATIUS: -- would be best,  
13 but I don't think you need to resubmit any of the  
14 confidential pages.

15 BY MS. KNOWLTON:

16 Q. Mr. Savoie, if I were to ask you the questions that are  
17 contained in your testimony, subject to the corrections  
18 that you just went through, in your testimony, as well  
19 as in Exhibit 3, would your answers be the same?

20 A. (Savoie) Yes. There were a few other changes on that  
21 page. Did you want me to --

22 Q. Oh, I'm sorry. I'm premature. Please continue.

23 A. (Savoie) Okay. On 262R, continuing on, on Line 7, the  
24 subtotal was revised from "4,441,240" to "5,297,040".

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 And, Line 9, the total is the same change as to the  
2 subtotal. And, there was a footnote reference that was  
3 stricken. It referred to the contract being  
4 renegotiated.

5 Q. Mr. Savoie, would you provide a brief overview of the  
6 rate changes that the Company is proposing for the  
7 winter period.

8 A. (Savoie) The proposed cost of gas rate for Residential  
9 customers is 88.95 cents per therm. The initially  
10 approved rate for the last winter period was \$67.19  
11 [67.19 cents?]. And, that's an increase of \$21 -- I'm  
12 sorry, 21.76 cents, or 32 percent. For High Winter  
13 Use, the Company proposes a rate of 89.08 cents,  
14 compared to last winter's rate of 67.36 cents per  
15 therm. That's an increase of 21 cents -- 21.72 cents.  
16 The C&I Low Winter rate, the Company proposes 88.07  
17 cents. Last winter's initially approved rate was 66.71  
18 cents. That's an increase of 21.36 cents. And, for  
19 the Firm Transportation rate, the Company proposes a  
20 rate of 0.22 cents. Last winter's rate was 0.02 cents.  
21 And, that's an increase of 0.2 cents per therm.

22 Q. Mr. Savoie, do you have any information on the bill  
23 impact for customers as a result of the proposed rate  
24 changes?

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 A. (Savoie) I do. The bill impacts compare the proposed  
2 rates for the current year that I just mentioned, to  
3 the weighted average rate for the prior year. For  
4 residential, last year's weighted average actual rate  
5 was 76.8 cents. So, I used those figures to do the  
6 bill comparison.

7 One thing I did do in the bill  
8 comparisons was used the weather-normalized average  
9 therms, rather than the old "typical" therms. The  
10 prior typical therms used for a bill impact for  
11 residential heating and non-heating was 932 therms.  
12 When I looked at the prior winter actual  
13 weather-normalized therms, it was 650 therms, a  
14 reduction of 282 therms, or a 30 percent reduction.

15 CMSR. HARRINGTON: I'm sorry, I didn't  
16 quite follow you. Are you saying that you're expecting a  
17 30 percent reduction in usage this year as compared to  
18 last?

19 WITNESS SAVOIE: No. What I'm doing is,  
20 rather than using these old figures, I don't know what the  
21 source of them were, but there was a typical number for  
22 different classes, for the Residential Heating and non --  
23 at least for the Residential Heating, not the non-heating,  
24 the typical was considered to be "932 therms". The origin

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 of that number I don't know. I think Northern was using  
2 that same figure. So, this year, rather than using this  
3 typical that we don't know the origin of, I went to the  
4 prior winter to see what was the average usage actual,  
5 weather-normalized it, and that's how I came up with 650  
6 therms. So, the Company believes that's a more realistic  
7 figure to use for calculating the bill impact.

8 CMSR. HARRINGTON: Thank you.

9 WITNESS SAVOIE: I can go through all  
10 the other four rate classes from the bill impact analysis?

11 MS. KNOWLTON: Please do that.

12 **BY THE WITNESS:**

13 A. (Savoie) For Rate G-41, that's C&I Low Annual High  
14 Winter Use, the old typical therm usage was 1,427.  
15 Last year's actual weather-normalized average is 1,816.  
16 That's an increase of 389 therms, or 27 percent. Rate  
17 G-42, C&I Medium Annual High Winter Use, the typical  
18 used in the past was 17,374 therms. The actual average  
19 weather-normalized for the prior year was 12,512.  
20 That's a decrease of 4,862 therms, or a 28 percent  
21 decrease. And, lastly, for Rate G-52, C&I Medium  
22 Annual Low Winter Use, the prior typical was 12,634  
23 therms. The average weather-normalized for the prior  
24 year was 10,278. That's a reduction of 2,356 therms,

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 or 19 percent. So, there is some big fluctuations  
2 between actual average weather-normalized and these old  
3 typical therm usage that was developed.

4 For the Residential customers, comparing  
5 last year's average CGA rate of 76.8 cents, compared to  
6 this year's proposed rate of 88.95 cents, the bill  
7 impact is \$82, or 10.4 percent, for the winter season.  
8 That includes the increase in the Local Distribution  
9 Adjustment Charge, and it has a small impact from the  
10 rate increase from the Cast Iron/Bare Steel adjustment  
11 that was effective on July 1.

12 For the C&I G-41 rate class, C&I Low  
13 Annual High Winter Use, the increase was 10 percent, or  
14 \$215.

15 One thing I did do at a high level was I  
16 looked at this year's proposed rate of 88.95 cents, and  
17 removed the undercollection from the prior year to see  
18 what would the rate be without the undercollection, the  
19 decrease would be 6.7 cents, making the rate 82.25  
20 cents. And, then, shifting that undercollection into  
21 the last year's rate, the actual average rate, and  
22 backing out the undercollection that went into that  
23 rate from the year before that, two years ago, that  
24 rate is 81.4 cents. So, at a high level, without any

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 undercollections in the figures, we're looking at a  
2 rate increase of just under one cent, or one percent,  
3 comparing this year's proposed rate to last year's  
4 actual rate, barring any undercollections in the  
5 figures.

6 CHAIRMAN IGNATIUS: Can I just be sure I  
7 got that? So, 6 cents roughly of the increase is due to  
8 undercollection?

9 WITNESS SAVOIE: Yes.

10 CHAIRMAN IGNATIUS: Thank you.

11 WITNESS SAVOIE: We did hit the cap last  
12 year, in February. So, we were capped at the 25 percent  
13 increase. So, we couldn't raise rates any higher than  
14 that.

15 CMSR. HARRINGTON: And, what was the  
16 cause of the -- well, obviously, a very large amount of  
17 undercollection because you hit the cap, and then the  
18 undercollection would have had exceeded the cap. So, is  
19 this just the volatility in gas prices last winter?

20 WITNESS SAVOIE: Yes.

21 WITNESS DaFONTE: Yes. I can speak more  
22 to that. But it certainly was an increase in gas prices,  
23 primarily in the New England market area, which is where  
24 we buy a lot of our gas. The fact that it happened in

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 February, which was kind of a little bit too late in the  
2 year, in the CGA period, to really try to collect any of  
3 the undercollection over the next couple months, is the  
4 primary reason why we decided to move that, that  
5 undercollection, to this winter period.

6 MS. KNOWLTON: I have one last question  
7 for the panel.

8 BY MS. KNOWLTON:

9 Q. Mr. DaFonte, the Distrigas contract that Mr. Savoie was  
10 referring to, that was entered into after the filing  
11 was made?

12 A. (DaFonte) That's correct.

13 Q. Would you give a brief summary of what the purpose and  
14 need for that contract is.

15 A. (DaFonte) Sure. The Company has three LNG facilities  
16 that it utilizes on peak, during peak periods, in order  
17 to meet its -- both pressure and volume requirements.  
18 We have those three facilities in Tilton, Concord, and  
19 Nashua. The facilities, unfortunately, are small, in  
20 terms of the storage capacity that they have. So, we  
21 have to refill them frequently as we vaporize from the  
22 facility. So, therefore, we need a liquid refill  
23 contract. And, this year, we contracted for 200,000,  
24 as opposed to the 100,000 that we did last year,

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 primarily because of the pricing that we saw in the  
2 marketplace last year. And, that pricing, which  
3 reached, for us anyway, as high as \$35, was far greater  
4 than the price we were quoted for the liquid from  
5 Distrigas. So, it made more sense to buy a little bit  
6 more of the LNG than to have to go out and buy spot gas  
7 during those peak periods.

8 MS. KNOWLTON: I have no further  
9 questions for the panel and would make them available for  
10 cross-examination.

11 CHAIRMAN IGNATIUS: Thank you.  
12 Ms. Hollenberg.

13 MS. HOLLENBERG: Thank you. Just one  
14 moment, I want to make a note here.

15 **CROSS-EXAMINATION**

16 BY MS. HOLLENBERG:

17 Q. Mr. Savoie, I just want to see if I understood what you  
18 were talking about, in terms of the bill impacts and  
19 the comparisons. Because there was a change in the way  
20 that we express bill impacts, the amount of usage  
21 changed, in terms of the calculation from last year to  
22 this year, so that we could reflect a more typical  
23 average customer and their usage. You said that there  
24 was about a 10 percent increase for residential

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 customers from last year to this year. And, is that  
2 comparing 650 therms used last year under last year's  
3 rate versus 650 therms used this year under this year's  
4 proposed rate?

5 A. (Savoie) Yes.

6 Q. Awesome. Thank you. Let's see. Just a few questions  
7 for you, Mr. DaFonte, on the Fixed Price Option Program  
8 that the Company has for customers. Presently, and in  
9 the recent past, the Fixed Price Option Program has  
10 been open to commercial customers, as well as  
11 residential customers, is that correct?

12 A. (DaFonte) That's correct.

13 Q. And, there was some discussion during this docket about  
14 whether or not that would continue to be offered to  
15 commercial customers. Could you give a summary of what  
16 the Company's plans are, for purposes of commercial  
17 customers and the Fixed Price Option Program please.

18 A. (DaFonte) Sure. With regard to the Fixed Price Option  
19 Program, the Company continues to believe that that  
20 Fixed Price Option should be available to the  
21 residential customers, primarily because they don't  
22 have the option to contract with a third party  
23 supplier, who could fix their price for them.

24 Whereas, with commercial/industrial

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 customers, they do have the option to contract with  
2 other suppliers for a service, which would include, if  
3 they so chose, a fixed price.

4 So, we feel that -- well, let's say  
5 this. We're not averse to eliminating the commercial  
6 customers from the FPO Program and make it exclusive to  
7 the residential customers.

8 Q. Do you recall off the top of your head what number of  
9 commercial customers are participating? If you don't,  
10 I think it was in discovery. And, we can work --

11 A. (Savoie) I have that figure.

12 Q. You do?

13 A. (Savoie) Yes.

14 A. (DaFonte) Yes. We do have that number. Do you have it  
15 off the top here?

16 A. (Savoie) Yes. Last year, for the winter period, there  
17 was 10,581 customers in the FPO program; 93 percent  
18 were residential and 7 percent were  
19 commercial/industrial.

20 Q. Okay. Thank you so much. With also respect to the  
21 Fixed Price Option, you talked in your testimony, Mr.  
22 DaFonte, about the hedging that the Company has been  
23 doing associated with the FPO Program. And, I believe  
24 there's some discussion on Page 17 of your testimony,

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 which I can tell you the Bates stamp, which is Exhibit  
2 1, and that would be Bates stamp -- there's some  
3 discussion starting on Bates 36, to the top of 37.  
4 And, the Company has been -- why don't you summarize  
5 what the Company has been doing for purposes of hedging  
6 for the Fixed Price Option in the recent past?

7 A. (DaFonte) Sure. What the Company does today is it has  
8 a comprehensive hedging program, whereby it hedges a  
9 certain percentage of its purchases based on the New  
10 York Mercantile Exchange futures price. How that plays  
11 into the Fixed Price Option is that the Fixed Price  
12 Option is calculated based off of the filed cost of gas  
13 rate, with a premium. And, that filed cost of gas rate  
14 is hedged based off of what we do as far as that  
15 comprehensive hedging program. So, when combined, you  
16 have the hedging of the futures prices, you have  
17 underground storage, which is fixed, and you have some  
18 of our propane, which is fixed as well. So, in total,  
19 we're somewhere in the vicinity of 56 percent to  
20 60 percent on a year-to-year basis of our portfolio is  
21 hedged. But, again, the financial hedging that we do  
22 is based off of the New York Mercantile Exchange  
23 futures price.

24 What we've seen over the course of, you

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 know, the last 12 months, certainly, in particular last  
2 winter, is that there isn't -- there wasn't a lot of  
3 volatility, very little volatility to be exact, with  
4 regard to the New York Mercantile Exchange price. The  
5 volatility was in what we call the "basis  
6 differential", which is essentially the difference in  
7 the purchase point price of the New York Mercantile  
8 Exchange to the actual purchase point of our contracts.  
9 And, so, in this case, our contracts that have a  
10 purchase point in New England, in the market area, saw  
11 extremely high pricing. And, that's what really drove  
12 the volatility of the prices. So, while we do hedge,  
13 we haven't seen, over the last, I would say, four years  
14 to five years, we have not seen a lot of volatility in  
15 the futures market, which is more of sort of a national  
16 price. What we have seen is the volatility creeping  
17 up, and, ultimately, last year resulting in extremely  
18 high gas prices. So, we do not hedge that basis  
19 differential. We only hedge the NYMEX futures price.  
20 Q. And, the reason that you hedge or have in the past  
21 hedged, I guess, as associated with the Fixed Price  
22 Program, has been to mitigate some of the risks that  
23 the Company experiences when the NYMEX price is  
24 volatile, right?

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 A. (DaFonte) That is correct.

2 Q. And, because there is -- and, is there or is it very --  
3 is it cost-prohibitive to hedge for the basis  
4 differential?

5 A. (DaFonte) Well, the basis differential can be hedged,  
6 both financially and physically. Although,  
7 financially, it's not a very what I call "liquid  
8 market", meaning there aren't a lot of market  
9 participants. So, you may end up paying a sizable  
10 premium to do that financially.

11 Q. Uh-huh.

12 A. (DaFonte) Physically, certainly, the Company could go  
13 out with a request for a proposal for a fixed price  
14 supply during the winter period.

15 Q. Uh-huh.

16 A. (DaFonte) And, certainly, just choose the lowest cost  
17 supplier, and you would be able to have a fixed price  
18 for that supply.

19 Q. Uh-huh.

20 A. (DaFonte) However, as we look at how the Company  
21 dispatches its resources, it wouldn't want to dispatch  
22 that high-priced supply prior to other lower-priced  
23 supplies. So, it's kind of a mix. Where we have  
24 designated some what we call "base load purchases".

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 Those are purchases that we make throughout the month.  
2 So, the same volume every day of the month. That  
3 allows the market to be able to hedge itself, in a  
4 sense. The supplier knows exactly what they're going  
5 to deliver to us, we know exactly what we are going to  
6 get, and there's a match there. What we've seen is  
7 that the price spikes are driven by weather during the  
8 month. And, unfortunately, we can't forecast when that  
9 weather is going to come. So, it's hard to hedge --  
10 well, it's impossible, put it that way, to hedge any of  
11 those purchases, simply because we don't know when  
12 we're going to make those purchases.

13 But we certainly could hedge a portion  
14 of our supply, the portion that we deem to be baseload.  
15 And, that's typically in the December, January,  
16 February period, when we know that our volumes are  
17 going to increase, our requirements are going to  
18 increase, and, therefore, we can commit safely to  
19 making a purchase of these supplies. The last thing we  
20 want to do is over-purchase and have the weather come  
21 in warmer than normal, and then we have supply that we  
22 have to either sell into the market at a loss or have  
23 to put into storage at a pretty expensive rate.

24 So, we try to look at what our expected

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 requirements are under normal conditions. And, we also  
2 take a look at a sort of standard deviation from  
3 normal, make sure that, if it does get warmer than  
4 normal, we still won't be overbought on our contracts.  
5 But there certainly is volume that can be hedged.

6 Q. And, I think what -- I think what I'm hearing you say  
7 is that hedging is a part of your overall -- it's a  
8 part of the whole picture of your planning and  
9 procuring supply and capacity. But is it essential for  
10 the Fixed Price Program?

11 A. (DaFonte) Well, I wouldn't say it's "essential",  
12 because what essentially we're doing is we're taking  
13 what we forecast for the cost of gas rate, and we're  
14 applying a premium to that rate and offering that to  
15 customers. You could easily do that without doing any  
16 hedging. We do have natural physical hedges through  
17 our storage inventory that we fill in the summer, and  
18 we have a weighted average cost of inventory that we  
19 know that price will be fixed throughout the winter  
20 period. So, there is a portion of that that's hedged.  
21 But we'll never be 100 percent hedged. So, the Fixed  
22 Price offering is never really a true fixed price.  
23 There's always going to be a little subsidization here  
24 and there. So, to me, if you -- you could offer it

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 without doing any kind of hedging of, certainly, the  
2 NYMEX futures, because that hasn't been volatile. You  
3 know, over the last four to five years we've seen, if  
4 anything, the market's really come down, and, you know,  
5 our hedges that have resulted in, you know, additional  
6 cost to customers, but it's an insurance premium that  
7 you pay to protect against the volatility. We just  
8 haven't seen it be volatile. And, so, again, we don't  
9 see that that's a significant mover, in terms of  
10 offering the fixed price.

11 Q. And, it may be that the premium, the fixed price  
12 premium, or the two cents added to the cost of gas, is  
13 sufficient to mitigate the risks that are associated  
14 with that program, without the hedging?

15 A. (DaFonte) Yes. That's one other -- one other option is  
16 certainly to increase the premium slightly, to take  
17 into account the fact that we're not hedging the NYMEX  
18 futures. But, again, we haven't -- we haven't seen a  
19 lot of volatility there. So, you know, it really is a  
20 question of, you know, "at what price point does that  
21 premium start to prevent customers from choosing that  
22 option?"

23 Q. Uh-huh.

24 A. (DaFonte) And, we don't know. You know, that's

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 something that we would -- it's almost like a  
2 trial-and-error kind of thing. But we do know that, at  
3 the, you know, two cent rate or so, it's been, you  
4 know, it's been about 10,000 or so customers, 10,500  
5 residential customers. So, it's still -- it certainly  
6 appears that there's still customers that do want the  
7 product. And, we certainly would not want to, you  
8 know, take that away from those customers.

9 Q. Is there any risk that the cost associated, the  
10 administrative cost associated with the program caused  
11 the program to cost the subsidization of other  
12 customers to the Fixed Price customers to be too much?  
13 Or, considering the two-cent premium, I mean, have you  
14 had occasion to know if that premium is really where it  
15 should be, for purposes of the administrative cost of  
16 the program and other costs?

17 A. (DaFonte) Well, we do know the administrative cost. I  
18 believe it was somewhere in the \$42,000 range or --

19 A. (Savoie) It was for the initial mailing.

20 (Court reporter interruption.)

21 **BY THE WITNESS:**

22 A. (DaFonte) Yes, for the initial mailing. So, it's about  
23 \$42,000 or so. You know, when spread out across all of  
24 the customers, it's really not a significant cost.

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1 BY MS. HOLLENBERG:

2 Q. Uh-huh.

3 A. (DaFonte) I think the subsidy comes into play when you  
4 have a lot of -- when you have a price increase, like  
5 we did last year, where we had set the fixed price  
6 based on what our estimates were last year, which was  
7 coming off of one of the warmest winters on record.  
8 So, the market was not -- was not seeing this price  
9 spike that was imminent. And, so, when that came to  
10 fruition, you know, it necessitated us increasing the  
11 cost of gas rate. And, therefore, those Fixed Price  
12 customers actually did very well for themselves last  
13 year.

14 But, I think, in some analysis that we  
15 did over the life of the Fixed Price Option service, I  
16 think a Fixed Price Option customer has actually  
17 probably done a little bit worse than a customer that  
18 is just on the cost of gas rate. I don't have the  
19 exact numbers, but it was -- it certainly appeared to  
20 be that they were worse off. So, I think, you know, of  
21 course, the premium has a little bit to do with that,  
22 but not a lot.

23 Q. Okay. Thank you. I appreciate that conversation about  
24 the Fixed Price Program. What -- if you could just

[WITNESS PANEL: Savoie~DaFonte~Casey]

1 summarize briefly what you're hearing in the industry  
2 about the coming winter.

3 A. (DaFonte) Are you asking me to be brief? Sure. You  
4 know, the winter is -- it's anybody's guess as to what  
5 the weather is going to be. But, again, looking at  
6 last year, which was actually slightly warmer than  
7 normal, as it turned out, we should expect to see  
8 prices very similar to last year year. There's a  
9 couple variables in the market this year that could  
10 change that a little bit. One is that we have a new  
11 supply that's coming on line from Deep Panuke,  
12 P-a-n-u-k-e. That is off-shore Nova Scotia, and it  
13 would come down on the Maritimes pipeline. It's about  
14 300,000 MMBtus per day. The question with that is that  
15 it's a new supply source, so, it's subject to  
16 disruption. And, it's coming through the Maritimes  
17 Provinces, where there is an even greater need for gas  
18 up there. So, we suspect that much of that gas will  
19 end up staying in Canada. And, so, we're not sure how  
20 much of it will actually make it down to Dracut,  
21 Massachusetts, which is where we would typically  
22 purchase that supply. So, that's an unknown.

23 And, then, the other unknown is really  
24 the electric generation market. The gas-fired

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1 generators have been driving up prices during the  
2 winter, when they're competing for the gas with the  
3 utilities. And, we're not sure how that's all going to  
4 play out this year. We understand that ISO has put  
5 together some program where they have fuel oil backup.  
6 We're not sure how much the generators will adhere to  
7 that and commit to that. So, it really, you know,  
8 there's so many different variables that it's hard to  
9 say what, you know, exactly is going to happen.

10 But we do have firm contracts in place.  
11 We have firm supplies ready to go. It's just -- it's  
12 not a question of whether the gas will be available,  
13 it's a question of how much you're going to have to pay  
14 for it.

15 Q. And, then, there are also, outside of the context of  
16 the cost of gas adjustment world, conversations going  
17 on between gas market stakeholders and electric market  
18 stakeholders about coordinating better for purposes of  
19 access to the capacity that exists, is that correct?

20 A. (DaFonte) That's correct.

21 Q. Generally?

22 A. (DaFonte) Yes. That is a -- it's an open docket at the  
23 FERC. They're continuing to explore opportunities to  
24 coordinate the gas and electric markets. So far, I

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1 think what they have realized is that New England is  
2 quite unique, relative to all of the other markets,  
3 whether they be in the Midwest or West. We are  
4 capacity-constrained. And, as such, it is very  
5 difficult to try and coordinate the electric and gas,  
6 because the utilities, the gas utilities, essentially  
7 hold all of the firm capacity that they need to serve  
8 their firm customers. And, so, the gas-fired  
9 generators are basically out there purchasing gas on  
10 the spot market. And, without those firm contracts,  
11 they are essentially just buying and competing against  
12 each other to purchase that supply. So, for them, it  
13 makes sense, because it's, you know, they're making a  
14 spot purchase, because they're selling into a spot  
15 electric market. So, for them, that makes sense, as  
16 opposed to committing to long-term supply contracts  
17 that may ultimately be out of the market on the  
18 electric side.

19 So, really, I think the question is  
20 whether some of the modifications or proposals that  
21 ISO-New England has made, whether those will actually  
22 help, if -- given the gas-fired generators a little bit  
23 more leeway, in terms of when they can purchase their  
24 supplies, when they can bid in their gas, so that what

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1 they're trying to do is give them a little more time so  
2 that they have, when they put in a bid for their  
3 generation, that it's based off of where the gas market  
4 is at that point in time. The problem that you have is  
5 that they don't get dispatched until a little bit later  
6 in the day, at which point they may not have locked in  
7 that natural gas supply. So, they're trying to change  
8 the timing of that a little bit. We're just not sure  
9 that that's going to make a lot of difference when it's  
10 all said and done.

11 Q. And, the capacity constraints that exist in New  
12 England, that is the cause or one of the causes of the  
13 high basis differential that we're seeing, is that  
14 correct?

15 A. (DaFonte) That is correct. That is, you know, the  
16 cause, I think I would say, of the problem. And, what  
17 we've seen, and I've discussed it a little bit in my  
18 testimony, and that is that the Marcellus shale  
19 supplies are very abundant. The problem is that that  
20 gas isn't able to make it up to the New England market,  
21 because of the pipe constraints. There really hasn't  
22 been any new pipelines built here since the Portland  
23 Natural Gas Transmission System and the Maritimes  
24 System. And, so, those Maritimes -- I'm sorry, those

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1 Marcellus supplies have not been able to make their way  
2 up here. So, even when we -- here we're seeing gas  
3 prices at \$35 last February, in New York, where they  
4 have added additional pipe to get the Marcellus to  
5 their customers, their pricing was more in the range of  
6 \$7 or \$8. So, it's quite -- quite a difference. And,  
7 I think that's really what's lacking here in New  
8 England. And, honestly, the difficulty is that the  
9 utilities are really the primary drivers of new  
10 pipeline capacity, because the gas-fired generators  
11 just don't have the incentive to contract long term for  
12 capacity on any new project. And, thus, it really is  
13 incumbent on the utilities to try and push for those  
14 new projects to be built, and, ultimately, to enter  
15 into -- entering into contracts with those new  
16 projects.

17 Q. And, that leads me to my last question. What is the  
18 Company doing with respect to exploring options for  
19 increasing capacity in and around in the New England  
20 area?

21 A. (DaFonte) The Company is, you know, constantly looking  
22 at proposals that are made out there. It's also  
23 discussing with existing pipelines what can be done  
24 with regard to incremental pipeline capacity, whether

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1 it's an expansion of their existing systems or whether  
2 it's an entirely new pipeline that could be built.  
3 And, so, we do know that Tennessee Gas Pipeline is  
4 proposing a new pipeline to be built. And, we're  
5 discussing options with Tennessee, along with all the  
6 other New England LDCs. So, what we've done is we've  
7 put together a consortium of New England utilities that  
8 are working with Tennessee Gas with regard to this  
9 project. And, we're trying to negotiate terms and  
10 conditions as needed, and trying to see if this project  
11 is actually going to get built and be, you know, an  
12 opportunity for, certainly, EnergyNorth to -- and their  
13 customers to benefit, as well as the other New England  
14 companies.

15 But that's one of them. There's other  
16 projects that were proposed. Actually, a project on  
17 the Algonquin Gas Transmission System, that is going to  
18 be built, but that really doesn't help us, because we  
19 don't take service off of that pipeline. And, of  
20 course, we continue to monitor what happens with Deep  
21 Panuke, which is supply that could come down existing  
22 pipeline.

23 So, those are all things that we  
24 continue to look at in the marketplace and evaluate,

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1 and we'll continue to do so. And, hope to, you know,  
2 to have some decisions that we can discuss with Staff,  
3 and maybe work on, you know, on --

4 (Court reporter interruption.)

5 **CONTINUED BY THE WITNESS:**

6 A. (DaFonte) I'm sorry. And work on minimizing the  
7 volatility in the future.

8 MS. HOLLENBERG: Thank you. I  
9 appreciate that. And, for the record, my qualifier  
10 "brief" was not meant to judge at all. So, --

11 CHAIRMAN IGNATIUS: Mr. Sheehan, do you  
12 have questions?

13 MR. SHEEHAN: I do. Thank you.

14 BY MR. SHEEHAN:

15 Q. I'll start with Ms. Casey, because I think I have the  
16 least for her. You gave us an update on the Keene  
17 site, and the conversation or the process that started  
18 with PSNH, and you provided us with an update of the  
19 Liberty Hill remediation. The question is, what are  
20 the other sites that may require substantial  
21 remediation, and what are the preliminary cost  
22 estimates/timing of that remediation?

23 A. (Casey) Well, we have -- I don't have much concrete  
24 time and costs, and I'll explain why by site. The

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1 Concord Pond site, let's start in Concord. We still  
2 haven't gained access from the City yet to do the work  
3 in that DOT corridor. And, numerous attempts to  
4 contact them to start working on that have gone  
5 unanswered. So, I believe that DES is going to take  
6 that matter up. So, I have no timing on that.

7 The Concord MGP site, we recently  
8 submitted a report to the DES that summarized all  
9 investigation activities. We submitted it this summer.  
10 And, we're evaluating the potential remedial approaches  
11 at this time in preparation to submit a REP, Remedial  
12 Action Plan, to the Department of Environmental  
13 Services. We have not finished this evaluation yet.  
14 So, I don't have any costs on that. And, as you know,  
15 the timing can be pretty slow. I'll probably have much  
16 better updates during the tech session next August.

17 On the Manchester MGP site, again, a  
18 remedial design report is being finalized for off-site  
19 and on-site remedial activities. So, when that's --  
20 when that's submitted to the DES, we'll be able to come  
21 up with preliminary cost estimates for the upland  
22 remedy. This is for both on- and off-site. So, we  
23 have not -- we have not completed, we have not  
24 developed a revised estimate at this time. Again,

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1 another update next summer. They all seem to be in the  
2 same place.

3 Now, Nashua, by the end of this year,  
4 we're going to be putting in our -- submitting our  
5 Groundwater Monitoring Permit application, along with  
6 our Remedial Action Plan, with the DES. So, things  
7 will be moving along. And, they're going in the right  
8 direction costwise with Nashua. Because, as I reported  
9 during the tech session, this represents sort of the  
10 beginning of the end of the remedial activities there.  
11 So, that's good news.

12 And, that's pretty much it for the  
13 active sites.

14 Q. Thank you. Mr. Savoie, I'll run down some for you.  
15 You may have answered some of these in the process, so,  
16 bear with me. How does your proposed '13/'14 peak  
17 period rates compare to last year's seasonal average  
18 rates?

19 A. (Savoie) The proposed peak period rate for 2013/2014 is  
20 88.95 cents. The average for the prior winter was 76.8  
21 cents. That's a change, an increase of 12.15 cents, or  
22 15.8 percent.

23 Q. And, you've already gone over the discussion of the  
24 impact on the heating for the residential customer, and

[WITNESS PANEL: Savoie~DaFonte~Casey]

1 you've discussed how you now use a more accurate  
2 measure of what a typical customer is, which I think  
3 was something that was discussed last year at this  
4 time, is that correct? Am I --

5 A. (Savoie) I don't recall. I think, at the summer cost  
6 of gas hearing, there was that discussion.

7 Q. Okay. Have you sent out the Fixed Price Option for  
8 this coming season?

9 A. (Savoie) Yes. A mailing went out on or around  
10 September 25th.

11 Q. And, what is the -- is there a deadline for the  
12 customers to sign up?

13 A. (Savoie) I believe the enrollment period is  
14 September 27 through October 25, this coming Friday it  
15 ends. As of this afternoon, I was told that all the  
16 applications received to date had been entered into the  
17 system. And, they did a query that showed 8,853  
18 residential customers have signed up.

19 CMSR. HARRINGTON: Excuse me, what was  
20 the number again? Eight --

21 WITNESS SAVOIE: 8,853. And, I think --

22 MR. SHEEHAN: I'm sorry, go ahead.

23 WITNESS SAVOIE: And, 513

24 commercial/industrial customers have signed up, for a

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1 total of 9,366. So, the residentials are 95 percent of  
2 the total applications to date.

3 BY MR. SHEEHAN:

4 Q. And, I think you said earlier this afternoon that, in  
5 prior years, it's been 10,000, 10,500, in that --

6 A. (Savoie) At least for the volumes, it's been around 11,  
7 12 percent. The average over the last four years was  
8 11.75 percent, I believe. So, the number of customers  
9 must have been about the same as last year, 10,581.

10 So, it would be around that ballpark.

11 Q. How do the current NYMEX natural gas futures compare to  
12 those used to determine the cost of gas rates here?

13 A. (Savoie) The last time I looked at the NYMEX, the  
14 15-day average, was October 16. It was last week. The  
15 strip at that time was 38.4 cents a therm. In the  
16 filing, I used "37.1 cents a therm". That's a change  
17 of 1.3 cents.

18 Q. Okay. Could you estimate what the change in the COG  
19 rates would be, if they were based on this updated  
20 future prices, if you had used those current future  
21 prices?

22 A. (Savoie) The impact on the proposed rate for that NYMEX  
23 ending October 16 would be about a 0.6 cent increase.

24 And, then, there's also, along with the Distrigas

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1 contract and then a very small Tennessee Gas Pipeline  
2 tariff rate reduction, the total of those three factors  
3 would be an increase of 1.3 cents to the proposed CGA  
4 rate, or about 1.5 percent.

5 Q. About what percentage of the gas supplies in this  
6 forecast are hedged, pre-purchased or otherwise tied to  
7 a pre-fixed, predetermined price? And, someone else  
8 may answer that, that's fine.

9 A. (DaFonte) I can answer that one. Sure. Our  
10 calculations indicate that approximately 56 percent of  
11 our supplies will be hedged. But it's important to  
12 note that almost half of those are hedged on the NYMEX,  
13 which, as we discussed earlier, has not shown much  
14 volatility. But the other volumes are all physical  
15 hedges.

16 Q. How does this year's demand forecast compare to last  
17 year's?

18 A. (DaFonte) This year's forecast is roughly about  
19 77 million therms, compared to last year's, which was  
20 almost 80 million therms. So, it's a reduction of  
21 about 3.6 percent for the sales customers.

22 Q. And, do you have an explanation for that?

23 A. (DaFonte) Well, part of it is certainly related to some  
24 of the energy efficiency measures, and also looking at

[WITNESS PANEL: Savoie~DaFonte~Casey]

1 an increase in migration, which was an assumption that  
2 National Grid had included in their modeling. So,  
3 National Grid still did the forecast for us this year,  
4 based on our TSAs, our Transition Service Agreements  
5 with them. We will be taking that process on right  
6 after the new year. So, the next forecast will all be  
7 by Liberty personnel in New Hampshire. But those are  
8 assumptions that were undertaken by National Grid,  
9 based on their -- their data. We now also have our own  
10 data through our billing system that's now in place.  
11 So, we're looking forward to being able to use data and  
12 have it easily accessible to us, and come up with our  
13 own assumptions.

14 But we'll continue to monitor the  
15 migration level. We've seen that it's continuing. I'm  
16 not sure that it's going to be as robust as is being  
17 forecast. And, we'll continue to monitor that on a  
18 month-to-month basis.

19 Q. That's a segue to some questions I had later in the  
20 list, we might as well hit them now. So, how much of  
21 this COG filing was under Liberty's direction, how much  
22 National Grid played a role? What pieces were -- were  
23 they -- was it covered under that Transition Agreement?

24 A. (DaFonte) The Transition Service Agreement that we

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1 utilized was for the demand forecast, for developing  
2 the demand forecasts and all of the assumptions that go  
3 into that. And, they -- National Grid also ran that  
4 demand forecast through the SENDOUT model, which is an  
5 optimization model that determines the least cost  
6 dispatch of our resources. So, while they ran the  
7 model, we shadowed the whole process, including the  
8 demand forecast. So, we are -- we think we're pretty  
9 well-equipped to be able to take this on, as I said,  
10 beginning of the year.

11 Q. What steps do you think you have left to do to assume  
12 those responsibilities?

13 A. (DaFonte) I think the only thing we have left to do now  
14 is to start to, you know, take in some of the data that  
15 we're collecting now through our own billing system.  
16 So, now that we have that, we'll have our own data  
17 points, and be able to start to do our own  
18 normalization routines and do our own bill calculations  
19 and so forth that help to develop that forecast. But,  
20 other than that, I think we're pretty well covered.

21 Q. Back to you, Mr. Savoie. The LDAC rate, how does this  
22 year's compare to last year's?

23 A. (Savoie) The residential heating and non-heating LDAC  
24 rate, the proposed rate is 2.9 cents. And, last year's

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1 approved rate was 2.5 cents -- 2.58 cents. That's an  
2 increase of 0.32 cents. For commercial/industrial  
3 sales and transportation customers, the proposed LDAC  
4 rate is 3.5 cents, compared to 1.87 cents last year.

5 Q. You made a number of corrections at the outset of your  
6 testimony, Mr. Savoie, referencing the audit that the  
7 PUC Staff -- Audit staff did. So, that audit has been  
8 completed?

9 A. (Savoie) I believe it has.

10 Q. And, other than the corrections that you made, maybe  
11 some of them were from the audit, some of them were the  
12 ones you caught yourself, are there any other issues  
13 related to the audit that we haven't covered of last  
14 year's cost of gas?

15 A. (Savoie) You're speaking about the CGA, not the  
16 environmental audit?

17 Q. Correct.

18 A. (Savoie) There were eight total audit issues. Three of  
19 which resulted in a dollar change to the  
20 undercollection that netted to \$1,114.

21 Q. And, that's what you talked about earlier this  
22 afternoon?

23 A. (Savoie) Yes.

24 Q. Okay. And, the other five?

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1 A. (Savoie) The other five, I think we were able to  
2 reconcile any differences, other than the Staff, I  
3 think, would like to just see some general ledger  
4 corrections, some postings to the general ledger. So,  
5 we can follow up on that.

6 Q. Do you know if the Company has provided the Audit Staff  
7 with the documents for the environmental remediation  
8 and litigation expenses?

9 A. (Casey) I'm sorry, I didn't hear the question.

10 Q. Has the Company provided the Audit Staff with the  
11 documents supporting the environmental remediation and  
12 litigation costs?

13 A. (Casey) Yes.

14 Q. Okay. And, do you know if the Audit Staff has  
15 completed that reconciliation?

16 A. (Casey) Yes, I believe they have.

17 Q. And, were there any significant material findings in  
18 that audit?

19 A. (Casey) Nothing significant, no.

20 Q. And, Mr. DaFonte, are you aware of any operational  
21 problems, supply disruptions you had last year that  
22 affected your company?

23 A. (DaFonte) No, we didn't have any operational problems  
24 and not supply --

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1 (Court reporter interruption)

2 **BY THE WITNESS:**

3 A. (DaFonte) I'm sorry. No operational problems last year  
4 and no supply disruptions.

5 BY MR. SHEEHAN:

6 Q. Before today's hearing, I had premarked "Exhibit 5" for  
7 identification, which is a document titled "Peakshaving  
8 Storage Requirement". Do you have a copy of that in  
9 front of you?

10 A. (DaFonte) Yes, I do.

11 Q. My understanding is this is a report the Company files  
12 around October 1st of each year. It's related to the  
13 cost of gas, but it's an independent filing, is that  
14 right?

15 A. (DaFonte) That is correct.

16 Q. And, then, you filed a revised one just last week, the  
17 15th, I believe?

18 A. (DaFonte) Yes, we did.

19 Q. And, that's what you have in front of you now, which is  
20 "Exhibit 5"?

21 A. (DaFonte) Yes.

22 Q. And, is this something you prepare or was it prepared  
23 under your direction?

24 A. (DaFonte) Yes. It was prepared by a National Grid

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1 employee, but under my direction.

2 Q. Okay. Could you turn to Page 3. The liquid gases  
3 storage data table indicates the Company is not  
4 planning to use the Amherst facility -- storage  
5 facility. What is the storage capacity of that  
6 facility?

7 A. (DaFonte) The storage capacity in Amherst is  
8 approximately 100 -- I'm sorry, 91,400 gallons, and  
9 which is about 9,000 or so dekatherms.

10 Q. About how much of that capacity does the Company  
11 release to other third party operators?

12 A. (DaFonte) This year, we're allowing a third party to  
13 hold about 50,000 gallons of inventory there.

14 Q. And, can you explain why the Company is not using that  
15 facility for supplemental propane storage?

16 A. (DaFonte) The Company believes that it has sufficient  
17 storage in its other facilities. And, if need be,  
18 would refill those other facilities with incremental  
19 purchases of propane.

20 Q. If you turn the page to Page 4 of that report, the line  
21 chart on the top half of the page, which I presume is  
22 drawn from the data on the bottom of the page,  
23 indicates that the design scenario you have, the  
24 projected levels will not be sufficient to meet the PUC

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1 requirement. Is that correct?

2 CMSR. SCOTT: Before your answer, can  
3 you clarify that chart on that page, which is dotted and  
4 which is solid?

5 MR. SHEEHAN: Sure.

6 BY MR. SHEEHAN:

7 Q. Mr. DaFonte, why don't you -- I think this may have  
8 been prepared in color. The chart has a solid line and  
9 a dotted line, if you could tell us what those two  
10 lines represent.

11 A. (DaFonte) Sure. The dotted line essentially represents  
12 what the EnergyNorth projected inventory would be  
13 throughout the season. And, the solid line is what the  
14 requirement is for, under the New Hampshire PUC  
15 requirement, to maintain a certain level of inventory.

16 Q. Right. And, it appears as though a section in there  
17 where the inventory is below what the regulatory  
18 requirement is, is that correct?

19 A. (DaFonte) Yes. There is a cross-over period, where  
20 there is a very slight level of storage inventory that  
21 would be below the New Hampshire PUC guidelines. But  
22 that -- let me just point out that that assumes that we  
23 would be taking the propane out, as well as the LNG out  
24 in the manner that we've stated here, without

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 refilling. But we do have a, as I mentioned earlier, a  
2 200,000 dekatherm refill contract for LNG. So, we  
3 would, obviously, continue to refill those inventories  
4 as they draw down.

5 Q. So, that was the next question. Do you plan to take  
6 whatever steps you need to to keep -- comply with the  
7 storage requirement as the winter goes on?

8 A. (DaFonte) Yes. Absolutely.

9 Q. So, if you were to draw this picture after the winter,  
10 you're telling me it would not show that point where  
11 the graphs cross as they do in this Exhibit 5?

12 A. (DaFonte) That's correct. And, by the way, we do  
13 provide weekly storage reports to the PUC during the  
14 winter period, so that PUC Staff can follow where our  
15 inventories are, relative to the requirements that are  
16 shown in this through the solid line.

17 Q. Other than what we've discussed today already, do you  
18 foresee any other likelihood that EnergyNorth will have  
19 LNG or propane peakshaving supply issues this winter?

20 A. (DaFonte) We certainly don't anticipate any issues. We  
21 have tested our LNG facilities, which, if I could  
22 correct something, a statement I made earlier, that one  
23 of our LNG facilities was in "Nashua". It's actually  
24 in Manchester. But we've tested those facilities, and

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1 have had no problems. We haven't tested our propane  
2 facilities. We've been waiting for some colder winter,  
3 which we are going to get in the next week or so. So,  
4 we plan on testing those over the course of the next  
5 seven days.

6 Q. Lastly, I have a couple questions on the hedging  
7 program. Can you tell us what the amount of hedging is  
8 necessary to support the 30 percent for the winter  
9 supply available for purchase through the Fixed Price  
10 Option? I think it's the "Fixed Price Option Plan".

11 A. (DaFonte) That was a data request. Let me just see if  
12 I can find that one. It's Staff 1-8. And, my response  
13 basically states that, at the four year average of a  
14 12 percent enrollment in the FPO, the Company would  
15 have to hedge approximately 678,000 dekatherms through  
16 its NYMEX futures hedging program.

17 Q. And, so, over the past four years, 12 percent has been  
18 the average of supplies that you've committed to the  
19 FPO?

20 A. (DaFonte) Yes. Roughly 12 percent was the enrollment  
21 level. Now, of course, that 12 percent includes the  
22 residential and commercial.

23 Q. In your testimony, Bates 37, you state that shale gas  
24 production has "muted the volatility of the NYMEX/Henry

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 Hub futures" and the "current hedging program does not  
2 provide meaningful benefits". And, I think you've  
3 repeated some of that here today. Is it the Company's  
4 intention to propose further modifications in the  
5 hedging and FPO programs in the near future to address  
6 that concern?

7 A. (DaFonte) I think the Company would make some proposals  
8 going forward. Again, understanding that the  
9 volatility that we had, probably up until 2008, it no  
10 longer exists or is muted, as I mentioned, because of  
11 the abundance of supplies in the Marcellus shale and  
12 other shale places. I think we would make a proposal  
13 to either minimize or reduce the amount of hedging that  
14 we do or eliminate it altogether, with respect to  
15 futures contracts. The hedging that we may propose  
16 would be maybe more related to hedging the basis  
17 differential for the supplies that we actually purchase  
18 in the market area.

19 Q. Do you know when you may make a filing on that, any  
20 changes to the hedging program that you just discussed?

21 A. (DaFonte) Not at this time. I really can't hazard a  
22 guess at this time, until we have a chance to think  
23 about it a little bit, and maybe think about the way in  
24 which we would propose something like that.

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 Q. But that's something you could certainly talk to Staff  
2 and OCA, outside of a filing, as you're thinking about  
3 preparing which direction you may go?

4 A. (DaFonte) Oh, absolutely. We would not make any filing  
5 without conferring with Staff and OCA beforehand.

6 MR. SHEEHAN: That's all I have. Thank  
7 you.

8 MR. SPEIDEL: Mr. Sheehan, if I may?

9 MR. SHEEHAN: Certainly.

10 MR. SPEIDEL: I just have one quick  
11 follow-up.

12 MR. SHEEHAN: Sure.

13 MR. SPEIDEL: Thank you.

14 BY MR. SPEIDEL:

15 Q. Mr. DaFonte, I just have one quick follow-up question  
16 about the "consortium of the New England utilities"  
17 involved in Tennessee Pipeline efforts. Is there a  
18 name for that consortium?

19 A. (DaFonte) No. We just call ourselves "the consortium".

20 Q. "The consortium". And, there's no public Web presence  
21 or any press releases that have been issued?

22 A. (DaFonte) No. Nothing like that. The New England  
23 LDACs have typically banded together as a group in  
24 various industry filings, rate cases, things of that

[WITNESS PANEL: Savoie~DaFonte~Casey]

1 nature. So, we do feel like, as a group, we carry a  
2 lot more weight than as individuals. So, that's  
3 primarily why we do that. And, this is another case  
4 where it's a new project, and there are some  
5 opportunities, by banding together, creating a scale  
6 that we can maybe negotiate some favorable terms.

7 MR. SPEIDEL: Thank you.

8 CHAIRMAN IGNATIUS: Thank you. I think  
9 we're going to take a ten minute break. And, then, we'll  
10 resume with further questioning from the Commissioners and  
11 any redirect. And, then, is there Mr. -- No?

12 MR. SHEEHAN: We don't expect any Staff  
13 witnesses.

14 CHAIRMAN IGNATIUS: You don't have any  
15 Staff witnesses?

16 MR. SHEEHAN: No, ma'am. We don't  
17 expect any.

18 CHAIRMAN IGNATIUS: All right. We'll  
19 take a ten minute break.

20 (Recess taken at 3:13 p.m. and the  
21 hearing resumed at 3:33 p.m.)

22 CHAIRMAN IGNATIUS: All right. We're  
23 back from a break. And, the next business will be some  
24 questions from Commissioners. Commissioner Harrington, do

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 you have questions?

2 CMSR. HARRINGTON: Yes. I have a few.

3 Good afternoon.

4 BY CMSR. HARRINGTON:

5 Q. With regard to the -- just a couple of questions on the  
6 hedging program and how this all works, to make sure I  
7 understand it correctly. We have the Fixed Price  
8 Option. And, I'm assuming last year that that was --  
9 resulted in part of the undercollection, the people  
10 that were on the Fixed Price Option, because of the  
11 price volatility. Is that correct?

12 A. (DaFonte) Yes. I would say that that would be a good  
13 assumption.

14 Q. And, I think it was also stated that there's, in the  
15 non-fixed price option, you're able to raise it up to  
16 25 percent, and then that's the cap, then you hit the  
17 cap, and exceeded it, so that you couldn't raise it any  
18 higher, so that led to further undercollections, is  
19 that correct?

20 A. (Savoie) Yes.

21 Q. Okay. And, so, I'm just trying to figure this now. If  
22 your -- this year then, that undercollection gets  
23 distributed to all customer classes, so that the people  
24 that took the Fixed Price Option last year will pay

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 more this year with whatever option they take, and so  
2 will everybody else, --

3 A. (Savoie) Yes.

4 Q. -- because of the undercollection currently?

5 A. (Witness DaFonte nodding in the affirmative).

6 Q. So, if you stay with the Fixed Price Option, though, it  
7 does give you some -- somewhat protection from the  
8 volatility, because the non-fixed price has that "up to  
9 25 percent" cap, which will, by increasing that amount,  
10 will lessen the amount of undercollection that will  
11 need to be collected in the future year?

12 A. (DaFonte) That's correct.

13 Q. Okay.

14 A. (DaFonte) Yes.

15 Q. All right. I just wanted to make sure I understood how  
16 that worked. And, getting to the hedging itself, it  
17 almost sounds as if you're starting to talk about two  
18 different programs; one for the past and one for the  
19 present and going forward. And, the past one was based  
20 on hedging at the NYMEX prices, which maybe five, six  
21 years ago were very volatile, maybe even -- especially  
22 even before that when we had disruptions in the Gulf  
23 and so forth, where the prices would jump up and down.  
24 And, that hedging was very helpful back then. But, I

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 think, based on your testimony, what you're saying now  
2 is, due to the abundance of the shale gas, the price  
3 variations at NYMEX are pretty small?

4 A. (DaFonte) That is correct.

5 Q. Okay. So, what used to work as hedging, the hedging  
6 that you had in the past, really wouldn't have much  
7 effect on what happened last winter, where we saw the  
8 east-of-the-constraint prices going up and down  
9 substantially?

10 A. (DaFonte) That's exactly right.

11 Q. And, so, that's what I'm trying to kind of determine  
12 here. So, you have firm gas and firm transportation  
13 coming from NYMEX, to here, but not for your entire  
14 load, correct?

15 A. (DaFonte) That's correct. We have about 107,000  
16 dekatherms of pipeline capacity.

17 Q. Okay.

18 A. (DaFonte) About half of that we have to purchase in the  
19 market area. So, that's our primary receipt point.

20 Q. Excuse me. When you say you "purchase in the market  
21 area", I'm not quite sure what you mean?

22 A. (DaFonte) In New England. It's, basically, it's at  
23 Dracut.

24 Q. Okay.

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 A. (DaFonte) Which is the interconnect of Tennessee and  
2 the PNGTS and Maritimes Pipelines, which don't have  
3 much supply there, so, again, a lot of volatility. So,  
4 what we want to do is we want to get west of the  
5 constraints to access the Marcellus supply.

6 Unfortunately, we only have, again, about half of our  
7 107,000 that goes beyond those constraints and either  
8 accesses direct supply or storage supplies, which are  
9 cheaply priced as well.

10 Q. So, for your -- for serving your customers then, you're  
11 getting about half from that west-of-the-constraint  
12 area at the NYMEX prices, and, in the other part, do  
13 you buy on -- I'm trying to figure out how you buy it.  
14 Do you buy it with fixed contracts in New England or  
15 are they market price -- spot price or a combination or  
16 maybe you can explain that a little bit?

17 A. (DaFonte) It's a combination of market price, market  
18 price, some of it's at a first-of-the-month price.  
19 Whereas, once you get into the month, then we also have  
20 spot pricing that takes effect. What we try to do is  
21 we try to minimize some of that volatility by buying  
22 baseload supplies for the peak months of say December,  
23 January, February, and that way the first-of-the-month  
24 price, which is not usually as volatile, certainly

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 wouldn't be if you looked at this past winter, it's not  
2 as volatile as if you were buying it during the month  
3 when you need it, everybody else needs it as well. So,  
4 it pushes the price up significantly. When you get  
5 into the month, you're, again, buying on the spot. If  
6 you're buying a baseload, there's an assumption that  
7 you're going to use and you're going to need what you  
8 buy. And, so, the market kind of matches up, and you  
9 can get a little bit lower price for that supply.

10 Q. So, does the -- you buy about -- you get about half of  
11 your supply on firm contracts from we'll just say "west  
12 of the constraint", and that comes in. Now, the other  
13 half, you buy a combination of firm contracts or  
14 baseloaded contracts at the Dracut market. But you  
15 can't buy all of it that way, because, otherwise,  
16 you're afraid you'll be stuck with excess gas, if it's  
17 warmer than necessary, or, if it gets real cold, then  
18 you're going to need extra gas to supplement what you  
19 thought you needed?

20 A. (DaFonte) Right. If it gets colder, that's when we  
21 really go out and buy the spot market. And, our hope  
22 is that there aren't a lot of those cold days and we're  
23 not having to pay too much for that supply. That's why  
24 we, this year, we went out and contracted for an

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 additional 100,000 of LNG liquid, because we feel that,  
2 when it does get cold, instead of going out into the  
3 market and buying gas that's been bid up, we have gas  
4 that's already essentially set at first-of-the-month  
5 prices.

6 Q. Now, is that a fixed price, your Distrigas contract?

7 A. (DaFonte) It's a price that's fixed at the beginning of  
8 each month. So, it's a first-of-the-month price. But,  
9 again, it limits the volatility during the month. So,  
10 we'll know what the price is once we get into the  
11 month, and that will help us make our decision as to  
12 whether we're going to use the LNG or buy in the spot  
13 market.

14 Q. Okay. So, you would -- you have the -- it's sort of a  
15 call option then with Distrigas. You don't necessarily  
16 have to buy it or --

17 A. (DaFonte) Yes. It's not a must-take contract.

18 Q. Okay. So, as we -- let me just ask you a couple more  
19 underground -- background questions then. You were  
20 mentioning about the potential for more supply from  
21 Deep Panuke. And, there's also a question, do you feel  
22 as though the Canaport facility is going to have an  
23 effect on your supplies this winter? And, by that I  
24 mean, at least according to them, last year they flowed

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 35 BCF into New England during the winter months,  
2 specifically January and February. And, as you're  
3 probably aware, there's been a -- you know, they've  
4 sold a lot of their resources, and no longer have the  
5 liquification facilities down in South America, nor the  
6 tankers. So, they say they're only going to have about  
7 9 BCF to flow this winter, unless somebody buys firm  
8 contracts and, you know, to refill that. And, I don't  
9 know of anybody who has done that. But that's about 26  
10 BCFs short. What happens with that? Can the system  
11 absorb that? Or, do you think someone will step up?  
12 I'm just interested in your opinion on how you think  
13 that will work?

14 A. (DaFonte) Well, again, there's a couple of variables  
15 there. With the Canaport facility, Repsol has made it  
16 known that they're not going to bring in as much LNG.  
17 However, they are marketing the Deep Panuke supplies.

18 Q. Uh-huh.

19 A. (DaFonte) So, that will replace some of, if not all of,  
20 that LNG that was coming in. The other thought is  
21 that, if prices do get higher, I think Repsol may be  
22 inclined to bring in some ships. Because, over in  
23 Europe and Asia, they're getting about \$18 or so for  
24 the LNG. And, of course, if you could sell it here for

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1           \$25, \$30, it would make more sense to bring it here.  
2           But that's something that they are going to have to  
3           make a decision on. And, I think that Deep Panuke  
4           volume may have some bearing on that.

5   Q.   And, it sounds like at least to some extent what you're  
6       saying is, you know, with this consortium about getting  
7       more firm transportation from west of the constraint,  
8       or actually trying to eliminate the constraint to some  
9       extent, that is, obviously, one way you cut down  
10      volatility in the wintertime. And, are there any other  
11      steps you can take, as far as hedging goes, to sort of  
12      move away from the old hedging thing, where you're  
13      hedging at NYMEX, which you stated really doesn't have  
14      much effect one way or the other, to doing it on the  
15      east side of the constraint, such that we won't see the  
16      undercollection to the extent we did last winter?

17   A.   (DaFonte) We can do that for those volumes that we're  
18       going to baseload.

19   Q.   Uh-huh.

20   A.   (DaFonte) And, those aren't -- there's not a lot. You  
21       know, we don't want to, certainly, as we mentioned  
22       earlier, I discussed the fact that we don't want to  
23       overpurchase for it, --

24   Q.   Uh-huh.

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 A. (DaFonte) -- because it's going to be expensive, we  
2 know that. But, to minimize the volatility, we would  
3 lock in a baseload package, maybe for the entire winter  
4 or a portion of the winter, and those you can hedge  
5 either physically or financially. Our preference is to  
6 do it physically. Since we go out with an RFP for  
7 supply anyway, we would simply just ask the supplier to  
8 provide a fixed price for us. And, they would go out  
9 and do the hedging on their end financially, which, you  
10 know, eliminates a lot of paperwork on our side as  
11 well. But that's what I would recommend doing for, you  
12 know, at least for those volumes that we have to  
13 purchase at Dracut.

14 Q. Okay. And, long term, would you do away with the  
15 hedging at NYMEX? Because it doesn't seem to really do  
16 much for the price, but, because the volatility is  
17 still associated with east of the constraint, people  
18 that take the Fixed Price Option, or at least for that  
19 year, are going to get, presumably, a much better deal.  
20 Even though that, with the hedging that was done for  
21 the Fixed Price Option, isn't really contributing to  
22 the fixed price at all.

23 A. (DaFonte) Right. That's right. You know, in essence,  
24 what you have is, you're hedging something that really

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 has no impact --

2 Q. Right.

3 A. (DaFonte) -- on the FPO. Because the FPO is just us  
4 locking in our estimated cost of gas, and saying  
5 "Here's your price, plus a premium", regardless of how  
6 we came up with that price. You know, we're going to  
7 still go through our estimation routine, put in what we  
8 think prices are going to look like this winter and so  
9 forth, and that's what the FPO will be predicated on.  
10 So, I think that we can still do that, because, again,  
11 by hedging the NYMEX, without any volatility, it's as  
12 if, you know, we really don't even need to hedge it  
13 anyway. But you're still giving FPO customers that  
14 opportunity to lock in their price. And, they may be  
15 worse off or they may be better off, but it's whatever  
16 they -- you know, whatever their preference is. You  
17 know, if they want to know that, you know, "my rate is  
18 going to be locked in, and I know what I'm budgeting  
19 for this winter for my heating", that's really what we  
20 want, to make sure customers are happy about that.

21 Q. But, as far as the Fixed Price Option, and the hedging,  
22 basically, right now, the hedging at NYMEX isn't really  
23 having much effect, and you just explained why it's  
24 not. So, you're still getting the advantage of fixed

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 price against the volatility, which is really the  
2 volatility that's east of the constraint, which is the  
3 part that's not being hedged. So, in the past, you --  
4 someone had said, I'm not sure who it was, that the  
5 Fixed Price Option average overall might have lost a  
6 little bit. I would think, if we continue in this new  
7 paradigm that we seem to be in right now, the Fixed  
8 Price Option would be substantially more rewarding to  
9 go into, because, you know, you're paying for a hedge  
10 that costs almost nothing, because there's no  
11 volatility, but you're getting protected against the  
12 volatility of prices that can't be hedged, or at least  
13 be difficult to be hedged. So, I mean, I think that's  
14 something you should kind of look at about a strategy  
15 going forward how you're going to deal with that.  
16 Because I think, you know, it sounds like last year,  
17 and possibly this year, if you took the Fixed Price  
18 Option, you'd end up quite a bit ahead if you had.

19 A. (DaFonte) Right. No, I agree. The one thing I would  
20 say is that, when you look at it over time, I think  
21 there are going to be times when we overestimate the  
22 cost of gas, and then the winter turns out to be warmer  
23 than normal, we don't have the spikes in pricing that  
24 we forecast. And, so, the Fixed Price customers are

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 going to be worse off in that instance.

2 Q. Yes. I agree. I agree with you. And, that would be,  
3 if the conditions had stayed more or less steady state  
4 over a period of ten years, but I think there's been a  
5 quantum change in conditions, when we went from the  
6 NYMEX not being really needed to be hedged, there's no  
7 variability in the price there because of shale gas.  
8 So, now, we're really in a whole new ballgame. And,  
9 I'm just suggesting that the rules of how you come  
10 about -- up with your Fixed Price Option ought to be  
11 changed to address the new ballgame.

12 A. (DaFonte) Yes. No, I agree. And, it almost seems to  
13 me is the benefit is only -- it's going to be only as  
14 good as our estimate is. So, if we're overestimating,  
15 the FPO customers are going to be worse off. If we're  
16 underestimating, they're going to be better off. And,  
17 so, it's difficult. But, again, I don't think -- we  
18 can't hedge enough to really avoid that sort of subsidy  
19 that exists there. So, it really is trying to  
20 determine whether having this program out there is  
21 still beneficial to customers. And, based on the  
22 enrollments that we're seeing, the customer, obviously,  
23 believes that it's beneficial to them. So, we would  
24 definitely, you know, we'll continue to look at that

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 and see if there's -- you know, obviously, the first  
2 thing is, can we do a better job of coming up with a  
3 hedging program that locks in at least a portion of  
4 that, what I call the "basis differential", the  
5 east-of-the-constraints purchase points.

6 Q. All right. Thank you. I'm just going to -- I've got a  
7 couple of other quick questions. If you go to Page 5  
8 of Mr. Savoie's testimony, this is Page 5 of Exhibit 1.  
9 Just a quick question on the middle of the page there,  
10 it talks about the difference in prices between the  
11 High Winter Use -- Commercial/Industrial High Winter  
12 Use and Commercial/Industrial Low Winter Use, and the  
13 price is barely over a percent difference. What's the  
14 driver for that? And, if it's that little, is it  
15 really worth having two different prices?

16 A. (Savoie) It is a small difference. It was, I believe,  
17 our consultant, Jim Harrison, who came up with these  
18 differentials to try to reward people with low winter  
19 use and try to shift some costs over to the high winter  
20 use customers who maybe owe a little bit more money. I  
21 do agree it's a rather small distinction and --

22 Q. Is there any savings involved with someone who uses  
23 slightly less? I mean, it can't be a lot, if you're  
24 only charging one percent higher.

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 A. (Savoie) I hadn't quantified that. It can't be a very  
2 big bill impact, from a low use to a high use customer.

3 Q. Bates Page 9 of your testimony, which is a few pages  
4 over, just another question on the lines -- starting on  
5 Line 4, it talks about "firm transportation". And, the  
6 cost, I mean, in pennies or in cents, it's very little.  
7 But, in percentage, it's huge. What accounts for this,  
8 it's like a thousand percent increase, how come so  
9 much?

10 A. (Savoie) A big portion of it was an undercollection  
11 from the prior year. And, another portion is because  
12 the forecast this year is anticipating a higher use of  
13 LNG/LP. And, I think Mr. DaFonte can elaborate on  
14 that.

15 A. (DaFonte) Yes. I'm trying to see what the context is  
16 on this.

17 Q. One, just a follow-up question, while he's looking at  
18 that. You say the undercollection was 33,000. What's  
19 that a percentage of? I mean, is it 33,000 out of  
20 2 million or 33,000 out of, you know, how much was  
21 undercollected?

22 A. (Savoie) Perhaps Bates Page 61 would help.

23 Q. Okay.

24 A. (Savoie) The undercollection I'm referring to is the

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 nearly, let's see, fourth line from the bottom --

2 Q. Okay. Got it.

3 A. (Savoie) -- is the undercollection of 33,351 from last  
4 year. So, that impacts that increase. But, then, if  
5 you were to look at this page last year, I believe  
6 there was no LNG forecasted, where this year there is a  
7 sizable amount. And, that's where Mr. DaFonte could  
8 explain why we forecasted that this year, versus prior  
9 years, what's happening there.

10 Q. I guess my question is the 33,000 is what was  
11 undercollected. How much -- how much did you  
12 anticipate collecting in total?

13 A. (Savoie) In the prior year?

14 Q. Yes.

15 A. (Savoie) I don't have that information in front of me.

16 Q. Okay. I'm just trying to get a feeling if 33,000 means  
17 you undercollected 10 percent of what you estimated or  
18 5 percent?

19 A. (Savoie) I think it was significant.

20 Q. Okay.

21 A. (Savoie) The dollars last year that we anticipated, it  
22 was relatively very small, but then we used much more  
23 LNG and LP than we originally forecasted.

24 Q. Okay. And, moving onto Page 13, just if you could just

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 briefly talk about the -- on the Energy Efficiency  
2 Charge, there's -- it talks about this, as far as the  
3 Energy Efficiency Program, and how does that manifest  
4 itself in savings to overall customers by using this?  
5 I mean, obviously, if you go to someone's house and  
6 they put insulation or whatever and then they use less  
7 gas for their house, that saves them money. But does  
8 it have a system benefit as well, by them using less  
9 gas?

10 A. (Savoie) That I'm not prepared to answer. I'm not very  
11 involved with the details in the Energy Efficiency  
12 Program.

13 Q. Okay.

14 A. (DaFonte) I think I can just make a comment on that, in  
15 terms of the rationale behind certain energy efficiency  
16 savings would be that there's a reduced requirement for  
17 purchasing gas supplies. And, certainly, if you're  
18 avoiding the purchase of, you know, \$25, \$30 gas,  
19 that's a good thing. If gas was much cheaper, if we  
20 were in Pennsylvania, let's say, and you could buy gas  
21 for \$3, then energy efficiency has a little bit  
22 different flavor to it.

23 Q. All right. So, it's sort of equivalent to peakshaving  
24 in the electric markets then, to avoid the high priced

1 supply?

2 A. (DaFonte) Sure.

3 Q. And, just one other, just a side question. I see that  
4 you have four propane facilities. Now, you can -- the  
5 propane has different engineering, I don't know what  
6 I'm trying to say, different heat rates and so forth  
7 than the LNG and the natural gas does. So, how do you  
8 account for that? Or, is it just simply that it's  
9 diluted enough so it doesn't really make a difference?

10 A. (DaFonte) We definitely -- we dilute it, we mix it with  
11 natural gas. So, it brings down the thermal value  
12 significantly. But it's still a much higher Btu  
13 content when it goes into the system. It's not ideal,  
14 certainly, for manufacturing and whatnot. There are  
15 customers that can be adversely impacted by propane in  
16 the system, if there's too much of it, and they're  
17 close to the facility, for example.

18 Q. Uh-huh.

19 A. (DaFonte) But, given the alternatives that we have  
20 today, it makes sense for us to continue to use the  
21 propane.

22 Q. So, most of your sales is space heating, where it  
23 wouldn't be that much of a difference.

24 A. (DaFonte) Yes.

[WITNESS PANEL: Savoie~DaFonte~Casey]

1 Q. But processing would be encountering --

2 A. (DaFonte) Wouldn't necessarily -- yes, it wouldn't be  
3 that much, you know, if there was a slug of propane  
4 that went in and, you know, it created some problems  
5 with your burners or something like that, but,  
6 typically not. It's more for the, you know, commercial  
7 customers, the manufacturing load, bakeries, things  
8 like that, that it would create problems for. But,  
9 again, you know, these facilities are quite old. But,  
10 given the constraints that we have here in New England,  
11 they still make a lot of sense. Same with the LNG  
12 facilities, they still make a lot of sense. We could  
13 never replace the capacity that LNG facilities have,  
14 for example. There's about 16 BCF of LNG capacity in  
15 New England held by utilities. And, so, you could  
16 never make that up with a pipeline project. So, I  
17 think LNG will always be in this market, and it will  
18 always be part of our portfolio. The propane  
19 facilities are things that, you know, we'll certainly  
20 take a look at as they get older and equipment, you  
21 know, needs more maintenance and so forth. And, we  
22 have to deal with the higher Btu, but --

23 Q. Are you having any problems, for example, with people  
24 because there is some more widespread distributed

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 generation now, where people put in a gas turbine to  
2 produce electricity, for example, where the change in  
3 heat rate could have a pretty negative effect on that.  
4 You haven't heard any problems with that?

5 A. (DaFonte) I haven't. But, you know, we don't make a  
6 lot of propane, generally speaking. Although, last  
7 winter was maybe we -- we made a little bit more than  
8 we expected, just because the propane price was  
9 actually pretty competitive, and actually cheaper on  
10 those peak peak days. And, we expect that we would  
11 continue to use propane, primarily for the pricing, the  
12 economics.

13 CMSR. HARRINGTON: All right. Thank  
14 you. That's all I have.

15 CHAIRMAN IGNATIUS: Commissioner Scott.

16 CMSR. SCOTT: Thank you.

17 BY CMSR. SCOTT:

18 Q. I wanted to start with the Fixed Price offering. When  
19 I -- I was just curious. So, if I'm one of your  
20 customers and I enrolled this year, if I wasn't  
21 somebody who was following the market and that type of  
22 thing, how would I know whether I made a good choice?  
23 How do I know that? For example, pick on little old  
24 ladies, but I think anybody could do that.

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 A. (DaFonte) Yes. You know, the only thing I could say is  
2 that, if you do sign up for it, I think some customers  
3 are signing up for it for piece of mind, in a sense.  
4 If you wanted to do a comparison, I suppose you could  
5 talk to your neighbor, and you could get that -- you  
6 could get that comparative rate, for example. And,  
7 certainly, if they -- if the customer called the  
8 Company, we'd be able to provide them with that  
9 information.

10 Q. So, that that's probably maybe a good venue for  
11 somebody who was thinking about it, they could call and  
12 ask?

13 A. (DaFonte) Yes. Sure.

14 Q. Historically, how would they have done? Okay. Now, if  
15 I asked "how would I have done last year, if I had  
16 signed up?" What would you say?

17 A. (DaFonte) Are you a customer?

18 Q. No, I am not.

19 A. (DaFonte) Well, you know, certainly, if you were a  
20 customer last year, you did very well, because the  
21 initial rate was in the 66 or so rate, cent range,  
22 somewhere around there, 66, 67. And, the cost of gas  
23 rate ultimately averaged in the 70s.

24 A. (Savoie) Seventy-seven.

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 A. (DaFonte) Seventy-seven. So, you definitely made out  
2 very well last year. Now, you're going to pay a little  
3 bit more for it this year, because there was some  
4 undercollection that was driven by the fact that we  
5 undercollected on the FPO, but it's spread out over all  
6 customers. So, it's not like you're losing the benefit  
7 that you gained the year before. But, I think, as I  
8 said earlier, we looked at some sort of analysis over  
9 the course of that FPO offering, and customers have  
10 generally been a little bit worse off.

11 MR. SHEEHAN: If I could interject?  
12 There is a chart on Page 270, Bates 270, which is a  
13 year-by-year --

14 WITNESS DaFONTE: Thank you.

15 MR. SHEEHAN: -- measure of the FPO rate  
16 and whether those customers would have done better or  
17 worse.

18 CMSR. HARRINGTON: Can you give us the  
19 page number again?

20 MR. SHEEHAN: 270.

21 BY CMSR. SCOTT:

22 Q. And, my final question on that front is, I was just  
23 curious, I could see, "gee, last year, the customers  
24 would have made out well, so, I'll sign up this year."

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 You know, people being who they are, they will follow  
2 what happened last year. Does the opposite hold true,  
3 too? If last year they would have lost, do you see  
4 your number of people enrolling go down the following  
5 year?

6 A. (DaFonte) I don't know that there's a straight  
7 correlation there. Because, again, I think some  
8 customers, they just like that piece of mind. So,  
9 they're just going to sign up for the Fixed Price  
10 regardless. And, they're not really tracking whether  
11 they were worse off or better off. So, I think you're  
12 still going to get a, you know, a sort of a base number  
13 of customers that are pretty much going to sign up for  
14 the program.

15 Q. So, it certainly sounds like it's a valuable tool for  
16 your customers?

17 A. (DaFonte) As long as, you know, it seems like they  
18 continue to enroll, then, it seems like it's valuable  
19 to some of them for sure.

20 Q. Okay. And, moving onto the -- I'm going to kind of go  
21 in a little bit of quick order here on Bates 10, so,  
22 that's Mr. Savoie's testimony. I assume it's a typo,  
23 either that or my understanding of basic economics  
24 doesn't work. On Line 12, you're talking about, to

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[WITNESS PANEL: Savoie~DaFonte~Casey]

- 1 paraphrase, reasons why prices were high, and you talk  
2 about "increased demand from utilities and gas  
3 generators", and I get that. And, then, you talk about  
4 a "commensurate increase in supply" was responsible for  
5 the cost increase, and I got lost there.
- 6 A. (Savoie) Chico, would you mind?
- 7 A. (DaFonte) Yes. No, I think what it really should read  
8 is an "increase" -- "a commensurate increase in  
9 purchases".
- 10 Q. Okay.
- 11 A. (DaFonte) It's really the fact that there was a -- you  
12 know, that there was increased weather, and that caused  
13 us to have to go out and procure more supply, --
- 14 Q. Okay. Which was --
- 15 A. (DaFonte) -- which was at the higher price.
- 16 Q. So, the demand went up, so the cost went up, not supply  
17 went up, so the cost went up?
- 18 A. (DaFonte) Yes. You got it.
- 19 Q. I just want to make sure I don't have to go sue my  
20 economics professor.
- 21 A. (Savoie) Chico helped me with the language. So, that's  
22 why I looked at him.
- 23 Q. And, on Bates 19, there's a small discussion on  
24 "unaccounted for gas". And, you're showing a half

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 percent for the time period. How does that compare to  
2 prior years?

3 A. (Savoie) Significantly less. I don't recall the prior  
4 year rate, but this is definitely a reduction.

5 Q. And, is that because of the Bare Steel Replacement  
6 Program or what drove that, do you think?

7 A. (Savoie) I don't think the Bare Steel would have that  
8 big an impact. It would have some. But I don't know  
9 the details, operationally, what would have caused that  
10 decrease, prior to Grid's calculation of this number.  
11 It may possibly be partly due to reduced occupant  
12 billing that's flowing through the unaccounted for gas.  
13 I'd have to do an analysis to see that.

14 Q. Okay. And, on Bates 28, and you talked a little bit  
15 about the Deep Panuke potential for that project to  
16 have a positive impact. I was curious, this is  
17 September 3rd, and the discussion here is that it's  
18 begun flowing volumes of gas. That's not quite what I  
19 understood to be happening. Is that the case that Deep  
20 Panuke is up and running now?

21 A. (DaFonte) It is up and running. There is gas flowing  
22 into the U.S. And, it's -- it has been sporadic, but  
23 it has improved over the last, I would say, couple  
24 weeks. And, it may be by design, too. That they're

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 waiting to sell that gas into our higher priced market.  
2 So, they might open the spigot once the prices go up a  
3 little bit.

4 Q. Okay. That's helpful. And, maybe the timing is good  
5 for -- as we go into winter. I just remember seeing a  
6 lot of press coverage that Deep Panuke getting "next  
7 month", "next month", type of thing. So, okay. That's  
8 good to know. Thank you. And, while I'm going on that  
9 end, so that hasn't had enough flow to have traction  
10 yet, is that correct?

11 A. (DaFonte) We haven't seen any real impact at this  
12 point. We'll really start to see that as we hit some  
13 colder weather. Not the cold weather that we're going  
14 to see here. I mean, it's all relative. Once we get  
15 into December and get a cold spell, we'll be able to  
16 see if that gas is actually making it all the way down  
17 to Dracut.

18 Q. Okay. And, then, on Bates 30, you have -- and, you've  
19 already discussed, at the top of the page, you talk  
20 about at the time you had "plans to contract with  
21 Distrigas." But, in the center of the page, Lines 9  
22 through 13, you talk about "additionally, you're going  
23 to" -- "the Company will contract for firm trucking  
24 capacity." Has that happened?

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 A. (DaFonte) Yes. We do have firm trucking available.

2 Q. Thank you. And, I guess my last question, you kind of  
3 talked to this already. I was just curious, your  
4 discussion with Commissioner Harrington about the  
5 "consortium", and "Canaport", I was just curious, has  
6 the consortium -- I assume you've already talked about  
7 potential for the consortium getting together to look  
8 at pipeline capacity and builds. Have you looked at  
9 purchasing, as a group, firm gas at Canaport and firm  
10 transportation from there as an alternative, I wonder?

11 A. (DaFonte) Good question. We actually do have another  
12 consortium that is looking at LNG alternatives. Right  
13 now, for liquid, there's pretty much one player in the  
14 market, which is the Dstrigas facility in Everett,  
15 Massachusetts. Pretty much the same members that are  
16 in the LDC consortium for the pipeline projects are in  
17 this LNG consortium as well. And, there are several  
18 projects that are being proposed out there for  
19 liquefaction services. So, we do want to get involved  
20 in that, and we're certainly part of that group. And,  
21 one of the options may very well be Canaport, as a  
22 liquid service. So, it's a potential. But there are  
23 others that are also proposing some additional  
24 projects. So, we'd certainly want to, you know, keep

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 in tune with what the market is proposing, and doing it  
2 with some of the other LDACs, again, gives us some  
3 scale and some leverage with our negotiations.

4 CMSR. SCOTT: Thank you very much.  
5 That's all I have.

6 CHAIRMAN IGNATIUS: Sure. Commissioner  
7 Harrington.

8 CMSR. HARRINGTON: While we're on that  
9 subject, I just have quickly one more thing.

10 BY CMSR. HARRINGTON:

11 Q. Have you heard anything about, you know, there is that  
12 off-shore facility in Massachusetts now that could take  
13 LNG in. But I think they have only had one tanker in  
14 there since their existence. But I've heard that they  
15 may get more active this winter. Do you know anything  
16 about that or can comment on that?

17 A. (DaFonte) I have not heard that they're going to get  
18 more active. There's actually two buoy systems that  
19 are out there. And, one is owned by the Distrigas  
20 folks, GDF SUEZ is the owner. And, then, there's a  
21 second buoy system out in Boston Harbor, which really  
22 hasn't had any ships deliver there over the last two  
23 years. So, we have not heard that --

24 Q. Is that Distrigas as well that owns that or --

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 A. (DaFonte) No. That's a different company. I can't  
2 recall the name of it.

3 Q. And, that would come off the ship as liquid and go  
4 right into the pipeline then?

5 A. (DaFonte) It's actually a ship that vaporizes the  
6 liquid directly into the --

7 Q. I mean, that's what I meant to say.

8 A. (DaFonte) Yes.

9 Q. It turns it into gas.

10 A. (DaFonte) Turns it into gas right on the ship, exactly.

11 CMSR. HARRINGTON: All right. Thank  
12 you.

13 CHAIRMAN IGNATIUS: Thank you.

14 BY CHAIRMAN IGNATIUS:

15 Q. I had a couple of questions about the environmental  
16 remediation issues, Ms. Casey. In looking at your  
17 report, there's -- it's a little hard to tell what's  
18 kind of winding down and getting close to completion,  
19 what's just getting started, what's part way there.  
20 And, there's a lot of work being done, but some of it's  
21 planning and developing an appropriate plan of action  
22 to be approved by the regulators, that sort of thing.  
23 So, is there any way you can put in context the  
24 different sites? Are there any that you would put in

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 the category of "about done", you know, close to  
2 winding up?

3 A. (Casey) Yes. Absolutely. Nashua would be the first  
4 one, where we are going to be applying for our  
5 Groundwater Management Permit, which is basically where  
6 we go into a monitoring phase. And, that's how it will  
7 stay for a long time.

8 Q. So, that means the remediation work has been done, and  
9 now it's just to be sure that the work you did was  
10 effective and that the monitoring of the groundwater is  
11 showing that there's no new problems?

12 A. (Casey) Correct. And, that contaminants are not  
13 migrating across boundaries. In Manchester, we feel  
14 that there's other source spots that need to be  
15 remediated. And, we are coming up with a plan for that  
16 right now. So, there could potentially be some digging  
17 in Manchester before we go into that more monitoring  
18 phase.

19 Concord Pond, well, we do have a plan  
20 for capping the pond side, the east side of 93, Route  
21 93. And, we'd like to get to it, but access is not  
22 allowed, the City is not allowing us at this time. We  
23 have to do that in coordination with the City and the  
24 New Hampshire Department of Transportation.

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 Q. Is there any way that we could help in getting the City  
2 to understand the importance of getting on with that?  
3 I mean, is there -- is it just that they can't focus on  
4 it or are there good reasons that they haven't been  
5 able to take the next step?

6 A. (Casey) I don't know. I honestly don't know. I have  
7 taken this up with the Sites Bureau in Department of  
8 Environmental Services. And, I got sort of an answer,  
9 you know, "Sit tight. And, we'll let you know." So,  
10 something might be happening on that front.

11 Q. All right. If it becomes apparent that there's a  
12 logjam or, for some reason, you're just not getting  
13 their attention, and you think having an additional  
14 voice would be useful, you should let the Staff know,  
15 and we could see if we can send a letter or something  
16 like that to the City, Public Works, or whoever it  
17 would be.

18 A. (Casey) Okay. Thank you very much.

19 Q. So, in Concord, you would say that the Pond Project,  
20 you still have to develop this plan for capping, you've  
21 got a ways to go on that. How about the gasholder, is  
22 that completely done?

23 A. (Casey) The gasholder, we -- I believe there are a  
24 couple more source spots that could be there, although

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 we've done -- we've dug up the majority of them in the  
2 recent past. But we will be looking again for  
3 delineation of the groundwater management zone, which  
4 is going towards getting that permit, the Groundwater  
5 Management Permit for the monitoring phase. So, I  
6 would classify that one as slightly less or further  
7 along than Manchester.

8 Q. All right. And, then, what else? You've got Laconia  
9 sites?

10 A. (Casey) Yes. Liberty Hill, that's moving along  
11 rapidly. We're going out to bid this week for a  
12 construction start in -- as soon as we can in the  
13 spring. It's going to last for two years, two  
14 construction seasons, with a break in the winter.

15 Q. All right. And, isn't there one in -- is it called  
16 "Westport" or "Eastport"? Or, isn't there another  
17 section of Laconia that's got a site?

18 A. (Casey) Messer Street, the actual MGP site, was --

19 Q. Yes.

20 A. (Casey) That was PSNH's.

21 Q. Okay. All right. And, then, Keene, you said you just  
22 recently got notification to begin -- the cleanup has  
23 been done --

24 A. (Casey) Yes.

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 Q. -- by PSNH?

2 A. (Casey) Yes. It was done, it was finished in  
3 December 2012, by PSNH.

4 Q. All right. Any others that you know of that are going  
5 to need work?

6 A. (Casey) No. That covers it.

7 Q. I know you don't know what you don't know, but any ones  
8 you think or any other news you think is going to come  
9 your way about other remediation sites?

10 A. (Casey) No.

11 Q. The likely locations, you think you've identified  
12 already?

13 A. (Casey) Yes. I think they have been pretty much  
14 unearthed. Pardon the pun.

15 CHAIRMAN IGNATIUS: All right. Nothing  
16 else. Is there any -- Commissioner Scott, another  
17 question.

18 BY CMSR. SCOTT:

19 Q. I'm just curious, on the MGP sites again, is there any  
20 active litigation going on, beyond the remediation?

21 A. (Casey) No.

22 CMSR. SCOTT: Thank you.

23 CHAIRMAN IGNATIUS: All right. Any  
24 redirect?

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[WITNESS PANEL: Savoie~DaFonte~Casey]

1 MS. KNOWLTON: I have none.

2 CHAIRMAN IGNATIUS: All right. Then, I  
3 think you're excused. Thank you very much.

4 WITNESS CASEY: Thank you.

5 CHAIRMAN IGNATIUS: Is there any  
6 objection to striking identification on the exhibits?

7 MR. SHEEHAN: No.

8 MS. HOLLENBERG: No.

9 CHAIRMAN IGNATIUS: Seeing none, we will  
10 do so and make them full exhibits. And, unless there's  
11 anything else to take up, we'll just have closing  
12 comments?

13 (No verbal response)

14 CHAIRMAN IGNATIUS: All right. Then,  
15 Ms. Hollenberg.

16 MS. HOLLENBERG: Thank you. The Office  
17 of Consumer Advocate appreciates the efforts of the  
18 Company, as well as the Commission Staff, in their  
19 presentation and review, respectfully speaking, of the  
20 cost of gas filing. And, we have no objection to the cost  
21 of gas rate that's been proposed by the Company. Thank  
22 you.

23 CHAIRMAN IGNATIUS: Thank you.  
24 Mr. Sheehan.

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1 MR. SHEEHAN: Thank you. Staff supports  
2 Liberty Utilities' proposed 2013/14 peak period cost of  
3 gas rates as filed. The Company finalized its winter  
4 supply contracting after submitting its cost of gas  
5 forecast. The results of these changes did not  
6 necessitate submitting a revised cost of gas filing, but  
7 did require the Company to file Revised Tariff Page 155  
8 that reflects the updated peaking demand charge. Other  
9 minor adjustments will be reflected in the first monthly  
10 over/under report.

11 The Commission Audit Staff reviewed the  
12 2012/13 peak period cost of gas reconciliation and found a  
13 number of exceptions that have been addressed by the  
14 Company. The resolution of some of these audit exceptions  
15 will be reported as prior period adjustments in the  
16 2013/14 Winter Cost of Gas Reconciliation.

17 The sales forecast for 2013/14 peak  
18 period is consistent with past experience. The supply  
19 plan is based on the principles of least cost planning and  
20 the direct gas costs are based on actual or hedged prices  
21 and projected pricing that reflect market expectations.

22 There will be a reconciliation of  
23 forecasted and actual gas costs for the 2013/14 peak  
24 period that will be filed before next winter's COG

1 proceeding. And, any concerns that may arise related to  
2 the 2013/14 gas planning and dispatch may be raised and  
3 addressed next year during the winter cost of gas  
4 proceeding.

5 The Local Delivery Adjustment Charge is  
6 comprised of a number of surcharges, all of which have  
7 been established in other proceedings, and the actual rate  
8 determined in the winter cost of gas and effective for one  
9 year. Audit Staff completed its review of the  
10 environmental remediation costs. One issue was identified  
11 and resolved to the satisfaction of Audit Staff by the  
12 Company. Staff recommends approval of the revised LDAC  
13 rate and the proposed COG rates as just and reasonable.

14 Staff supports the Company's proposed  
15 changes to its hedging program. Reduced volatility of  
16 natural gas prices justifies proposed reduction in the use  
17 of financial hedges.

18 Staff has reviewed the updated proposed  
19 supplier balancing charges, the company gas allowance  
20 factor, and the capacity allocator percentages for this  
21 year for reasonableness and accuracy and recommends the  
22 Commission approve these charges.

23 Staff appreciates the efforts of the  
24 Company in this matter and recommends approval of the COG

1 and LDAC rates.

2 CHAIRMAN IGNATIUS: Thank you. Ms.  
3 Knowlton.

4 MS. KNOWLTON: Thank you. The Company  
5 appreciates the opportunity to have worked with the Staff  
6 and the OCA throughout the course of this docket with  
7 regard to the filing and the two audits. The Company's  
8 filing does reflect input from the Commission. The  
9 Company did make the change to reflect average usage from  
10 the typical usage. And, I would like to just say that, to  
11 the extent that there is other changes that, you know, the  
12 Commission, the Staff or the OCA sees, the Company is  
13 always open to discussing those, to make the filings, you  
14 know, the best and the most reflective of reality that  
15 they can be be.

16 The forecast that was used was a  
17 National Grid forecast. And, we very much look forward to  
18 moving to our own forecast in the future. And, as Mr.  
19 DaFonte indicated, that will be based on the data from our  
20 own systems and reflecting our own assumptions. And, so,  
21 you'll see that in the next winter cost of gas filing.

22 With regard to the audit, I believe that  
23 the results of both the environmental audit and the audit  
24 from last year's winter cost of gas should give the

1 Commission confidence in the Company's abilities. As Mr.  
2 Savoie testified, there was approximately a thousand  
3 dollar impact that was -- that came out of the cost of gas  
4 audit from last year. And, there were no significant  
5 issues identified on the environmental side.

6 With regard to the purchasing choices  
7 that are reflected in the filing, I believe that there is  
8 an appropriate mix of supply options that are being  
9 considered, and, you know, by Mr. DaFonte and his team.  
10 He has testified that the Company has made informed  
11 decisions in developing its supply options for this  
12 winter, based on least cost planning principles, while at  
13 the same time ensuring for reliability of the Company's  
14 supply.

15 Mr. DaFonte testified that the Company  
16 has obtained increased liquid gas availability this year,  
17 and that the Company will use that supply when it believes  
18 that it makes sense from a least cost perspective. These  
19 types of decisions about which supply options to use  
20 requires considered judgment, which Mr. DaFonte has  
21 demonstrated today and in his prefiled testimony.

22 The Company is requesting that the  
23 Commission approve both the winter cost of gas rates and  
24 the LDAC charges effective November 1st. Based on the

1 testimony and the filing, we believe that those proposed  
2 rates are just and reasonable.

3 And, finally, we would ask that the  
4 Company -- excuse me, that the Commission approve the  
5 changes in the hedging policy that Mr. DaFonte has  
6 identified on Bates Page 38 of his testimony. That is,  
7 eliminating hedging for the months of May and October, as  
8 well as reducing the hedging percentages for all other  
9 months by 50 percent. The Company will, in the future, be  
10 making a filing with the Commission with regard to other  
11 changes to its hedging policy. And, we will certainly  
12 stay in touch with Staff and the OCA about the timing and  
13 the content of that.

14 So, with that, I will thank you for your  
15 time today.

16 CHAIRMAN IGNATIUS: Thank you. We'll  
17 take all of this under advisement. We understand that the  
18 request is for rates effective November 1st. And, so, we  
19 will meet that deadline. And, unless there's anything  
20 further?

21 (No verbal response)

22 CHAIRMAN IGNATIUS: We're adjourned, and  
23 I appreciate everybody's time.

24 **(Whereupon the hearing was adjourned at 4:19 p.m.)**