STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

ORIGINAL
N.H.P.U.C. Case No. DG 08-009
Exhibit No. #36
Witness
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Docket DG 08-009

EnergyNorth Natural Gas, Inc.
d/b/a
National Grid NH

Rebuttal Testimony
of
John E. O'Shaughnessy

December 15, 2008

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I. INTRODUCTION AND UPDATED REVENUE REQUIREMENT

Q. Mr. O'Shaughnessy, please state your name and business address.

A. My name is John E. O'Shaughnessy. My business address is One MetroTech Center, Brooklyn, New York 11201.

Q. Are you the same John O'Shaughnessy who previously submitted direct prepared testimony in these proceedings?

A. Yes I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to update the Company's revenue requirement primarily to reflect the results of the audit conducted by the Commission staff ("Staff") and the increased cost of equity determined by the Company's cost of equity expert, Paul Moul, and to respond to several proposed adjustments to the Company's filed revenue requirement as set forth in the direct testimony of Staff witness Stephen P. Frink. Specifically, my rebuttal testimony will address Staff's rate base adjustments associated with Customer Deposits and Interest on Customer Deposits as well as Non-Interest Bearing CWIP and Gas Jobs in Progress. In addition, I will provide an overview of which witnesses in the Company's rebuttal filing address each of the financial issues raised by Staff or the OCA to the extent that the issues are not addressed in my testimony.

Q. What is the Company's updated revenue requirement?

A. Based on the audit adjustments agreed to by the Company and Staff and the updated cost of equity determined by Mr. Moul, the Company's revenue requirement has increased to $11,006,273 from the $10,830,138 originally proposed. Attachment JOS-3 shows the derivation of the revised revenue requirement.

II. RATE BASE ADJUSTMENTS

Q. Staff claims on page 6 of Mr. Frink's testimony that monthly balances for Customer Deposits and Accrued Interest on Customer Deposits were not available and, as a result, Staff calculated the adjustment based on quarterly balances. Do you agree?

A. No. Workpapers supporting the cost of service were included in the original filing. Included in those workpapers was a complete 13 month average report for all balance sheet accounts. In addition, the 13 month average balances for Customer Deposits and Accrued Interest on Customer Deposits were provided in the responses to Data Requests OCA 3-8 and 3-9 respectively, copies of which are attached as Attachment JOS-4 and JOS-5. The 13 month averages for Customer Deposits and Accrued Interest on Customer Deposits were $183,925 and $51,485, respectively.

Q. Do you agree with Staff's adjustment to reduce rate base for customer deposits and accrued interest on customer deposits?

A. No. The Company does not deposit the cash received from customers in a separate interest-bearing account. As a result, and as stated in the response to Data Request Staff 4-6 (a copy of which is attached as Attachment JOS-6), the Company incurs the cost of the interest paid to customers on those deposits. As an alternative to including the interest expense in the cost of service, the average balances of Customer Deposits and Accrued Interest on Customer Deposits were not deducted from the Company's proposed rate base, thereby providing a means by which the Company could properly and fully recover the return on its investment.

Q. What amount of interest expense associated with Customer Deposits would have to be included in the cost of service if the average balances associated with Customer Deposits and Accrued Interest Expense were deducted from rate base?

A. Approximately $14,676, which was the test year interest expense associated with customer deposits.

Q. Do you agree with Staff's proposal to eliminate $4,501,710 from rate base representing the 13 month average balance of non-interest bearing CWIP ?

A. No.

Q. Please explain.

A. Staff's position is predicated on its belief that all "non-interest bearing CWIP" is related to plant that was not placed in service within the test year. In fact, "non-interest bearing CWIP" is simply the Company's term for projects of short duration on which the Company does not accrue AFUDC (allowance for funds used during construction, which is the carrying cost for the Company's capital investment prior to the new plant being added to rate base) during the period prior to completion of the project. The projects that were booked as CWIP and which did not accrue AFUDC were almost all placed in service during the test year, and the few that were booked to this account late in the test year have since been put into service. My understanding from the Company's legal counsel is that there is no issue regarding whether any of these amounts are recoverable through rates under New Hampshire's anti-CWIP statute because all of the plant is in service.

Q. Please explain why projects that are in service would be classified as CWIP.

A. There is a bookkeeping lag between the time when non-interest bearing projects are completed and when they are transferred from CWIP to Plant in Service on the books.

Q. Please explain why there is a bookkeeping lag in moving these projects from CWIP to Plant in Service.

A. Blanket projects are used to capture and summarize numerous small, repetitive type mains and services projects. While each project or job will have a unique workorder/project number in the Company's work management system, Maximo, the high volume of these projects makes it impractical and inefficient to assign each project a different number in the Company's financial system. To address this problem, these projects are assigned to blanket project numbers that remain in a perpetually "open" status and are continuously reused. As a result, the automatic unitization of the assets and transfer of associated dollars to plant in service cannot be performed systematically by the fixed asset accounting module of the financial system. Instead, manual intervention is required to periodically unitize (i.e., establish and classify) the constructed assets and transfer the costs from CWIP to Plant in Service.

Q. How often are blanket projects unitized?

A. Blanket projects are typically unitized on a quarterly basis.

Q. What is the impact of the bookkeeping lag on the balances of CWIP and Plant in Service?

A. The consequence of the lag is that the non-interest bearing projects which are field completed and placed in service continue to be reflected as if they were CWIP until at least the end of the quarter in which the assets are unitized and the amounts are transferred to Plant in Service in the financial system. This does not change the fact that these assets are used and useful and the Company should be allowed to earn a return on them.

Q. Do you agree with Staff's proposal to eliminate $1,414,912 associated with Gas Jobs in Progress from rate base?

A. No.

Q. Please explain.

A. Similar to the amounts booked to non-interest bearing CWIP, the projects booked to Gas Jobs in Progress are work that has been field completed and placed in service but remain classified as "in progress". In the case of Gas Jobs in Progress, the plant remains in this status from a financial system standpoint because the Company is awaiting potential reimbursement from governmental agencies, not because of the status of the project itself. All of the amounts booked to this account during the test year are for plant that is currently in service, and therefore removing these items from rate base would prevent the Company from achieving a full return on its investment that is used and useful in providing service to the public.

III. <u>ADJUSTMENT FOR IN-HOUSE EXPENSE RELATED TO SHORT TERM DEBT AND THERM BILLING DOCKETS</u>

Q. Staff has also proposed a disallowance of $114,000 for in-house counsel's time spent on two Commission investigations, Dockets DG 06-122 and DG 06-154,

that resulted in settlements in which the Company agreed that it would not seek recovery through rates of the costs of those investigations. Do you agree with this proposed reduction?

A. No. As an initial matter, the Company does not believe that the settlement agreements were intended to cover the costs of in-house staff, including Company counsel, all of which are embedded costs to the Company. Rather the Company believes that the costs intended to be excluded from rates were the incremental external costs incurred through the use of outside legal counsel and consultants, all of which have been removed from the Company's proposed revenue requirement. Even assuming that the settlement agreements relied on by Staff can be read to require the removal of costs charged by in-house counsel, the basis for Staff's disallowance is highly flawed and based on assumptions that cannot stand up to any reasonable review. Staff argues for a reduction equal to the fully loaded costs of *897 hours* for Thomas O'Neill, the Company's Senior Counsel. Staff's only basis for this adjustment is the claim that the two dockets were "extensive", that Mr. O'Neill had was the "lead attorney" and that therefore it is reasonable to assume that Mr. O'Neill worked five hours on these dockets for each hour worked by the Company's outside counsel. Aside from the fact that Staff apparently misapprehends the manner in which work is divided between inside counsel (who generally works in a supervisory manner) and outside counsel (who generally performs a major portion of the services in matters in which he is involved), Staff's analysis also ignores the fact that Mr. O'Neill is the in-house attorney who is responsible for state regulatory matters for the Company in both New Hampshire and Massachusetts (where the Company has three gas distribution affiliates) as well as for providing day to day advice to senior management related to a variety of legal issues. The 897 hours estimated by Staff would constitute more than 50% of Mr. O'Neill's allocable time. Given the nature of the dockets at issue, it is readily apparent that Mr. O'Neill would not have been in a position to dedicate that level of effort to those proceedings to the exclusion of his normal responsibilities on other matters.

As described in the Company's response to Data Requests Staff 3-54 and Tech 1-36 (copies of which are attached as Attachments JOS-7 and JOS-8), Mr. O'Neill's time is allocated in part based on a three point formula (referred to as a default allocation), which results in a 9.8% allocation to EnergyNorth and in part based on "exception accounting" whereby the default allocation is overridden and hours can be direct charged to a single subsidiary or group of subsidiaries. In addition, as the Company explained during a technical sessions in this proceeding, service company employees' time is allocated based on a forty hour work week regardless of the hours actually worked. Thus the total available working hours for the Company's in-house counsel to be allocated for a twelve month period on an exception basis would be 1,824 (2080 minus 254 for holidays and vacation, which would always be allocating using the default allocation).

Although Mr. O'Neill did direct charge the Company for services during the test year, the time entry system was not set up to capture the detail required to identify specific dockets being worked on in sufficient detail to calculate the precise hours devoted to these two specific matters. Rather the system only captures the fact that a certain number of hours are to be direct charged to a specific subsidiary as opposed to being allocated by formula.

After receiving Staff's testimony, Mr. O'Neill reviewed internal legal department records and was able to determine that he reported 2517 total actual hours worked during the test year, 772 of which were reported under the category EnergyNorth Regulatory advice/compliance. (See affidavit of Thomas P. O'Neill, Esq., attached as Attachment JOS-9.) Mr. O'Neill further indicates that 279 of those 772 hours appear to be related to Dockets DG 06-122 and DG 06-154. Using Mr. Fink's average hourly rate of $53.07 and 157% burden rate and applying it to 279 hours would result in an adjustment of only $36,688.88.

IV. <u>OCA COMPENSATION ADJUSTMENT PROPOSALS</u>

Q. Mr. Traum asserted on behalf of the OCA that the wage increase implemented effective June 29, 2008 by the Company's service company affiliate for its non-union employees should not be fully pro formed into O&M for purposes of determining the Company's revenue requirement because it occurred near the end of the 12 months following the end of the test year. What is the Company's response to his position?

A. The rates being determined in this case will be effective as of August 24, 2008, and therefore the raise that Mr. Traum refers to will be fully incorporated in employees' wages, is known and measurable and is consistent with how all pro forma adjustments to O&M were made in this case. The purpose of looking at a test year and making pro forma adjustments to reflect known and measurable changes is to attempt to estimate with some measure of certainty the costs that the Company will incur during the period that the rates are in effect. If adjustments are not made for known changes, it greatly increases the likelihood that the Company will not earn its allowed return, which would be confiscatory and would lead to more frequent rate cases. The Company does not believe that such a result is consistent with Commission policy or good practice.

Q. On page 12 of Mr. Traum's testimony, he also suggests that incentive compensation costs from KeySpan's compensation structure should be borne only by shareholders. Do you agree?

A. No, because incentive compensation was an integral part of KeySpan's overall approach to employee compensation. (The incentive compensation at issue in this case relates to the plan that was in place prior to the KeySpan/National Grid merger.) In fact, as the Company increased its emphasis on incentive compensation as part of the total compensation program, it held back on base pay increases in order to put a greater portion of each employee's total compensation at risk based on performance.

Q. Please describe the Company's non-union payroll structure.

A. KeySpan's objective in setting compensation levels was to provide a package that was competitive with the median level of the marketplace for both utilities and general industry. Because the Company and its affiliates compete with all businesses for the employees needed to operate the business, employees obviously have the option to work for any company they choose, not just regulated utilities, and so it is important to take the compensation levels of general industry into account in deciding on a total package and level of benefits and compensation. The Company's non-union payroll structure consists of base pay and incentive pay. A non-union employee's base pay may grow over time as a result of annual merit increases to base pay, which are awarded to an employee if the employee's performance meets specific criteria.

Q. How did the Incentive Plan operate?

A. The Incentive Plan was a critical tool used by KeySpan in trying to build long-term value for customers, shareholders and employees. The Incentive Plan was carefully tailored to motivate all employees to perform in a manner, and to a level, that would have a positive effect on the Company's ability to provide safe, reliable and cost-effective service to customers, while also contributing to the Company's earnings objectives. The basic structure of the plan included: (1) specific performance goals that, if achieved, would directly benefit customers and shareholders; and (2) financial incentives that were linked to various performance levels. For example, the goal structure established in the Incentive Plan involved three categories of performance goals: (1) corporate goals; (2) business unit or area-specific goals; and (3) strategic initiative or assessment goals. Specific performance goals, in turn, were set within each goal category.

IV. DEPRECIATION RESERVE VARIANCE

Q. Mr. Normand's testimony discusses Staff's recommendation that the depreciation reserve variance be amortized over 7 years, rather than the longer period that he recommended in his direct testimony. Do you have additional concerns regarding Staff's proposal?

A. Yes. As illustrated in Table 4 on page 9 of Mr. Normand's rebuttal testimony, changes to cost of removal ("COR") rates result in significant change in the calculated reserve variance as well as the associated revenue requirement. This is most dramatically depicted in Table 4 by the $22,257,878 swing in the reserve variance between the reserve "surplus" of negative $10,004,279 resulting from Staff's proposal to use the existing COR rates of -10% for mains and -60% for services and the reserve "deficiency" of $12,253,599 resulting from COR rates calculated at 75% of the COR rates realized in the depreciation study, i.e. -52% for mains and -132% for services. This swing in the reserve variance creates an associated swing in the revenue requirement of $3,179,697, representing the difference between a $1,429,183 reduction in the revenue requirement proposed by Staff and a $1,750,514 increase in the revenue requirement that would result from the use of COR rates at 75% of those realized in the depreciation study. The impact to the revenue requirement created by this swing is exacerbated by Staff's proposal to amortize the reserve variance over 7 years, rather than the average remaining service life of the assets as proposed by Mr. Normand. Mr. Normand's testimony explains the basis for his recommendation and discusses the data on which it is based.

Although the COR rates realized in the depreciation study are within industry standards, the Company's intention was to gradually increase the COR rates over time and after additional depreciation studies are prepared. As a result, the Company conservatively seeks to increase COR rates from -10% to -15% for mains and from -60% to -70% for services. Reducing the revenue requirement by $1.4 million as proposed by Staff only to potentially increase the revenue requirement by $3.2 million in a few years creates significant rate instability as well as issues of intergenerational equity. Depreciation of Mains and Services is a long term process

(60 and 40 years respectively) and significant changes to revenue requirements resulting from the short term amortization of reserve variances that are subject to significant change can create rate shock and such proposals are not in the best interest of customers.

Q. What other financial issues were raised in Staff's or the OCA's testimony and where are they addressed in the Company's rebuttal filing?

A. Staff and/or the OCA also raised the issues I have listed below:

- Calculation of the cash working capital allowance, which is addressed in Mr. Goble's rebuttal testimony;
- Inclusion of advertising and promotional expense in rates, which is addressed in Mr. Stavropoulos' testimony;
- The level of the Company's bad debt expense, which is addressed by Mr. Bennett and is also expected to be the subject of a separate phase of this proceeding;
- The Company's proposed enhanced collections policy and recovery of the ongoing costs of the plan, which are also addressed by Mr. Bennett;
- Pension and OPEB expense, which are addressed in joint testimony from me and William Richer as well as in Mr. Stavropoulos' testimony;
- Amortization of the depreciation reserve variance, which is addressed by Mr. Normand and Mr. Stavropoulos;
- Return on equity, which is addressed by Mr. Moul as well as by Mr. Stavropoulos; and

- Weather normalization of revenues and the low income discount, which are addressed by Ms. Leary.

Q. Does this conclude your rebuttal testimony?

A. Yes it does.

Energy North Adjustments

	As Filed	Updates	As Updated		Revised Case
Operating Revenues	180,859,301		180,859,301		180,891,373
Occupant Billing Issue				32,072	
Operation & Maintenance Expenses	159,649,786		159,649,786		159,628,012
Field Collections Costs				123,684	
Pension Burden Adjustment(Audit Issue # 2)				(31,284)	
Right of Way and Appraisal Fees (Audit Issue #6)				90,437	
Dues and Memberships				(19,204)	
Reclass of Contributions (miss coding)				(19,435)	
Advertising Adjustment (Audit Issue #10 and Issue 12)				(79,257)	
Propane Conversion (Audit Issue #11)				(35,675)	
Legal for Case #				(51,040)	
Depreciation	7,770,701		7,770,701		7,785,504
Asset Retirement Obligation (Audit Issue #9)				14,803	
Amortization	-				
Loss from Disposition of Property	-				
Taxes Other Than Income Taxes	3,812,960		3,812,960		3,805,181
Right of Way and Appraisal Fees (Audit Issue #6)				(4,873)	
Paroll Taxes Capitalized				(2,906)	
Total Operating Revenue Deductions	171,233,447		171,233,447	(138,434)	171,218,697
Operating Income Before Federal Income Taxes	9,625,854		9,625,854	138,434	9,672,676
State Income Taxes	378,300	(4,872)	373,428	4,034	377,462
Federal Income Taxes	1,425,300	(18,355)	1,406,945	49,864	1,422,145
Total Income Taxes	1,803,600	(23,227)	1,780,373	53,898	1,799,608
Operating Income After Federal & State Income Taxes	7,822,254		7,845,481	(192,332)	7,873,068
Rate Base	148,037,338	1,632,853	149,670,191	(18,232)	149,651,959
Rate of Return	5.28%		5.24%		5.26%
	9.64%		9.64%		9.64%
ShortFall	4.35%		4.39%		4.37%
	$ 6,441,143		$ 6,575,242		6,545,898
Tax Effect	1.68		1.68		1.6814
Revenue Requirement	10,830,138		11,055,612		11,006,273

Revenue Requirement (as Filed) 10,830,138

Energy North Adjustments

	Adjustment	Revenue Requirement
Cash Working Capital Lead Lag Update	1,632,853	225,474
Additional Payroll Taxes Capitalized (OCA 1-9)	(2,906)	(2,906)
Increase in estimated field collection expenses (Staff 1-64)	123,684	123,684
Occupant Billing Issue	(32,072)	(32,072)
Pension Burden Adjustment(Audit Issue # 2)	(31,284)	(31,284)
Right of Way and Appraisal Fees (Audit Issue #6)	90,437	90,437
Dues and Memberships (OCA 2-10)	(19,204)	(19,204)
Reclass of Contributions (CEO Fund Audit Find)	(19,435)	(19,435)
Advertising Adjustment (Audit Issue #10 and Issue 12)	(79,257)	(79,257)
Propane Conversion (Audit Issue #11)	(35,675)	(35,675)
Legal for Case # (PUC 1-18)	(51,040)	(51,040)
Asset Retirement Obligation (Audit Issue #9)	14,803	14,803
Right of Way and Appraisal Fees (Audit Issue #6)	(4,873)	(4,873)
Propane Conversion (Audit Issue #11)	**(18,232)**	(2,518)
Total		**176,134**

Revised Revenue Requirement 11,006,272

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Schedule 1D - State Income Tax Computation - Utility Operations

	Revised Case
OPERATING INCOME BEFORE INCOME TAXES& INTEREST CHARGES	9,672,676
INTEREST CHARGES	5,252,784
OPERATING INCOME BEFORE INCOME TAXES	4,419,892
SECTION I - FLOW THROUGH ITEMS	
Permanent Differences	
Lobbying Expenses	
Meals & Entertainment	(96)
Penalties & Fines	
Medicare Income	20,938
Total Perm M's	20,842
Income Subject To Tax	4,440,734
Income Tax @ 8.5%	**377,462**

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Schedule 1D - Federal Income Tax Computation - Utility Operations

	Revised Case
OPERATING INCOME BEFORE INCOME TAXES& INTEREST CHARGES	9,672,676
INTEREST CHARGES and Other Charges	5,252,784
OPERATING INCOME BEFORE INCOME TAXES	4,419,892
State Income Taxes	377,462
SECTION I - FLOW THROUGH ITEMS	
Permanent Differences	
Lobbying Expenses	
Meals & Entertainment	(96)
Penalties & Fines	
Medicare Income	20,938
Total Perm M's	20,842
Income Subject To Tax	4,063,272
Income Tax @35%	**1,422,145**

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Utility Operations Interest Deduction

Rate Base Proposed	149,651,959
Long Term Debt	3.51%
Interest Deduction	5,252,784

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Computation of Revenue Deficiency

	Reference	Revised Case Pro Forma
Rate Base Proposed	EN 2-4	149,651,959
Rate of Return	EN 3-1	9.64%
Income Required		14,418,966
Adjusted Net Operating Income	EN 2-2-1A	7,873,068
Deficiency		6,545,898
Tax Effect		1.6814
Revenue Deficiency		**11,006,273**

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Overall Rate of Return
For Ratemaking Purposes

Item	Component Ratio (%)	Component Cost Rate(%)	Weighted Average Cost Rate (%)			
Common Stock [1]	50.00	**12.25**	6.13	1.6814	10.30	
Long Term Debt	50.00	7.02	3.51		3.51	
Short Term Debt [2]						
Total	100.00		9.64		13.81	**PRETAX Rate Of Return**

ENERGYNORTH NATURAL GAS, INC.
D/B/A NATIONAL GRID NH
DG 08-009

National Grid NH's Responses to
OCA Set 3

Date Request Received: August 6, 2008
Request No. OCA 3-8

Date of Response: August 25, 2008
Witness: John O'Shaughnessy

REQUEST: What was the 13 month average of Accrued Interest on Customer Deposits in the test year? What amount was deducted in the calculation of rate base?

RESPONSE: The 13 month test year average of accrued interest is $(51,484.68). See response to OCA 3-7.

ENERGYNORTH NATURAL GAS, INC.
D/B/A NATIONAL GRID NH
DG 08-009

National Grid NH's Responses to
OCA Set 3

Date Request Received: August 6, 2008
Request No. OCA 3-9

Date of Response: August 25, 2008
Witness: John O'Shaughnessy

REQUEST: What was the 13 month average of Reimbursable Contributions in the test year? What amount was deducted in the calculation of rate base?

RESPONSE: The 13 month test year average of reimbursable contributions is $19,476.92. This amount was included in rate base.

ENERGYNORTH NATURAL GAS, INC.
D/B/A NATIONAL GRID NH
DG 08-009

National Grid NH's Responses to
Staff Set 4

Date Request Received: October 7, 2008
Request No. Staff 4-6

Date of Response: October 17, 2008
Witness: John O'Shaughnessy

REQUEST: Ref. Staff DR 3-71 Attachment: please explain how 'customer deposits' and 'accrued interest on customer deposits' are costs borne by the shareholder and how removing it from rate base in the filing provides ratepayers with two cost reductions.

RESPONSE: Customer deposits earn interest, which is paid by the Company but has not been included in operating expenses for purposes of determining the Company's revenue requirement. Because the interest expense is not included as an operating expense, removing customer deposits and accrued interest on customer deposits from rate base without including an adjustment for the interest expense associated with these items in Operation and Maintenance expense would have the effect of providing a double benefit to ratepayers.

ENERGYNORTH NATURAL GAS, INC.
D/B/A NATIONAL GRID NH
DG 08-009

National Grid NH's Responses to
Staff - Set 3

Date Request Received: August 6, 2008
Request No. Staff 3-54

Date of Response: August 26, 2008
Witness: John O'Shaughnessy

REQUEST: For each non-EnergyNorth employee who directed charged time to EnergyNorth for work on the above dockets, how many hours were spent on each of the dockets during the test year? If unable to determine the amount of time spent on each of the dockets through the source documents, provide an estimate and explain how the estimate was derived.

RESPONSE: Separate Project/Tasks were not established for Dockets DG 06-122 or DG-06-154. As a result, there were no direct charges made to EnergyNorth for work performed on these dockets.

It is likely that service company employees who performed work on these dockets had default Project/Task payroll accounting that resulted in some portion of their normal payroll charges being allocated to EnergyNorth through the corporate allocation process.

It is not possible to come up with an estimate without a unique Project/Task specifically established to capture costs associated with time worked on these dockets.

ENERGYNORTH NATURAL GAS, INC.
D/B/A NATIONAL GRID NH
DG 08-009

TECH SESSION

Date Request Received: July 25, 2008
Request No. Tech 1-36

Date of Response: August 26, 2008
Witness: John O'Shaughnessy

REQUEST: Identify the employees who worked on the Company's short term debt and therm billing dockets during the last year and explain how their payroll expense is allocated to EnergyNorth.

RESPONSE: The work required for the therm billing docket was primarily performed by the following employees:

Thomas P. O'Neill (Counsel)
Jonathan B. Hedman (Gas Dispatch)
Ann Leary (Rates and Regulatory
Leo Silvestrini (Rates and Regulatory)

The following individuals also had some minimal involvement related to matters arising
from the docket, although they did not work directly on the proceeding:

Jennifer Feinstein (Rates and Regulatory)
Gary Ahern (Rates and Regulatory)
David J. Robins (Customer Billing)
Debra I. Hale (Community Relations)
Rocco Dichiarra (Customer Billing)
John F. Barrett (Field operations)
Lori Santoro (HR)
John C. Maloney (Records Management)
Sarah Mandel (Records Management)
Christine Clooney (Gas Dispatch)
John Clifford (IT)
William Donoghue (Accounting)

The work for the short term debt docket was primarily performed by the following employees:

Thomas P. O'Neill (Counsel)
Lorraine Lynch (Treasury)

Andrew Dinkel (Treasury)
Christopher Di Gilio (Treasury)
Michael Taunton (Treasury)
Gary Ahern (Rates and Regulatory)
James G. Holodak, Jr. (Treasury)
William Donoghue (Accounting)

It could not be determined whether any other individuals recorded any time related to matters arising from the proceeding.

All management employees are assigned a default project and activity to which their payroll costs are charged. Service company project/activities are associated with an allocation code to allocate their labor costs across a specific mix of companies.

See the attached, "Employee List and Allocation Codes" for each employee's 2007 default payroll accounting including the assigned allocation code, company mix and % applied to EnergyNorth, where applicable.

Employee	Employee #	Oracle Default Project Activity	Alloc Code
Andrew Dinkle (Treasury)	21835	202CSV K03461 2004	G0900
Ann Leary (Rates and Regulatory	24257	464CSV K05445 4660	G0300
Christine Clooney (Gas Dispatch)	22702	467CSV K02106 2000	G0300
Christopher Di Gillio (Treasury)	21668	033CSV K00058 2004	G0100
David J. Robins (Customer Billing)	00876	153CSV K00570 2401	A9100
Debra I. Hale (Community Relations)	25234	279CSV K02758 2004	A8600
Gary Ahern (Rates and Regulatory)	01016	227CSV K05437 2031	G2400
James G. Holodak, Jr. (Treasury)	38455	033CSV K00058 2004	G0100
Jennifer Feinstein (Rates and Regulatory)	26778	464CSV K05442 4660	G2400
John C. Maloney (Records Management)	25284	092CSV K03084 2953	G0300
John Clifford (IT)	05331	067CSV K00135 50% 4075	A9100
		067CSV K00237 50% 4075	B0300
John F. Barrett (Field operations)	23926	319CSV K99177 2000	G2000
Jonathan B. Hedman (Gas Dispatch)	24565	467CSV K02106 2000	G0300
Leo Silvestrini (Rates and Regulatory)	22629	518CSV K02152 2000	G2000
Lori Santoro (HR)	03507	045CSV K00076 2000	N3500
Lorraine Lynch (Treasury)	09803	033CSV K99109 2031	G0100
Michael Taunton (Treasury)	00662	026CSV K00044 2031	G0800
Rocco Dichiarra (Customer Billing)	21443	153CSV K00212 2712	G4100
Sarah Mandel (Records Management)	13350	092CSV K03084 2953	G0300
Thomas P. O'Neill (Counsel)	23635	008CSV K00008 2953	G0300
William Donoghue (Accounting)	25516	433CSV K02104 2004	G0300

Alloc Basis	Company Mix	2007 ENH %
3 Point Formula	Gas - NY	0.00%
3 Point Formula	Delivery Energy - NE	9.80%
3 Point Formula	Delivery Energy - NE	9.80%
3 Point Formula	All Companies excl. KSE	1.80%
Direct	Direct - KeySpan Energy Delivery New York	0.00%
Direct	Direct - EnergyNorth Natural Gas, Inc.	100.00%
3 Point Formula	All Gas	3.20%
3 Point Formula	All Companies excl. KSE	1.80%
3 Point Formula	All Gas	3.20%
3 Point Formula	Delivery Energy - NE	9.80%
Direct	Direct - KeySpan Energy Delivery New York	0.00%
Number of Meters	Delivery Energy - NE	9.20%
3 Point Formula	Gas - Mass.	0.00%
3 Point Formula	Delivery Energy - NE	9.80%
3 Point Formula	Gas - Mass.	0.00%
Number of Employees	All excl. KEP, THEC, GEC, SEC and KSE	1.50%
3 Point Formula	All Companies excl. KSE	1.80%
3 Point Formula	All Companies incl. KSE	1.80%
3 Point Formula	All excl. KOC, KEP, THEC, GEC & SEC	2.30%
3 Point Formula	Delivery Energy - NE	9.80%
3 Point Formula	Delivery Energy - NE	9.80%
3 Point Formula	Delivery Energy - NE	9.80%

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH

DG 08-009

Affidavit of Thomas P. O'Neill, Esq.

I, Thomas P. O'Neill, do attest and swear to the following:

1. During the period July 1, 2006 through June 30, 2007 (the test year in this proceeding), I was employed by KeySpan Corporate Service, LLC as Senior Counsel. During that period, I provided services to various Keyspan Corporation affiliates, including EnergyNorth Natural Gas, Inc.

2. While employed by KeySpan Corporate Service, LLC, including the period of July 1, 2006 – June 30, 2007, I used a software program called Carpe Diem to record my time on the various matters on which I worked.

3. Carpe Diem entries were prepared by me for the legal department, and they are an accurate representation of how my time was spent during the test year.

4. These records show that I reported 2,517.25 total hours during the test year, which included 772 hours related to Energy North Natural Gas Inc. under the heading Regulatory Advice/Compliance. Of those hours, 269 were related to the subject matter of either Docket DG 06-154 or Docket DG 06-122, as opposed to the 837.5 hours I understand have been estimated by the Commission staff.

Signed under the pains and penalties of perjury.

Dated: December 15, 2008

Thomas P. O'Neill, Esq.

Subscribed and sworn to before me

this 15th **day of** December **2008.**

Mary E. Avery
Notary Public

MARY E. AVERY
Notary Public
Commonwealth of Massachusetts
My Commission Expires
April 25, 2014