

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 11, 2016 - 9:03 a.m.
Concord, New Hampshire

NHPUC APR21 '16 PM 4:01

RE: DG 16-315
LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS)
CORP. d/b/a LIBERTY UTILITIES:
2016 Summer Cost of Gas.

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (EnergyNorth Natural
Gas) Corp. d/b/a Liberty Utilities:
Michael J. Sheehan, Esq.

Reptg. Residential Ratepayers:
Donald M. Kreis, Esq., Consumer Advocate
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
Rorie E. Patterson, Esq.
Al-Azad Iqbal, Gas & Water Division

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

 ORIGINAL

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WITNESS PANEL: FRANCISCO C. DaFONTE
DAVID B. SIMEK

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Liberty Utilities (EnergyNorth Natural Gas) 2016 Summer Cost of Gas Filing, including Testimonies, Tariff pages, TOC & Summary, and schedules (03-16-16) <i>[Redacted - for public use]</i>	5
2	Liberty Utilities (EnergyNorth Natural Gas) 2016 Summer Cost of Gas Filing, including testimonies, Tariff pages, TOC & Summary, and schedules (03-16-16) {CONFIDENTIAL & PROPRIETARY}	5

P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here this morning in Docket DG 16-315, which is Liberty Utilities (EnergyNorth Natural Gas) Corp's 2016 Summer Period Cost of Gas Adjustment docket. This is to change rates for the period May 1 through October 31 of this year.

No one wants me to hear me read from the Order of Notice. So, let's take appearances.

MR. SHEEHAN: Good morning. Mike Sheehan, for Liberty Utilities. Present with me is Chico DaFonte and Dave Simek.

MR. KREIS: Good morning, Mr. Chairman, members of the Commission. I'm Donald Kreis, the Consumer Advocate, here on behalf of residential utility customers. The gentleman to my left is Mr. James Brennan, our Director of Finance.

MS. PATTERSON: Good morning. Rorie Patterson, here on behalf of the Commission Staff this 9:00 a.m. Monday morning hearing. So, I'll beg your indulgence by sitting down. And, with me to the left is Al-Azad Iqbal, who is a Utility Analyst for the Gas and Water Division.

CHAIRMAN HONIGBERG: Ms. Patterson, we're going to be doing this again at 10:30. Are you

1 going to stand then?

2 MS. PATTERSON: I may not.

3 CHAIRMAN HONIGBERG: All right. Thanks
4 for the warning.

5 What do we need to know, if anything,
6 before we get started?

7 MR. SHEEHAN: If I may, we would like to
8 mark as "Exhibit 1" the Company's filing in this
9 matter, and as "Exhibit" -- that would be the
10 confidential filing, and, as "Exhibit 2", the redacted
11 filing. And, I would like to orally state what was in
12 the record, that the cost of gas, the confidential
13 version, was filed under the confidentiality rules that
14 sort of automatically make cost of gas filings
15 confidential. And, we would ask that we're going to
16 enforce that provision of PUC 201.04.

17 (The documents, as described, were
18 herewith marked as **Exhibit 1** and
19 **Exhibit 2**, respectively, for
20 identification.)

21 MR. SHEEHAN: Otherwise, I propose to
22 have Mr. Simek and Mr. DaFonte testify, and I think
23 those are the only witnesses who will testify.

24 CHAIRMAN HONIGBERG: All right. Why

[WITNESS PANEL: DaFonte~Simek]

1 don't we have the witnesses take the stand. To the
2 extent that you need action by us to have the rules
3 enforced, we'll do whatever we need to do.

4 MR. SHEEHAN: Probably don't need to
5 make a rule on it.

6 CHAIRMAN HONIGBERG: I think we don't.
7 But, if we did, we would.

8 I'll just note, we don't have -- as you
9 all know, we don't have the redacted versions up here.
10 We only have the full, the full version. So, if
11 someone is going to make reference to something, and it
12 looks like it might be shaded, we'll need to deal with
13 that on the record at the time.

14 Mr. Patnaude.

15 (Whereupon **Francisco C. DaFonte** and
16 **David B. Simek** were duly sworn by the
17 Court Reporter.)

18 CHAIRMAN HONIGBERG: Mr. Sheehan, you
19 may proceed.

20 MR. SHEEHAN: Thank you.

21 **FRANCISCO C. DaFONTE, SWORN**

22 **DAVID B. SIMEK, SWORN**

23 **DIRECT EXAMINATION**

24 BY MR. SHEEHAN:

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1 Q. Mr. Simek, your name and employer please.

2 A. (Simek) My name is David B. Simek. And, my employer is
3 Liberty utilities Services Corp.

4 Q. And your position there is what?

5 A. (Simek) I am a Lead Analyst for the EnergyNorth Gas.

6 Q. And what role did you play with regard to this cost of
7 gas filing?

8 A. (Simek) I put together the rates, did the bill impact
9 analysis, and wrote my testimony.

10 Q. And your testimony is within the package that was filed
11 by Liberty in this matter?

12 A. (Simek) Yes, it is.

13 Q. And do you have a copy of that in front of you?

14 A. (Simek) Yes.

15 Q. And that testimony was prepared by or under your
16 direction?

17 A. (Simek) Yes, it was.

18 Q. Do you have any corrections or updates to your
19 testimony in this matter?

20 A. (Simek) I do.

21 Q. And if you could point those out to us please?

22 A. (Simek) Yes. On Bates Page 20, on Line 5, the
23 reference "\$29.53", I'd like to change that to
24 "\$29.51". And, also next to it, the "12.39", I would

[WITNESS PANEL: DaFonte~Simek]

1 like to change to "12.38". And, then, the last change
2 is on Line 8, where it shows "\$173.47", I'd like to
3 change that to "\$173.50".

4 Q. And the explanation for those changes is what?

5 A. (Simek) It was just a mistake that I made when I was
6 putting this together.

7 Q. Okay. Thank you. Other than those changes, if I asked
8 you the questions in this testimony that are attributed
9 to you, would your answers be the same?

10 A. (Simek) Yes.

11 Q. Mr. DaFonte, your name and employer please.

12 A. (DaFonte) Francisco DaFonte, employed by Liberty
13 Utilities Services Corp., on behalf of EnergyNorth.

14 Q. And your position there?

15 A. (DaFonte) I am the Vice President of Energy
16 Procurement.

17 Q. And what role did you play in this cost of gas filing?

18 A. (DaFonte) I put together direct testimony outlining the
19 EnergyNorth supply resources, as well as the
20 anticipated demand forecast for this summer.

21 Q. And, is your testimony part of the same exhibit that
22 Mr. Simek just described?

23 A. (DaFonte) Yes, it is.

24 Q. And do you have any changes to your testimony this

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1 morning?

2 A. (DaFonte) I do not.

3 Q. And, if I were to ask you the questions in your
4 testimony, would your answers today be the same?

5 A. (DaFonte) Yes, they would.

6 MR. SHEEHAN: Both witnesses are
7 available for cross-examination.

8 CHAIRMAN HONIGBERG: Mr. Kreis.

9 MR. KREIS: Thank you, Mr. Chairman. I
10 want to confess that, as a regulatory guy who came up
11 through the electric world, I'm still learning about
12 gas. And, so, if my questions today are tiresome, I
13 hope the Chairman will make some suitable face and then
14 I'll move on to something more productive.

15 And, we'll forgive Mr. Simek for those
16 mistakes that he made, even though they have to do with
17 bill impacts, which is what the OCA is really concerned
18 about.

19 **CROSS-EXAMINATION**

20 BY MR. KREIS:

21 Q. I think that I -- I don't mind if either witness
22 answers any of my questions, but I'm going start by
23 focusing on Mr. DaFonte's testimony, at -- oh, let's
24 see. I think I'm actually looking at the tariff page

1 that is at Bates Page Number 27. And, it mentions that
2 the bad debt percentage is "4.27 percent". And I'm
3 curious to know whether that is something the Company
4 thinks is high or low or reasonable?

5 A. (Simek) We believe that the "4.27 percent" is
6 reasonable. We have been in the process of increasing
7 or writing off some old accounts that we had carried
8 over for the past couple of years. And we are seeing
9 now that that percentage is starting to go down. But,
10 when we had to do the catch-up throughout the last 12
11 months or so, it had been slightly higher.

12 Q. Is there an optimal percentage that you're looking to
13 achieve?

14 A. (Simek) We like to keep it under 3 percent.

15 Q. And how soon do you think you'll get to that 3 percent?

16 A. (Simek) Well, my best estimate would be probably toward
17 the end of this year. Because, like I said, we did the
18 big ramp-up, and now we're starting to get back to
19 normal levels.

20 Q. Now, moving onto Mr. DaFonte's testimony. At Page 5 of
21 his testimony, which is Bates Page Number 6, you say
22 that "The portfolio of firm transportation contracts
23 that the Company currently holds hasn't changed since
24 the Company's 2015 Off Peak Period Cost of Gas Filing."

1 Did the Company consider making any changes in its
2 portfolio?

3 A. (DaFonte) No. As the Company determined its demand
4 forecast, it determined that there were no additional
5 capacity requirements to meet those demands,
6 particularly in the summer period.

7 Q. What would cause the Company to make changes?

8 A. (DaFonte) It would be a increased demand or a decreased
9 demand in the forecast of some significance. As it
10 stands today, the portfolio of assets that the Company
11 holds are sufficient to meet its design day
12 requirements. But the Company has filed and has
13 received approval for a longer term capacity contract
14 with the proposed Northeast Direct Energy Project from
15 Tennessee Gas Pipeline, which, of course, would meet
16 the future demands of the Company.

17 Q. Mr. DaFonte, at Page 9 of your testimony, which is
18 Bates Page 10, you mention that your forecast reflects
19 a 2.6 percent decrease in sales volume when compared to
20 the forecast that you made a year ago. And you explain
21 that that stems from the increased migration of
22 customers to transportation service. Why are customers
23 migrating to transportation service from full service
24 from your company?

1 A. (DaFonte) I can't speak generally for the customers --
2 or, specifically to the customers, but, generally, the
3 reason is that customers are seeking specific pricing
4 parameters around their businesses. The Company does
5 not offer any fixed price offerings to commercial and
6 industrial customers. So, these customers are
7 customers that -- what we consider "non-grandfathered"
8 customers, which means they are capacity-eligible.
9 They get a slice of our capacity portfolio. So,
10 they're essentially able to purchase supply in the same
11 manner we do, with the same resources. But it's just
12 that I believe that the suppliers that ultimately use
13 this capacity to serve these customers are capable of
14 going out and hedging the price, the commodity price,
15 for their customers. And that's an important thing for
16 businesses that need to work, you know, under a
17 specific budget, and it's a service that we don't offer
18 to those customers.

19 Q. Isn't that a problem for residential customers who
20 don't have that option?

21 A. (DaFonte) Well, for EnergyNorth, residential customers
22 do not have the option to transport or get service from
23 a third party.

24 Q. Well, right. So, as the commercial/industrial

1 customers are out migrating, that means residential
2 customers are captive and, therefore, likely to bear an
3 increasing amount -- or, an increasing dollar amount in
4 terms of your cost of service, true? So, I should be
5 worried about that, yes, and so should the Commission?

6 A. (DaFonte) No. You shouldn't be worried about it,
7 because, as I mention, these transportation customers
8 have a slice or they get assigned a slice of our
9 capacity. And, so, therefore, they have to pay their
10 fair share as if they were a sales customer. And, from
11 a distribution perspective, the Company still charges
12 them the distribution rate, because we are the
13 transporter. So, it really is just the commodity
14 portion and the capacity portion of their bill,
15 essentially, that goes through a third party. And,
16 like I said, they get assigned a slice of the resources
17 that they're proportionately responsible for.

18 Q. What would you say your expert outlook is on where
19 natural gas prices are going to be going for the next
20 few years?

21 A. (DaFonte) Well, thank you for the "expert" denotation,
22 but --

23 Q. Well, your attorney qualified you as an expert, and I'm
24 willing to stipulate to it.

[WITNESS PANEL: DaFonte~Simek]

1 CHAIRMAN HONIGBERG: Did you bring your
2 crystal ball with you?

3 WITNESS DaFONTE: I always have it with
4 me.

5 **BY THE WITNESS:**

6 A. (DaFonte) Well, you know, based on where we see the
7 futures prices today, you know, clearly, there's a
8 continued ramp-up in production in the Marcellus, which
9 is putting downward pressure on futures prices. Of
10 course, this past winter, being as mild as it was, one
11 of the warmest winters on record, if not the warmest,
12 that also put downward pressure on prices.

13 But I think the probably biggest driver
14 of the future price will be infrastructure in our
15 region. Therefore, you know without infrastructure,
16 new infrastructure, I should say, then we really don't
17 have access to that increased production in Marcellus.
18 And, so, we could be in the same situation that we were
19 two winters ago and three winters ago, where prices on
20 the spot market shot up considerably, and that was a
21 function of the lower supply coming into the region and
22 the colder weather.

23 So, it really depends to me on the
24 infrastructure that is being proposed in the region and

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[WITNESS PANEL: DaFonte~Simek]

1 whether that gets built or not. But, if it doesn't get
2 built, I think prices will go up; if it does get built,
3 I think prices will go down and they will stabilize.

4 BY MR. KREIS:

5 Q. And how do you plan it, given the uncertainty about
6 that infrastructure?

7 A. (DaFonte) Well, as I mentioned, a little earlier, you
8 know, our plan is to contract for long-term pipeline
9 capacity, to ensure that we get back to the increased
10 production in Marcellus and try to levelize and lower
11 commodity prices by getting that access. And that
12 would allow customers to see what I would consider very
13 stable pricing and continued low pricing that we see
14 today in the Marcellus.

15 Q. I want to move on now, I think these are questions for
16 Mr. Simek, and I have to confess that I'm about to use
17 a word I don't know how to pronounce. Because I was an
18 English major, and I didn't think it was possible to
19 start a word with a small letter and finish it with a
20 bunch of capital letters, and that confuses me about
21 pronunciation. So, the word I'm going to use is
22 spelled i-A-A-T-G-A-S [i-N-A-T-G-A-S?]. How do you
23 pronounce that?

24 A. (Simek) I'm sorry. Could you tell me the letters

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[WITNESS PANEL: DaFonte~Simek]

1 again?

2 Q. INATGAS?

3 A. (Simek) Oh, iNATGAS.

4 Q. That's how you pronounce it? I'm sorry, I truly didn't
5 know that. But what I really would like to know is,
6 were any sales from iNATGAS included in your cost of
7 gas forecast for this coming summer?

8 A. (DaFonte) Yes, I can answer that. There were not.

9 Q. What was the original iNATGAS forecast volume for the
10 summer period?

11 A. (DaFonte) Subject to check, I believe it was
12 approximately 400,000 Dekatherms, or 4 million therms.

13 Q. And, why aren't those sales occurring as they were
14 originally forecast?

15 A. (DaFonte) My understanding is that the in-service date
16 for iNATGAS is expected to be in the August timeframe,
17 and then there's an expected ramp-up in usage by
18 iNATGAS. So, the Company felt that it was appropriate
19 to not include those volumes, given that there is much
20 less of an impact on, you know, on the forecast, given
21 the timing.

22 WITNESS DaFONTE: Bless you.

23 *[Brief interruption.]*

24 WITNESS DaFONTE: Three strikes.

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1 BY MR. KREIS:

2 Q. And the delays in the iNATGAS operation date, I guess,
3 do they have any impact on residential bills?

4 A. (DaFonte) No.

5 Q. Looking at Page 4 of Mr. Simek's testimony, there --
6 well, at Lines 14 to 15, you explain that the Summer
7 2016 Cost of Gas rate, at least at the beginning of the
8 summer, or at least at the beginning of the summer
9 period, is higher than last year's rate by a third, and
10 that seems to have been the result of a big
11 over-collection from the prior year. What caused that
12 over-collection?

13 A. (Simek) There are several issues that can cause an
14 over-collection. Sometimes it's based on accounting
15 entries that were made, others are based on rates
16 staying high when the market going down. Maybe we
17 didn't adjust the rates when we should have or
18 appropriately. We try to minimize both an over- and
19 under-collection every month, based on the best data
20 that we have. And, when the market's moving, it
21 just -- there's only so much we can change, based on
22 the market information that we have.

23 Q. And, so then, coming into this summer, now we have an
24 undercollection that you attribute -- I'm looking at

1 Page 5 of your testimony, at about Line 18 -- you refer
2 to "lower than normal sales", "the timing of some
3 accounting adjustments that moved credits from the
4 Summer Period to the Winter Period". First of all, can
5 you talk a little bit about what those accounting
6 adjustments are, and why you think customers should pay
7 interest on them?

8 A. (Simek) They were just adjustments based on the
9 unbilled. So, since they were truly costs that were
10 incurred, and they were booked to the books, of course,
11 they were already incurred, so, I believe that
12 customers should pay interest on them.

13 Q. And what caused the "lower than normal sales" that you
14 referenced, and will that recur in the rest of this
15 year?

16 A. (Simek) Well, the way the rates are calculated is that
17 we take the total estimated costs, and then we divide
18 by the total estimated therms. And, as we know, this
19 was a warm winter, and therm sales were just lower than
20 what was placed in Mr. DaFonte's model. And, again, we
21 do look to have the opportunity on the gas side to
22 adjust those every month, and we try to stay on top of
23 it, and do adjust it based on the best knowledge
24 available. But we're always going to, unfortunately,

1 have either an over- or under-collection.

2 Q. Indeed. What about the LDAC? How will you handle any
3 changes to that, given that my understanding is that
4 usually, if there's any need to change the LDAC, it
5 would happen here. But you haven't proposed any change
6 to that here?

7 A. (Simek) No. The LDAC only gets changed during the
8 winter cost of gas.

9 Q. I see. And, I was going to ask you about the migration
10 to a single annual cost of gas filing. But I think
11 I'll leave that to Ms. Patterson.

12 MR. KREIS: So, I think those are all of
13 my questions.

14 CHAIRMAN HONIGBERG: Ms. Patterson.

15 MS. PATTERSON: Thank you. Thank you,
16 Don. Good morning. How are you today?

17 WITNESS DaFONTE: Good morning.

18 WITNESS SIMEK: Good morning.

19 MS. PATTERSON: Just a few questions for
20 you this morning.

21 BY MS. PATTERSON:

22 Q. Turning to you, Mr. DaFonte, following up on a question
23 that you were asked about by the OCA. You were asked
24 about the iNATGAS sales, and whether or not those sales

1 were included in your projections for the purposes of
2 calculating the rate for the summer coming up, and
3 whether or not there was any impact on iNATGAS sales
4 not occurring to residential customers. Do you recall
5 that?

6 A. (DaFonte) Yes.

7 Q. And, your response was that there was no impact. And,
8 would you -- do you agree that the Company -- that is,
9 in part, because the Company does not hedge for
10 iNATGAS -- for volumes for iNATGAS?

11 A. (DaFonte) Correct.

12 Q. And could you explain why that is so?

13 A. (DaFonte) Well, we don't hedge for any
14 commercial/industrial customers. We're really, you
15 know, hedging for essentially the residential
16 customers. That's the primary reason. But we only --
17 the other reason is we only hedge in the winter period,
18 only the three months of December, January, and
19 February. For the summer period, we don't have any
20 hedges that we use.

21 Q. So, by not hedging, you have no financial commitments
22 that the residential customers would have to cover for
23 iNATGAS not being in service?

24 A. (DaFonte) That's correct.

1 Q. Thank you. You base the cost of gas calculations on a
2 NYMEX price of March 7, 2016. Has the price that you
3 used changed since then?

4 A. (Simek) Yes. I looked at the Thursday, April 7th
5 settlement price. And that would have increased the
6 EnergyNorth Natural Gas rates by 3.3 percent, if we
7 used that more current rate. They would have gone from
8 the filing proposed rate of 0.4118 for residential
9 customers, to 0.4252 per therm.

10 Q. And, you spoke or you referenced the ability that the
11 Company has to make monthly adjustments to its cost of
12 gas rate.

13 A. (Simek) Right.

14 Q. And agree that that is that the Company has the ability
15 to increase the rate by 20 percent without the
16 Commission's approval, is that correct?

17 A. (Simek) I believe it's 25 percent. But, yes.

18 Q. Oh, 25 percent. Okay. Thank you. It's been a while
19 since I've done cost of gas. And, there is no limit to
20 which the Company can reduce the rate in between the
21 ruling on the rate for the period and the end of the
22 period, is that correct?

23 A. (Simek) Correct.

24 Q. Okay. And, so, in this case, where you have an

1 increased cost of gas or NYMEX price a month after your
2 calculations, is it correct that -- that it's possible
3 the Company could realize or recover the difference in
4 the prices used in its projections to the current rate
5 in its first monthly gas trigger filing?

6 A. (Simek) It is. What we do, of course, for each of
7 those monthly adjustments is we not only look at the
8 change to the NYMEX, we look at all available data,
9 including actuals that have come in. And, so, although
10 looking at the NYMEX only may show a 3.3 percent price
11 increase, we very well could even be dropping the rate,
12 based on other data that become available.

13 Q. So, the change in the NYMEX will be factored into how
14 you adjust the rates in a period?

15 A. (Simek) Correct.

16 Q. Okay. Thank you. And do you have any current
17 expectations for what your period -- the summer period
18 holds, in terms of the change in the price, and I'll
19 just mention that, based on my observation, it looks
20 like the initial rate set in the summer for 2015 was
21 lower than what it ended up. It ended up going up
22 during that period. So, do you have projections about
23 what will happen this coming summer?

24 A. (Simek) I would only be able to base that where the

1 NYMEX is.

2 Q. Uh-huh.

3 A. (Simek) And they do show that slight increase.

4 Q. Okay.

5 A. (Simek) Mr. DaFonte may know some other information
6 that there's a short term, in the next six months, that
7 may also affect these rates.

8 Q. Uh-huh.

9 A. (DaFonte) Yes. We don't really expect there to be much
10 of a change.

11 Q. Uh-huh.

12 A. (DaFonte) In fact, during the summer period, we don't
13 purchase a whole lot of gas. So, we really are buying
14 on the spot market, generally speaking, and it's not
15 really tied to NYMEX. We buy a lot of the gas that we
16 need in the Marcellus. And, so, it's generally tied to
17 a first-of-the-month index price, and that is not
18 NYMEX-based.

19 Q. Okay. For either of you, did the PUC Audit Staff
20 complete an audit of last summer's cost of gas period?

21 A. (Simek) Yes, they did.

22 Q. And were there any findings in that audit?

23 A. (Simek) No. No financial findings, no. The audit
24 results had no impact on this filing.

1 Q. Okay. Thank you. And, Mr. DaFonte, could you please
2 compare the 2016 Summer supply plan to the 2015 Summer
3 supply plan.

4 A. (DaFonte) Yes. There really is no difference. We're,
5 as I mentioned, we're continuing to purchase as much
6 gas as we possibly can in the Marcellus, where there's
7 certainly more stable pricing and a sizable discount,
8 relative to where the NYMEX futures are trading today.
9 And, so, we continue to do that.

10 As far as the resources themselves,
11 there's been no change in the portfolio. So, we
12 continue to essentially mirror what we did in 2015.

13 Q. Okay. Thank you. Do you, by any chance, have copies
14 of your responses to data requests available up there?

15 A. (DaFonte) Yes.

16 Q. I just had a question for you about -- okay. Scratch
17 that. So, it's my understanding that, and I know this
18 from my experience in the past, that there's been a
19 discussion that's gone on about reducing the number of
20 cost of gas filings that occur each year at the
21 Commission, and only -- and reduce it from twice a year
22 to a single time a year. Could you tell me what the
23 status of those conversations are, from the Company's
24 perspective? Thank you.

1 A. (Simek) Sure. We've had some internal meetings on our
2 end. We've also reached out to Unitil. And we plan to
3 on meeting with them soon, hopefully this week. Just
4 to kind of come up with a -- see if we can work
5 together and come up with a single plan that we all
6 agree on.

7 We, for Liberty, do plan on providing a
8 plan to the Commission Staff by the summer. So, we do
9 plan on coming up with a plan for one single filing for
10 both the gas and the summer period beginning in
11 November of this year. And we're hoping to propose
12 that to the Staff this summer.

13 Q. Okay. And, when you say "this summer", would it be
14 fair to say that, at least by the time you file your
15 winter period cost of gas filing, you'll have proposed
16 something to the Staff and the Office of Consumer
17 Advocate?

18 A. (Simek) Absolutely. We're hoping to be in agreement by
19 that point.

20 Q. Okay.

21 A. (Simek) Yes.

22 Q. Great. Great. One last change, for either of you.
23 Did you use any different types of methodologies? Were
24 there any changes in methodology in terms of

1 calculating the cost of gas rate that you used in this
2 proceeding compared to the prior proceedings?

3 A. (DaFonte) No.

4 A. (Simek) No.

5 MS. PATTERSON: Thank you. No further
6 questions.

7 CHAIRMAN HONIGBERG: Commissioner Scott.

8 COMMISSIONER SCOTT: Thank you. Good
9 morning. Happily, almost all my questions have been
10 asked and answered. So, for Attorney Kreis, that would
11 be a smiley face from the Chair, I think.

12 BY COMMISSIONER SCOTT:

13 Q. A more general question for the panel. Mr. DaFonte,
14 you mentioned, obviously, it's -- I think you're right,
15 I think it has been the warmest winter on record, at
16 least in Concord. Has that had any impact on your
17 portfolio strategies and how you deal with things?

18 A. (DaFonte) The only real impact is on how we determine
19 the purchasing philosophy for a couple of the months
20 for this winter. Given that it was much warmer than
21 normal, we were able to look out a little bit further
22 on weather forecasts. And, in so doing, we purchased
23 less what we call "baseload" supplies for the month.
24 Knowing that, if we did need additional supplies during

[WITNESS PANEL: DaFonte~Simek]

1 the month, we can always buy it on the spot market
2 using our existing capacity. And the market was not as
3 volatile as it has been in the past. So, instead of
4 committing to what we would consider maybe "over
5 supplies" throughout the month, we would just buy on an
6 as needed basis, given the type of winter that we had,
7 and that we could see out into the future during each
8 month.

9 So, that was about it. Everything else
10 is really fixed assets. So, we have the same capacity,
11 we're purchasing at the same supply points and so
12 forth. It's just a function of looking at where we can
13 purchase at the very lowest price. And, so, we'll buy
14 at that location first, and then dispatch at the higher
15 levels going forward as the demand increases.

16 CHAIRMAN HONIGBERG: Just go off the
17 record for a second.

18 *[Brief off-the-record discussion*
19 *ensued.]*

20 CHAIRMAN HONIGBERG: Okay.

21 COMMISSIONER SCOTT: Thank you. That's
22 all I had.

23 CHAIRMAN HONIGBERG: Commissioner
24 Bailey.

[WITNESS PANEL: DaFonte~Simek]

1 COMMISSIONER BAILEY: Good morning.

2 WITNESS DaFONTE: Good morning.

3 WITNESS SIMEK: Good morning.

4 BY COMMISSIONER BAILEY:

5 Q. You mentioned a couple times that you get -- you try to
6 get as much gas as possible in Marcellus. How do you
7 get it from Marcellus right now?

8 A. (DaFonte) Well, we hold Tennessee long-haul capacity.
9 So, the capacity actually starts in the Gulf Coast, and
10 works its way up through the -- we call "Zone 4" on
11 Tennessee, which is primarily where the Marcellus shale
12 production is. And, so, we're able to purchase some of
13 our gas directly in Marcellus. It's on a secondary
14 receipt basis, but it pretty much flows uninterrupted
15 throughout the summer. There aren't a lot of
16 restrictions.

17 We also use our storage transportation
18 capacity. So, in the winter, we're using that capacity
19 to pull storage. In the summer, because we're filling
20 storage, we have that capacity available. So, that
21 starts in Zone 4 as well. And, so, we can actually buy
22 supply there and transport it on that capacity.

23 Q. So, do you get most of your summer supply from that
24 area?

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1 A. (DaFonte) Yes, we do.

2 Q. So, forgive the naive question, but why are the prices
3 going up?

4 A. (Simek) A large driver of the price increase had to do
5 with the over- and under-collection between the prior
6 periods. That was a 10 cents increase from the
7 beginning Summer Period last year to the proposed 2016
8 Summer Period.

9 Q. Okay. So, the commodity price hasn't gone up?

10 A. (DaFonte) Yes. The commodity price, if anything, it's
11 gone down slightly from last summer, at least at the
12 beginning of the summer. But it's pretty much flat
13 with where summer was last year overall.

14 Q. Okay. Thanks. Mr. Simek, have you notified customers
15 about this?

16 A. (Simek) April 1st our webpage was updated with
17 information from this filing. And, also, on May 1st,
18 there will be bill inserts that are included. That,
19 once the rates are approved, that they'll show the new
20 rate and what's going into effect for May 1st. And, we
21 also plan on updating our webpage at that point as
22 well.

23 Q. And are you going to send a copy to our Director of
24 Consumer Affairs?

[WITNESS PANEL: DaFonte~Simek]

1 A. (Simek) If that's the normal procedures, then
2 absolutely. This is, again, this is through our
3 Communications Department. And, how they -- whatever
4 they do, that is the regular process they'll follow.

5 Q. I think I've asked before, and I don't think they
6 follow the regular process. So, if you could make sure
7 that they know that we expect them to send a copy to
8 the Director of Consumer Affairs, that would be great.

9 A. (Simek) I sure will.

10 COMMISSIONER BAILEY: All right. Thank
11 you. That's all I have.

12 BY CHAIRMAN HONIGBERG:

13 Q. Mr. Simek, I think this question is for you. I
14 understand why the Company would want to charge
15 interest on money under collected. What interest rate
16 is credited to customers when there's an over
17 collection?

18 A. (Simek) It's the same interest rate. It's the prime
19 rate. I believe it changed January 1st of this year,
20 from 3.25 percent to 3.5 percent.

21 Q. But it's the same rate in both directions, is that not
22 correct?

23 A. (Simek) Correct.

24 CHAIRMAN HONIGBERG: All right. That's

1 the only question I had.

2 Mr. Sheehan, do you have any further
3 questions for your witnesses?

4 MR. SHEEHAN: I don't think so. And I
5 will repeat Mr. Simek's statement, that we will make
6 sure that those notices get to Ms. Noonan.

7 COMMISSIONER BAILEY: Thank you.

8 CHAIRMAN HONIGBERG: All right. Is
9 there anything else we need to do, besides strike the
10 ID from the two exhibits and make them full exhibits?

11 MR. SHEEHAN: Nothing from the Company.

12 CHAIRMAN HONIGBERG: All right.

13 MR. KREIS: Mr. Chairman, I --

14 CHAIRMAN HONIGBERG: Mr. Kreis.

15 MR. KREIS: I just wanted to take note
16 of the fact that, in the filing, there is a new
17 lead/lag study. And the Company indicated in its
18 filing that it would be open to some further inquiry
19 and study of that study subsequent to the Commission's
20 decision here. The Chairman's making a face. Am I
21 mistaken? No. Okay.

22 CHAIRMAN HONIGBERG: Is there
23 significance to noting that at this time?

24 MR. KREIS: Just that, you know, in our

1 exercise of incredibly deep due diligence, we'd like
2 the opportunity to look at that and raise an issue
3 about that at some point in the future, if that becomes
4 necessary or useful.

5 CHAIRMAN HONIGBERG: Okay.

6 MR. KREIS: Even though, as far as I can
7 tell, if I'm reading the filing correctly, a very small
8 amount of money is involved.

9 CHAIRMAN HONIGBERG: All right. That's
10 noted.

11 So, I think we're ready to sum up.
12 Mr. Kreis, you get to go first.

13 MR. KREIS: Thank you, Mr. Chairman. I
14 believe that, from the OCA's perspective, the proposed
15 Summer Cost of Gas rate is appropriate for the
16 Commission to adopt for substantially the reasons
17 stated in the Company's filing.

18 CHAIRMAN HONIGBERG: Ms. Patterson.

19 MS. PATTERSON: Thank you. I couldn't
20 have said it better than Mr. Kreis just said it. So, I
21 won't.

22 CHAIRMAN HONIGBERG: Mr. Sheehan.

23 MS. PATTERSON: The Staff agrees.

24 CHAIRMAN HONIGBERG: Mr. Sheehan.

1 MR. SHEEHAN: Thank you. Liberty asks
2 that the Commission approve the proposed Summer Cost of
3 Gas rate in time for them to take effect on May 1. The
4 Company's prefiled testimony and live testimony today
5 established that the proposed rates are just and
6 reasonable. They're based on an appropriate forecast
7 of supply to meet this summer's needs. And the Company
8 will monitor prices to make those trigger adjustments
9 as necessary. And we will get Ms. Noonan her notice on
10 time. Thank you.

11 CHAIRMAN HONIGBERG: All right. Thank
12 you. I think that's all we need to do for this. We
13 know we need to get an order out quickly. And we'll
14 take it under advisement and get an order out soon.

15 With that, we will adjourn.

16 ***(Whereupon the hearing was adjourned at***
17 ***9:39 a.m.)***