

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

October 14, 2009 - 9:09 a.m.  
Concord, New Hampshire

NHPUC OCT20'09 AM 8:50

RE: DG 09-162  
ENERGYNORTH NATURAL GAS, INC. d/b/a  
NATIONAL GRID NH:  
Winter Cost of Gas for 2009-2010.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Kenneth E. Traum, Asst. Consumer Advocate  
Office of Consumer Advocate

Reptg. PUC Staff:  
Matthew Fossum, Esq.  
Stephen Frink, Asst. Dir. - Gas & Water Div.  
Robert Wyatt, Gas & Water Div.

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

ORIGINAL

1

2

## I N D E X

3

PAGE NO.

4

WITNESS: MICHELE V. LEONE

5

Direct examination by Mr. O'Neill 6

6

Interrogatories by Cmsr. Below 14

7

Interrogatories by Cmsr. Ignatius 14

8

9

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10

11

WITNESS PANEL: ANN E. LEARY  
THEODORE POE, JR.

12

13

Direct examination by Mr. O'Neill 16

14

Cross-examination by Ms. Hatfield 43

15

Cross-examination by Mr. Fossum 45

16

17

\* \* \*

18

CLOSING STATEMENT BY:

19

Ms. Hatfield 53

20

Mr. Fossum 53

21

Mr. O'Neill 56

22

23

24

1

2

## E X H I B I T S

3

EXHIBIT NO.

D E S C R I P T I O N

PAGE NO.

4

1

Winter 2009-10 Cost of Gas filing  
(09-01-09) (CONFIDENTIAL VERSION)

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Winter 2009-10 Cost of Gas filing  
(09-01-09) (REDACTED VERSION)

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Response to Request No. Tech-4  
(10-06-09)

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Response to Request No. Staff 1-17  
(09-24-09) - minus 1 page #

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{DG 09-162} {10-14-09}

1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in docket DG 09-162. On  
4 September 1, 2009, National Grid filed its proposed cost  
5 of gas and Fixed Price Option rates for the Winter Period  
6 November 1, 2009 through April 30, 2010 and Local Delivery  
7 Adjustment Clause charges and certain supplier charges for  
8 the period November 1 through October 31, 2010. The  
9 proposed residential cost of gas rate is 96.63 cents per  
10 therm, a 12.25 cents per therm decrease compared to the  
11 weighted residential cost of gas rate last winter. The  
12 proposed changes, combined with the decrease in delivery  
13 rates, is expected to decrease a typical residential  
14 heating customer's winter bill by approximately  
15 10 percent, and the proposed commercial/industrial rates'  
16 changes for this winter are commensurate with the changes  
17 in the residential rates.

18 The order of notice was issued on  
19 September 9th. And, I'll note for the record that the  
20 affidavit of publication has been filed, and that we have  
21 the Notice of Participation by the Consumer Advocate.

22 So, can we take appearances please.

23 MR. O'NEILL: Thomas O'Neill, Senior  
24 Counsel with National Grid, on behalf of EnergyNorth

{DG 09-162} {10-14-09}

1 Natural Gas, Inc., doing business as National Grid NH.

2 CHAIRMAN GETZ: Good morning.

3 CMSR. BELOW: Good morning.

4 MS. HATFIELD: Good morning,  
5 Commissioners. Meredith Hatfield, from the Office of  
6 Consumer Advocate, on behalf of residential ratepayers.  
7 And, with me from the office is Ken Traum.

8 CHAIRMAN GETZ: Good morning.

9 MR. FOSSUM: Good morning. Matthew  
10 Fossum, for the Staff of the Commission. And, with me  
11 today is Bob Wyatt and Steve Frink from the Commission  
12 Staff.

13 CHAIRMAN GETZ: Good morning. Are you  
14 ready to proceed, Mr. O'Neill?

15 MR. O'NEILL: Yes, we are. What I would  
16 propose for this case is that we begin with National  
17 Grid's witness Michele Leone to talk about the  
18 environmental remediation sites. And, when Ms. Leone is  
19 done, then I would propose to have Ann Leary and Ted Poe  
20 take the stand as a witness on the remaining issues.

21 CHAIRMAN GETZ: Okay. Thank you.

22 (Whereupon Michele V. Leone was duly  
23 sworn and cautioned by the Court  
24 Reporter.)

{DG 09-162} {10-14-09}

[WITNESS: Leone]

1 MICHELE V. LEONE, SWORN

2 DIRECT EXAMINATION

3 BY MR. O'NEILL:

4 Q. Ms. Leone, would you state your name and business  
5 address for the record please.

6 A. Sure. It's Michele Leone. I work for National Grid,  
7 40 Sylvan Road, Waltham, Massachusetts.

8 Q. And, Ms. Leone, you filed -- you submitted prefiled  
9 testimony in this case, is that correct?

10 A. Yes, I did.

11 Q. And, I'd like to show you a copy of --

12 MR. O'NEILL: Actually, before I begin,  
13 Commissioners, what I would propose to do is mark for  
14 exhibits the filing as a full packet, with the  
15 confidential version being Exhibit 1 and the redacted  
16 version being Exhibit 2.

17 CHAIRMAN GETZ: So marked.

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

22 BY MR. O'NEILL:

23 Q. Ms. Leone, I'd like to show you a copy of your prefiled  
24 testimony that was submitted to the Commission, it's

{DG 09-162} {10-14-09}

[WITNESS: Leone]

1           dated August 31st, 2009. Do you recognize that?

2    A.    I do.

3    Q.    And, was that testimony prepared by you or under your  
4           direction and control?

5    A.    Yes, it was.

6    Q.    And, is it complete and accurate to the best of your  
7           knowledge and belief?

8    A.    Yes, it is.

9    Q.    And, are there any changes that you'd like to make to  
10          that testimony at this time?

11   A.    I think we submitted a response to Technical Session  
12          Question 4, and that's the only change that --

13   Q.    Okay. We'll get to that in a second. But, in terms of  
14          the prefiled testimony, are there any changes that you  
15          need to make at this time?

16   A.    No.

17   Q.    Okay. And, Ms. Leone, if you could just briefly state,  
18          and I know it's contained in your testimony, so you  
19          don't need to go into the same level of detail there,  
20          but if you could just briefly tell the Commission what  
21          your position is with the Company and your background.

22   A.    Sure. I manage the New England Site Investigation and  
23          Remediation Team for National Grid. That involves me  
24          overseeing the management of the investigation and

{DG 09-162} {10-14-09}

[WITNESS: Leone]

1 remediation of manufactured gas plants in New  
2 Hampshire, as well as in Massachusetts and in Rhode  
3 Island. My professional and educational background, I  
4 have a Bachelor's of Science in Environmental  
5 Engineering from Syracuse University, a Master's of  
6 Science in Environmental Engineering from the  
7 University of Michigan. I have been employed by  
8 National Grid since late 2000 and have been managing  
9 the investigation and remediation of manufactured gas  
10 plant sites since that time.

11 Q. And, Ms. Leone, at this time I'd like to direct you to  
12 Tab 20 of the Company's filing, which I believe begins  
13 at Bates stamp 140. And, Tab 20 is a summary of the  
14 remediation activities at the Company's manufactured  
15 gas plant sites, is that correct?

16 A. Yes, it is.

17 Q. And, Ms. Leone, you've met with the Staff in a  
18 technical session back on August 30 to review the  
19 status of those sites, is that correct?

20 A. Yes, it is.

21 Q. And, again, it's all contained in the Company's filing.  
22 So, again, without going into the same level of detail  
23 that's in the filing, could you just briefly provide a  
24 status of the Company's MGP sites?

{DG 09-162} {10-14-09}



[WITNESS: Leone]

1 A. Sure. I'll start with the Liberty Hill site, which is  
2 related to the Laconia MGP. During the past year,  
3 we've been working with New Hampshire DES, the Town of  
4 Gilford, and we've also been working with a local  
5 resident, conducting technical sessions. Late last  
6 summer, DES deferred a decision on the remedial action  
7 for the Liberty Hill site pending some additional work  
8 by the Company. In the fall of last year, we submitted  
9 work plans that were approved by DES to conduct  
10 additional site investigation, as well as groundwater  
11 modeling.

12 Through the course of those activities,  
13 we continued to meet with DES, the Town of Gilford's  
14 representatives, and a local resident. We completed  
15 the investigation and the -- the investigation in  
16 January of 2009 and the modeling in May of 2009 and  
17 submitted -- and discussed that information with DES.  
18 DES, this past summer, required that we submit a RAP  
19 addendum or a Remedial Action Plan Addendum Number 2  
20 for the site, which we did in August of 2009.

21 The results of our work, both the  
22 investigation and the modeling, supported the remedy  
23 that National Grid had selected, with the addition of  
24 some low-flow groundwater pumping. So, that was

{DG 09-162} {10-14-09}

[WITNESS: Leone]

1 described in the Remedial Action Plan we submitted in  
2 August.

3 There was a public meeting in September  
4 of this past year. And, at that time DES indicated  
5 that they would make a preliminary decision on the  
6 Remedial Action Plan that was recommended by the  
7 Company within approximately sixty days, which would  
8 most likely be in November.

9 In addition, this past year we've done  
10 -- we've remediated a small groundwater seep at the  
11 request of DES. We've also done semi-annual  
12 groundwater monitoring, we've monitored the coal tar in  
13 the subsurface, and have continued to meet with  
14 residents as requested.

15 Q. Thank you. And, Ms. Leone, I'd like to show you a copy  
16 of a data request that was submitted in response to  
17 Tech-4. It was titled "Tech-4".

18 A. Yes.

19 Q. Do you recognize that response?

20 A. Yes, I do.

21 Q. And, was that response prepared by you or under your  
22 direction and control?

23 A. Yes.

24 Q. And, it was -- is that response complete and accurate

{DG 09-162} {10-14-09}

[WITNESS: Leone]

1 to the best of your knowledge and belief?

2 A. Yes, it is.

3 Q. And, that response was intended as a supplement to  
4 what's contained in the Company's filing at Tab 20, is  
5 that correct?

6 A. Yes, it is.

7 MR. O'NEILL: I would propose,  
8 Commissioners, to mark the Company's response to Data  
9 Request Tech-4 as "Exhibit 3" for identification.

10 CHAIRMAN GETZ: It will be so marked.

11 (The document, as described, was  
12 herewith marked as Exhibit 3 for  
13 identification.)

14 CHAIRMAN GETZ: And, I presume you have  
15 copies for us?

16 MR. O'NEILL: I do.

17 (Documents distributed by Atty.

18 O'Neill.)

19 BY MR. O'NEILL:

20 Q. And, Ms. Leone, in your summary that you just provided,  
21 was the information contained in Tech-4 part of the  
22 summary that you just provided?

23 A. Yes, it is.

24 Q. Thank you. Ms. Leone, was there any -- were there any

{DG 09-162} {10-14-09}

[WITNESS: Leone]

1 other sites that you wanted to talk about at this time?

2 A. The Manchester manufactured gas plant site, at that  
3 site we are currently preparing our Remedial Action  
4 Plan for that site. We anticipating submitting it to  
5 DES in June of 2010. In addition, we're doing some  
6 interim response actions on site. Last fall we removed  
7 an area of surface soil contamination that exceeded the  
8 concentration of pHs in that or the MGP residuals in  
9 those soils exceeded the DES Upper Concentration  
10 Limits. So, those were removed last fall. We're also  
11 doing pilot testing for coal tar removal, as well as  
12 light non-aqueous phase liquids, which is a slight oil  
13 removal as well. So, those activities are currently  
14 ongoing at the Manchester MGP site.

15 For the Nashua MGP site last year, we  
16 had begun installation of a pilot study for coal tar  
17 recovery at that site. We installed a good portion of  
18 the system last summer. We stopped for the winter. We  
19 completed the installation this past summer, and  
20 recently were able to get electricity to the system and  
21 are starting -- starting that system up this month.  
22 We're using that information to help develop our  
23 Remedial Action Plan for that site.

24 And, then, for Concord, that's the

{DG 09-162} {10-14-09}

[WITNESS: Leone]

1 other, those -- Liberty Hill, Manchester, Nashua, and  
2 Concord are the four sites where activity has gone on  
3 this year. At the Concord MGP site, we completed an  
4 investigation last fall. In September, we submitted a  
5 report to DES. We're actually meeting with DES next  
6 week to discuss the findings of that study. It's a  
7 supplemental study for that MGP. We're also working on  
8 the Concord Pond portion of the site. We did a  
9 sediment investigation this past May. And, we've  
10 recently submitted a report to DES describing that.  
11 Also, we received a Presumptive Approval, which means  
12 we do not have to do a Remedial Action Work Plan for  
13 the pond work, and we are in the process of designing a  
14 remedy for the -- for the remaining portion of the  
15 Concord Pond.

16 Q. Thank you. And, finally, could you just briefly update  
17 the Commission on the status of any insurance coverage  
18 litigation at this time?

19 A. In the past, the Company has received significant  
20 monies through our Insurance Recovery Program. This  
21 year, most of those cases have been settled and there  
22 was no significant activity this past year.

23 MR. O'NEILL: I have no further  
24 questions for this witness.

{DG 09-162} {10-14-09}

[WITNESS: Leone]

1 CHAIRMAN GETZ: Ms. Hatfield?

2 MS. HATFIELD: No questions. Thank you.

3 CHAIRMAN GETZ: Mr. Fossum?

4 MR. FOSSUM: No questions. Thank you.

5 CMSR. BELOW: I'm sorry, I just

6 remembered one.

7 BY CMSR. BELOW:

8 Q. At your public hearing in Laconia, was there any public  
9 turnout or comment or were people just viewing what the  
10 plan was?

11 A. The meeting was intended to update them on the plan.  
12 It was attended by residents of the neighborhood, as  
13 well as residents of Gilford. There were questions on  
14 the plan. There still is some concern regarding the  
15 final plan that's selected by DES. The next meeting,  
16 which will probably be held in about sixty days, once  
17 the DES issues their decision, DES will actually be  
18 soliciting comments.

19 CMSR. BELOW: Okay. Thank you.

20 BY CMSR. IGNATIUS:

21 Q. Ms. Leone, at Tab 20, the surcharge for manufactured  
22 gas plants, the Environmental Surcharge is zero. Is  
23 that because costs are being accrued, but you won't  
24 seek recovery until you get to a final stage? Or, are

{DG 09-162} {10-14-09}

[WITNESS: Leone]

1 we -- there are no costs that we need to be concerned  
2 about in all of the work that you're doing?

3 A. We are incurring costs. But, at this point, insurance  
4 recovery has offset the costs that we've spent.

5 Q. All right. And, when are we likely to see the next  
6 regulatory phase, if you will, any sort of filing with  
7 the Commission that would involve new costs that might  
8 be considered for ratepayers to pick up?

9 A. It will depend in large part on the progress for the  
10 Liberty Hill site. At this point, depending on when  
11 DES issues their decision, and whether there are any  
12 appeals with that decision, we could incur -- we could  
13 begin the remediation potentially next summer, at which  
14 point we'll start to incur some significant costs  
15 associated with that. But, at this point, it depends.  
16 We're uncertain of the schedule, because we aren't  
17 certain exactly when the DES will actually approve of  
18 the remedy.

19 Q. And, is the Staff and the Consumer Advocate being kept  
20 abreast of those developments, so that, if there is  
21 some -- you're reaching some finality on the Laconia  
22 site, there would be an opportunity for them to work  
23 through what those details are before getting to a  
24 proceeding here?

{DG 09-162} {10-14-09}

[WITNESS: Leone]

1 A. We certainly can and will keep them updated.

2 CMSR. IGNATIUS: All right. Thank you.

3 CHAIRMAN GETZ: Anything further,

4 Mr. O'Neill?

5 MR. O'NEILL: Nothing further.

6 CHAIRMAN GETZ: Okay. Then, the witness  
7 is excused. Thank you.

8 WITNESS LEONE: Thank you.

9 MR. O'NEILL: Commissioners, if there's  
10 no reason for Ms. Leone to be recalled at any point in the  
11 future, it would be good to dismiss her so that she could  
12 get back to other work, if that would be okay?

13 CHAIRMAN GETZ: That would be fine.

14 MR. O'NEILL: The Company calls Ann  
15 Leary and Ted Poe to the stand.

16 (Whereupon Ann E. Leary and  
17 Theodore Poe, Jr. were duly sworn and  
18 cautioned by the Court Reporter.)

19 ANN E. LEARY, SWORN

20 THEODORE POE, JR., SWORN

21 DIRECT EXAMINATION

22 BY MR. O'NEILL:

23 Q. I'll begin with Mr. Poe. Mr. Poe, if you would please  
24 state your name and business address for the record.

{DG 09-162} {10-14-09}



[WITNESS PANEL: Leary|Poe]

- 1 A. (Poe) Good morning. My name is Theodore Poe, Jr. My  
2 business address with National Grid is 40 Sylvan Road,  
3 Waltham, Massachusetts.
- 4 Q. And, Mr. Poe, you submitted prefiled testimony in this  
5 case, is that correct?
- 6 A. (Poe) Yes, I did.
- 7 Q. And, I'd like to show you a copy of what's included  
8 with the Company's filing, which was marked as "Exhibit  
9 1". Do you recognize that document?
- 10 A. (Poe) Yes, I do.
- 11 Q. And, that document, which is entitled "Prefiled  
12 Testimony of Theodore Poe, Jr.", dated September 1,  
13 2009, is that your prefiled testimony in this case?
- 14 A. (Poe) Yes, it is.
- 15 Q. And, was that testimony prepared by you or under your  
16 direction and control?
- 17 A. (Poe) Yes, it was.
- 18 Q. And, is it true and accurate to the best of your  
19 knowledge and belief?
- 20 A. (Poe) Yes, it is.
- 21 Q. And, are there any changes that you would like to make  
22 to that testimony at this time?
- 23 A. (Poe) No, there are none.
- 24 Q. Thank you. And, Mr. Poe, similar to what we did with

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 Ms. Leone, without going into all of the detail that's  
2 in your prefiled testimony, if you could just let the  
3 Commission know generally your background and position  
4 with the Company.

5 A. (Poe) Certainly. I'm Lead Analyst with National Grid.  
6 And, I'm responsible for forecasting the customer  
7 requirements, the natural gas requirements for the cost  
8 of gas filing.

9 Q. Thank you. And, Mr. Poe, I'm going to ask you first if  
10 you would review the -- well, actually, before we do  
11 that, I guess I'll -- I'm going to turn to Ms. Leary  
12 and we'll get the background out of the way. Ms.  
13 Leary, if you could just state your name and business  
14 address for the record.

15 A. (Leary) Yes. My name is an Ann Leary. I work for  
16 National Grid. It is at 40 Sylvan Road, Waltham,  
17 Massachusetts 02451.

18 Q. And, Ms. Leary, you also submitted prefiled testimony  
19 in this case, is that correct?

20 A. (Leary) That is correct.

21 Q. And, I'd like to show you a copy, and do you recognize  
22 that document?

23 A. (Leary) Yes, I do.

24 Q. And, that document, which was included with the

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 Company's filing, which was marked as "Exhibit 1",  
2 titled "Prefiled Testimony of Ann E. Leary", is dated  
3 August 31, 2009. Is that your prefiled testimony in  
4 this case?

5 A. (Leary) Yes, it is.

6 Q. Was that testimony prepared by you or under your  
7 direction and control?

8 A. (Leary) Yes, it was.

9 Q. And, is it true and accurate to the best of your  
10 knowledge and belief?

11 A. (Leary) Yes, it is.

12 Q. And, are there any changes that you would like to make  
13 to that testimony at this time?

14 A. (Leary) I have a few changes to my -- to some schedules  
15 contained in my cost of gas filing.

16 Q. Could you tell us what those are please.

17 A. (Leary) Okay. First, if you look on Tariff Page 86, a  
18 quarter way down the page it says "Hedging Contract  
19 Savings", the word should have said "Hedging Contract  
20 Loss". All right?

21 Also, if we turn to "Summary", Bates  
22 stamp Page Number 1, okay? Lines 31 and 32, under  
23 Column (b), it should have read "Schedule 4 Line 26",  
24 not "Line 24". And, finally, if we turn to Schedule 7,

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 which is Bates stamp Page Number 45, we're going to  
2 correct Lines 24, 25, and 26 in the Column (i). So,  
3 first, I'll begin with Line 24. The total "Market  
4 Priced Volumes" should be "2,243,417", not the  
5 "2,747,289" that's seen on that page. Line 25, "Total  
6 Volumes" should be "7,441,417", not the "7,945,289".  
7 And, finally, Line 26, which is the "Percent Volume  
8 Hedged", should be "69.9 percent", not the  
9 "65.4 percent" that's on that schedule.

10 And, those are my changes.

11 Q. Thank you. Okay. For the moment, we'll go back to Mr.  
12 Poe. Mr. Poe, first, I'm going to ask you if you would  
13 just review the Company's transportation contract  
14 portfolio, which I believe begins -- is Schedule 12,  
15 Page 2 of the filing.

16 A. (Poe) That's correct.

17 Q. Could you walk us through what's contained in the  
18 Company's transportation contract portfolio?

19 A. (Poe) Certainly. The details of which are provided in  
20 my prefiled testimony, and also Schedule 12, Page 2,  
21 lists a table of all the individual contracts that  
22 comprise the Company's portfolio. But, overall, what  
23 the Company has is 1,000 MMBtus per day deliverability  
24 on the Portland Natural Gas Transmission Pipeline, as

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 well as 76,833 MMBtus per day of deliverability off the  
2 Tennessee Gas Pipeline.

3 Q. Okay. Thank you. And, basically, that's the  
4 interstate transportation contract portfolio that  
5 allows you to deliver gas into the EnergyNorth system?

6 A. (Poe) That's correct.

7 Q. Next, I'd like to turn your attention to Schedule 11,  
8 which is the Company's projected load and weather.  
9 Could you please walk us through what's contained in  
10 Schedule 11 of the filing.

11 A. (Poe) Certainly. As you said, Schedule 11 contains the  
12 forecasted sendout. In Schedule 11A, which shows  
13 normal weather conditions, the Company projects sendout  
14 of 86,404,722 therms for the six month winter period,  
15 and that's the projected sendout to its sales  
16 customers. This figure is down 9.4 percent from the  
17 forecasted figure of last year at this time of  
18 95,368,818 therms.

19 Schedule 11B then shows the design  
20 winter condition forecast, at which the Company  
21 projects 94,562,239 therms of sendout to sales  
22 customers. Design weather is 8.5 percent colder than  
23 normal, and that load then is 9.4 percent higher than  
24 the normal forecast.

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1                   In Schedule 11C, we show the utilization  
2                   of the different resources within the Company's  
3                   portfolio.

4    Q.   And, I'm going to just stop you there for one second.  
5           Schedule 11C was actually updated as part of -- in a  
6           data response that the Company filed in this docket, is  
7           that correct?

8    A.   (Poe) That is correct.

9    Q.   And, at this point, and, actually, that data response  
10           was answered by Ms. Leary, so I'm just going to ask Ms.  
11           Leary if -- Ms. Leary, do you recognize that document?

12   A.   (Leary) Yes, I do.

13   Q.   And, that document, which is titled "Staff" -- "Request  
14           Number Staff 1-17", that is an updated Schedule 11C to  
15           the Company's filing, is that correct?

16   A.   (Leary) That is correct.

17                   MR. O'NEILL:  At this point, I'd propose  
18           to mark the Company's response to Data Request Staff 1-17  
19           as Exhibit --

20                   CHAIRMAN GETZ:  Four.

21                   MR. O'NEILL:  -- as Exhibit 4 for  
22           identification.

23                   CHAIRMAN GETZ:  It will be so marked.

24                   (The document, as described, was

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1                                   herewith marked as Exhibit 4 for  
2                                   identification.)

3 BY MR. O'NEILL:

4 Q.    So, Mr. Poe, now that you have the revised  
5        Schedule 11C, would you please continue with your  
6        explanation of what's contained in that table.

7 A.    (Poe) As I described earlier, it describes under normal  
8        and design conditions the volumes projected for each  
9        one of the different resources within the Company's  
10       portfolio and its utilization factor.

11 Q.   And, Mr. Poe, if you could, if you could just briefly  
12       explain the primary factors that are contributing to  
13       the decreases shown on those schedules?

14 A.   (Poe) Certainly. In addition to the reduction that I  
15       mentioned earlier when talking about Schedule 11A, the  
16       lower forecasted sales volumes for the upcoming winter  
17       period, we see also a decrease in the design day  
18       forecast in Schedule 11D, where we're now forecasting  
19       1,222,692 therms, which is down from last year's figure  
20       of 1,306,916 therms. That's included in Schedule 11D.  
21       And, the primary factors associated with these  
22       decreases are two: One being a continued shift of  
23       customers from the sales customer class to the Customer  
24       Choice customer class. And, in addition, then load

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 reductions that were associated with the state economic  
2 conditions. And, this was also addressed in a data  
3 response to the Staff.

4 Q. Thank you. So, Mr. Poe, you briefly -- we talked  
5 earlier about the Company's transportation contracts.  
6 And, those are the contracts that allow you to bring  
7 the gas up to into EnergyNorth. You also have gas  
8 supply assets that you -- commodity assets that you  
9 needed to contract for in order to -- and could you  
10 just briefly discuss how -- what those gas supply  
11 assets are that the Company holds?

12 A. (Poe) Certainly. The Company holds capacity bringing  
13 Canadian gas totaling 8,122 dekatherms per day up to  
14 the citygate; 1,000 of which can come up Portland, the  
15 other two are from sources at Niagara and Dawn,  
16 Ontario. We have domestic supplies that come from the  
17 Gulf Coast, which can total 41,596 dekatherms per day.  
18 And, then, in addition, we have storage in underground  
19 storage fields in Pennsylvania and New York so that we  
20 can deliver 28,115 dekatherms per day.

21 Since the last peak period filing, the  
22 Company has had three changes to its supply contract  
23 portfolio. During the off-peak period we contracted  
24 with Semptra on an index-based contract to refill

{DG 09-162} {10-14-09}



[WITNESS PANEL: Leary|Poe]

1 underground storage. They were assigned the Company's  
2 Honeoye, Dominion, and National Fuel Gas underground  
3 storage fields, in addition to half of its Tennessee  
4 FS-MA storage. That supply contract was to fill  
5 storage over the May through October period on a  
6 ratable basis, taking one-sixth of the needed volume  
7 every month, and the fields are projected to be at full  
8 as of November 1st. The Company will leave a little  
9 bit of room in its FS-MA storage for swing periods, and  
10 then have everything full by December 1st of this year.  
11 The Company also issued an RFP and received a winning  
12 bid from Chevron on volumes to fill its long-haul  
13 storage from the Gulf Coast in the United States.  
14 Again, it's an index-based contract, and there are  
15 baseload components and also swing components, to give  
16 the Company the flexibility to deliver what it needs  
17 throughout the wintertime.

18 And, then, lastly, the Company  
19 participated in an RFP for supply from Dawn, Ontario  
20 from BP Canada. Again, it's an index-based contract.  
21 It's a baseload contract. And, BP will manage the  
22 capacity from Dawn and provide a mitigation payment to  
23 its customers.

24 Q. Thank you. Mr. Poe, one matter that we haven't yet

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 talked about is the Company also has some incremental  
2 capacity available to it that delivers into Dracut,  
3 Massachusetts. It was as a result of the Concord  
4 Lateral Upgrade Project that was approved by the  
5 Commission in 2008. Could you provide a status of  
6 where that project stands at this time?

7 A. (Poe) Certainly. The Company recently received a  
8 letter from Tennessee Gas Pipeline stating that it  
9 anticipates an on-schedule start-up date of the  
10 expanded capacity of the Concord Lateral as of  
11 November 1st of this year. The Company had one  
12 transportation contract short-haul coming from Dracut,  
13 Massachusetts to the Company's citygates for 20,000  
14 dekatherms per day, and this upgrade will add an  
15 additional 30,000 dekatherms per day to the capacity  
16 coming from Dracut to the Company's citygates. So,  
17 that will total 50,000 dekatherms per day of capacity  
18 that we will have in our portfolio as of November 1st.  
19 Now, that's the status of the actual physical pipeline.

20 With regard to filling it, the Company  
21 issued an RFP for supply September 29th. It is  
22 expecting all bids to be received by 5:00 p.m. close of  
23 business today, and to make its decision tomorrow as to  
24 what supplier it will choose. It's generally

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 structured the RFP to look for a baseload component, as  
2 well as swing components of supply, up to 50,000 per  
3 day, purchased at Dracut, and delivered to the  
4 Company's citygates.

5 Q. Thank you. And, the Company also has on-system  
6 supplemental facilities available to it to meet  
7 customer requirements, is that correct?

8 A. (Poe) That's correct.

9 Q. And, could you briefly just discuss what those  
10 facilities are and how they're utilized?

11 A. (Poe) Certainly. For supplemental facilities, for  
12 peaking supplies, the Company first holds a supply  
13 sharing agreement with the Granite Ridge Power Company,  
14 and that's an indexed based contract that allows the  
15 Company to call on supplies for a limited number of  
16 days during the winter period to add to its capacity  
17 coming to the citygate, plus its own supplemental  
18 facilities. We have three LNG facilities in Concord,  
19 Manchester, and Tilton, and four propane facilities in  
20 Amherst, Manchester, Nashua, and Tilton. The Company  
21 expects that all of these facilities will be at full  
22 capacity in time for the beginning of the winter period  
23 on November 1st.

24 Q. And, Mr. Poe, does the Company anticipate a different

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 utilization of these facilities for this upcoming  
2 season than the way it's utilized them in the past  
3 winter seasons?

4 A. (Poe) Yes. The Company right now is awaiting the  
5 responses to the RFP that it issued for a Dracut  
6 supply. If it's able to purchase what it intends to  
7 purchase, the Company does not foresee the need for a  
8 propane supply contract during the peak period.  
9 However, it will be contracting for propane trucking so  
10 that it can move product from facilities, such as  
11 Amherst, and also a storage facility in Massachusetts,  
12 to the Company's vaporization spots. In addition, the  
13 Company is evaluating whether or not it will further  
14 need the firm liquid service agreement contract that it  
15 had with Distrigas during the previous peak period.

16 Q. Thank you. And, Mr. Poe, as the Company finalizes its  
17 supply contracts for the Dracut supply and the propane  
18 trucking, will the Company continue to keep the Staff  
19 advised of the status of those negotiations and provide  
20 copies of the contracts when they are completed?

21 A. (Poe) Yes, it will indeed. Both the capacity on  
22 Tennessee, and then also the supply that we'll be  
23 filling in Dracut.

24 MR. O'NEILL: Thank you. I have no

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 further questions for this witness.

2 CHAIRMAN GETZ: Thank you.

3 Ms. Hatfield.

4 MS. HATFIELD: Thank you. Good morning.

5 WITNESS POE: Good morning.

6 BY MS. HATFIELD:

7 Q. Ms. Leary, has the NYMEX futures --

8 MR. O'NEILL: Oh. Actually, I'm sorry.

9 I was only at the beginning. I'm done with Mr. Poe. I  
10 haven't finished with Ms. Leary. We can't leave Ms. Leary  
11 out, she's the most important part of the hearing.

12 BY MR. O'NEILL:

13 Q. Ms. Leary, in previous years, the Company has provided  
14 -- has updated its filing after its initial submission.  
15 Did the Company do that this year?

16 A. (Leary) No. The Company is not updating its filing at  
17 this point in time. The Company did take a look last  
18 week at a more recent 15 day NYMEX strip. There has  
19 not been a huge change from the NYMEX strip that we  
20 incorporated in the filing we made on August 31st. In  
21 fact, I think the change was like a penny. And, so,  
22 what we did is we looked at that, plus we looked at  
23 some corrections that the Staff has identified as they  
24 were going a review of our filing, we had a -- our

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 reference as to our underground storage. So, when we  
2 made those corrections in our filing, updated the 15  
3 day NYMEX, then took a look at what the factor was, it  
4 was about a penny difference in the filing that we had  
5 made in August. So, at this point, we have chosen not  
6 to, with that change, not to bother to revise the  
7 filing at this point in time.

8 Q. Thank you. And, Ms. Leary, what are the proposed cost  
9 of gas rates filed by the Company?

10 A. (Leary) Okay. The Company is proposing a cost of gas  
11 for our residential customers of 96.63 cents per therm;  
12 the cost of gas for the commercial/industrial low  
13 winter use customers is 96.58 cents per therm; the cost  
14 of gas for the commercial and industrial high winter  
15 use customers is 96.65 cents per therm; and, finally,  
16 for the firm transportation customers, the Company is  
17 proposing a credit of 0.03 cents per therm, or 3/100ths  
18 of a cent.

19 Q. Thank you. And, could you just explain how these rates  
20 compare to last winter's average rates?

21 A. (Leary) Yes. First of all, if we compare this proposed  
22 rate to the rate that was first approved in November of  
23 2008, this rate right now is about 22 cents lower than  
24 the rate that was approved for November 2008. That

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 rate was about \$1.19. If we look at what -- how it  
2 compares to the weighted average cost of gas over the  
3 entire 2008-2009 winter season, this rate here is about  
4 12 cents lower than that rate. The weighted average  
5 rate over last winter was about \$1.09. Because, as we  
6 had gone through the winter, we had been revising our  
7 cost of gas, we had been lowering it last winter.

8 Q. Thank you. And, if I could direct your attention to  
9 Tab 8, Schedule 8 of the Company's filing, which is  
10 marked as "Exhibit 1". Is that where the Commission  
11 could find the bill impacts associated with this?

12 A. (Leary) Yes. In that schedule, we provided bill  
13 impacts for our residential heating customers, as well  
14 as for some of our commercial and industrial rate  
15 classes. For the residential heating customers, we're  
16 anticipating that they will receive about a \$142  
17 decrease in their bill this year, which is about a  
18 10.3 percent decrease. This is attributed to both  
19 factors. First of all, the base rates will be about  
20 \$41 less than last year. That's because last year we  
21 had our temporary rates in effect from our DG 08-009  
22 rate case settlement. The final rates that were  
23 approved were actually less than the temporary rates  
24 that had been put into place. So, that's about a \$41

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 decrease. We'll then have about a \$101 decrease  
2 resulting from the cost of gas in our LDAC. So,  
3 overall, they should have, for a typical customer using  
4 932 therms, will see about a \$140 -- \$142 decrease.

5 For the C&I customers, we took a look at  
6 the G-41, which are our small commercial customers,  
7 where most of our commercial customers reside, they  
8 will get about a \$244 decrease, which is about  
9 11.1 percent. Again, the base rates will attribute to  
10 \$47 of this decrease and the cost of gas will attribute  
11 to about \$197 of this overall decrease.

12 Q. Thank you. And, Ms. Leary, if you could just briefly  
13 explain why in the filing you mentioned a credit, a  
14 small, slight credit to transportation customers.  
15 Could you please explain why there's a cost of gas for  
16 transportation only customers?

17 A. (Leary) Yes. The reason why we have a transportation  
18 charge as part of our cost of gas is because we had  
19 identified that part of our peaking supply is to  
20 maintain system pressure. And, in the last rate case,  
21 we had identified that this percentage is 12.4 percent.  
22 So, what we do is, we will actually charge our  
23 transportation customers for our peaking supplies,  
24 which will be our LNG and our propane, and they will

{DG 09-162} {10-14-09}



[WITNESS PANEL: Leary|Poe]

1 get assigned 12.4 percent of those costs to maintain  
2 system pressures in our distribution system. This  
3 year, it's actually a slight credit, and that's because  
4 last year's filing, when we made last year's filing, we  
5 had projected, you know, a certain level of  
6 transportation volumes. Actually, as Mr. Poe had  
7 indicated, we had more customers migrate to  
8 transportation than we had originally forecasted.  
9 Therefore, there was a slight overcollection for the  
10 transportation customers in the charge last year. This  
11 resulted in this year ending up being a slight credit.

12 Q. Thank you. And, what are the major factors that result  
13 in the decrease in the initial cost of gas rate being  
14 sought by the Company?

15 A. (Leary) The major factor contributing to this decrease  
16 is basically a decrease in the NYMEX. Also, there will  
17 be a decrease in our hedges costs. This will  
18 attribute, the two combined, will attribute to about 22  
19 cents. They alone will result in a 22 cents per therm  
20 decrease in the factor. This represents about 25. --  
21 almost \$26 million. We also had a decrease of about  
22 almost \$2 million in our prior period reconciliation.  
23 So, last year, the reconciliation balance that was  
24 included in our cost of gas factor was about \$2 million

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 higher than this year's factor.

2 Q. Thank you. And, Ms. Leary, I'd just like to turn your  
3 attention to a different topic now. The Company also  
4 offers customers a Fixed Price Option or FPO rate, is  
5 that correct?

6 A. (Leary) That is correct.

7 Q. And, could you just briefly explain what that is?

8 A. (Leary) Yes. The Company offers a Fixed Price Option  
9 rate. Customers have the choice, before the beginning  
10 of the heating system [season?], to lock in their cost  
11 of gas factor for the next six month period. Once they  
12 chose that option, they are -- they're obligated to pay  
13 that rate for the period November through April. The  
14 way we establish the rate is we actually set the rate  
15 at two cents higher than the rate that we file on  
16 September 1st of every year. So, for this year, for  
17 instance, the residential rate will be two cents  
18 higher, so it will be 98.63 cents per therm, the C&I  
19 low winter use customers have a rate of 98.58 cents per  
20 therm, and the C&I high winter use customers have a  
21 fixed rate -- fixed FPO rate of 98.65 cents per therm.

22 Q. And, could you just -- how does the enrollment for this  
23 year compare to last year?

24 A. (Leary) Yes. We took a look at what the enrollment was

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 as of -- we got numbers as of last Thursday,  
2 October 8th. And, currently, we had 9,132 customers  
3 enrolled on the FPO rate. That is down compared to  
4 last year. Last year, at the end this period, we had  
5 13,192 customers. So, we're at about 70 percent. But  
6 we actually have the -- the four-week period the  
7 customers were given expired yesterday, so that there  
8 may have been more customers that have been added in  
9 the last few days.

10 Q. Thank you. And, I'd like to turn now to another topic,  
11 the Local Distribution Adjustment Charge. Could you  
12 just briefly explain what this charge is?

13 A. (Leary) Yes. This is a charge that we apply to both  
14 sales and transportation customers. It is to recover  
15 items like we have our Conservation Charge, we have an  
16 Energy Efficiency Charge, we have the Residential Low  
17 Income Assistance Program, which recovers the subsidy  
18 resulting from offering customers the low income  
19 discount. We have the environmental costs, which, as  
20 Ms. Leone had previously discussed, is for the  
21 remediation costs for the manufactured gas sites. We  
22 also have in this filing a one-time Emergency Response  
23 incentive cost. And, what this is, this came out of  
24 the EnergyNorth/National Grid merger, DG 06-107, where

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 we had, as part of that settlement, there was a  
2 stipulation that, if the Company met certain emergency  
3 response measures, it would be entitled to a one-time  
4 credit of \$600,000. So, we've included that in this  
5 filing.

6 And, finally, in this filing, we also  
7 included a rate case adjustment, and it's really for  
8 two components. It's, number one, for the rate cast  
9 expenses that were incurred in DG 08-009, and it also  
10 includes the true-up of the temporary rates that were  
11 implemented back on August 24th, 2008, versus the final  
12 rates that were approved for July 1st of 2009. These  
13 two factors netted together turns out to be a credit to  
14 customers of 1.95 cents per therm.

15 The Company, the Staff, and the OCA are  
16 still reviewing and investigating our rate case  
17 expenses. The Company filed for approximately \$800,000  
18 worth of rate case expense. The parties have met and  
19 are recommending at this point that we implement the --  
20 we implement the LDAC and include this \$800,000  
21 recovery, but it will be subject to further review and  
22 investigation. And, any variance from that number that  
23 we're proposing here and the final number that is  
24 agreed upon will be reconciled. The parties have also

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1           agreed that they're going to get together and come up  
2           with a procedural schedule to determine, you know, when  
3           this issue will be totally resolved.

4                           But just also to give you a little  
5           impact, the \$800,000 that we're discussing, that's in  
6           -- I guess be under investigation right now, that  
7           total, if you looked at how that impacted residential  
8           customers, right now that would have a total impact of  
9           less than \$5.00 over the entire winter season. So,  
10          it's about 82 cents a month customers are paying for  
11          that entire \$800,000 collection. So, that's the order  
12          of magnitude. That represents basically less than  
13          four-tenths of a cent on their total annual peak period  
14          bill.

15   Q.    Thank you. And, Ms. Leary, just for clarification,  
16          with regard to the Emergency Response incentive charge  
17          that you mentioned earlier, a full description of that  
18          is contained in Page 21 of your prefiled testimony, is  
19          that correct?

20   A.    (Leary) That is correct.

21   Q.    Thank you. Could you just briefly go through the level  
22          of the LDAC and how it compares to the rate from last  
23          year?

24   A.    (Leary) Yes. The proposed LDAC for the residential

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 non-heating customers is 4.1 cents per therm, this is a  
2 little bit higher than last year's factor of 2.54 cents  
3 per therm. The residential heating has a factor of  
4 4.04 cents per therm. This compares to the factor of  
5 2.60 cents per therm last year. And, finally,  
6 commercial and industrial customers' proposed LDAC  
7 factor is 1.94 cents per therm, compared to the 2.78  
8 cents per therm last year.

9 Q. Thank you. And, we heard testimony earlier from Ms.  
10 Leone regarding the MGP remediation costs. And, could  
11 you just confirm that the surcharge, which relates to  
12 that item, is zero cents per therm?

13 A. (Leary) Yes, it is.

14 Q. And, again, briefly just -- and Ms. Leone already  
15 covered the reasons for that, so I won't go through  
16 that. But is the Company proposing any other tariff  
17 changes in this docket?

18 A. (Leary) Yes. The Company is updating Tariff Page 155,  
19 which is its peaking demand charges. These charges are  
20 updated annually and can be seen in Tab 21 of the  
21 filing. Please note, though, that the demand charges  
22 this year have increased to \$16.43 per MMBtu of Peak  
23 MDQ. Last year's charges was \$10.02. This increase is  
24 due to the fact that the Company has assigned for

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 25,000 MMBtus per day of that Tennessee peaking  
2 contract on the Concord Lateral that Mr. Poe just  
3 talked about as peaking supplies. So, that's what's  
4 attributing to the increase in the peaking demand  
5 charges. And, these are the costs that we assign to  
6 transportation customers under the Mandatory Capacity  
7 Release Program.

8 We have also updated on Tariff Page 156  
9 our capacity allocator percentages. And, again, this  
10 is for transportation customers under the Mandatory  
11 Capacity Release Program. And, what this tariff does  
12 is it shows the allocation of how much pipeline, how  
13 much underground storage, and how much local peaking  
14 supplies on a percentage basis that these customers  
15 will be responsible for. And, it's based on their load  
16 factor, high load factor and low load factor customers.  
17 And, again, these can be found in the -- all the  
18 calculations are set out on Tab 22 of our filing.

19 Q. Thank you. And, just turning your attention to a new  
20 topic, short-term debt limits. In Order Number 24,824,  
21 the Commission established a mechanism for updating the  
22 Company's short-term debt limit on an annual basis in  
23 the winter cost of gas proceeding. Are you familiar  
24 with that ordering requirement?

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 A. (Leary) Yes, I am.

2 Q. And, has the Company updated its short-term debt limits  
3 and propose new limits for this filing?

4 A. (Leary) Yes, they have.

5 Q. And, could you just explain what those new limits are?

6 A. (Leary) Yes. Those calculations and those schedules  
7 can be found in Tab 24. We have a new limit for our  
8 fuel inventory financing: It will be \$24,433,202.

9 And, for our non-fuel purposes, the limit will now be  
10 \$51,621,000. Just to give you an idea, from a -- on  
11 the fuel inventory, this actually represents a decrease  
12 from last year. That's because our projected gas  
13 costs, as we've already described, are going down from  
14 last year. And, basically, the limit is determined by  
15 applying 30 percent to the projected gas costs. So,  
16 since that went down, our fuel inventory limit also  
17 went down. Our actual for the non-fuel purposes, the  
18 amount actually went up slightly from that last year,  
19 that's because it's based on 20 percent of our  
20 forecasted net plant. Since we've been making more  
21 investments throughout the year, our net plant has  
22 increased.

23 Q. And, Ms. Leary, has the Company's Treasury Department  
24 been made aware of the proposed new limits for New

{DG 09-162} {10-14-09}



[WITNESS PANEL: Leary|Poe]

1 Hampshire?

2 A. (Leary) Yes, they have.

3 Q. Thank you. And, finally, there were some changes made  
4 regarding the Company's indirect gas costs and interest  
5 associated with deferred gas costs in this filing?

6 A. (Leary) Yes, they have.

7 Q. And, could you explain what those changes are?

8 A. (Leary) Yes. Well, according to the settlement that  
9 was approved in the rate case, in DG 08-009, and also  
10 the settlements filed in the case DG 07-050 and DG  
11 07-072, the Company has updated some of its indirect  
12 gas costs. First, they updated -- we updated a  
13 reduction in storage costs. The new number that we now  
14 include in our cost of gas filings is \$1,796,831. We  
15 have also updated our gas cost related bad debt  
16 percentage, again, in accordance with the settlement,  
17 for this year it is 2.54 percent. We have also updated  
18 our gas cost working capital. We're now using a  
19 lead/lag days of 10.18 days, which was settled upon in  
20 the rate case. And, we're also now, for -- we're  
21 applying the prime rate, which was included as part of  
22 the settlement in DG 07-072. And, finally, the  
23 interest that's included in the filing that's  
24 associated with our deferred gas cost balances has also

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 changed, because now we are including accrued revenues  
2 when we calculate the balance in our deferred gas  
3 costs, whereas before we were only including billed  
4 revenues, and this will result in lower interest  
5 charges.

6 Just want to point out a couple things,  
7 though. As I said, all these changes that we have made  
8 to both the working capital and the interest on  
9 deferred are for the projected period November of '09  
10 through April of '10. Because those two settlements  
11 have not yet been approved, we did not go back and  
12 restate our reconciliation. Both those settlements had  
13 stipulations that they -- that the period that they  
14 would be retroactive would be is to November of '08.  
15 So, once those have been approved, we will restate our  
16 reconciliation balances. But those filings that we  
17 made were actually made before we had submitted the  
18 settlements to the PUC.

19 But, just to give you an idea, the  
20 interest on deferred that we talked about, the change,  
21 as a result of putting in accrued revenues, will result  
22 in about a decrease of about \$155,000, and the -- for  
23 the period November '08 through April of '09. And, on  
24 the working capital part, the impact will be about

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1           \$445,000, again, for the period November '08 through  
2           April of '09. So, in total, this will be -- these two  
3           adjustments will be to decrease the cost of gas by  
4           about \$600,000. And, once the settlements have been  
5           approved, we will incorporate them in our next monthly  
6           trigger filing, so that we can give back that money  
7           over this winter period.

8                           MR. O'NEILL: Thank you. And, this time  
9           I really do have no more questions.

10                           CHAIRMAN GETZ: Thank you.

11           Ms. Hatfield, take two.

12                           MS. HATFIELD: Good morning again.

13                           WITNESS POE: Good morning again.

14                           WITNESS LEARY: Good morning.

15                           CROSS-EXAMINATION

16           BY MS. HATFIELD:

17           Q. Ms. Leary, I have a few questions for you related to  
18           hedging and migration.

19           A. (Leary) Okay.

20           Q. Under your current hedging policy, did the Company  
21           start acquiring hedges about 18 months in advance of  
22           this cost of gas period?

23           A. (Leary) Yes, we do.

24           Q. And, was the volume of those hedges based on your sales

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

- 1 forecasts at that time?
- 2 A. (Leary) Yes, it was.
- 3 Q. And, as a result of that, is it fair to say that you
- 4 entered into hedges for customers that have since
- 5 migrated?
- 6 A. (Leary) That have migrated since that point in time,
- 7 yes, it has.
- 8 Q. And, is it also true that, when we compare the cost of
- 9 those hedges with current price forecasts, those hedged
- 10 amounts are higher or more expensive than current
- 11 market prices?
- 12 A. (Leary) They are for this year, you are correct.
- 13 Q. And, under the current approach, are those excess costs
- 14 paid by the remaining gas customers?
- 15 A. (Leary) Yes, they are.
- 16 Q. And, based on discussions among the parties during this
- 17 docket, is it your understanding that that cost amounts
- 18 to about \$4.00 for each residential customer over this
- 19 winter period?
- 20 A. (Leary) Yes, we do.
- 21 Q. And, have the parties also discussed during this docket
- 22 an agreement to meet and discuss hedging in general, as
- 23 well as the impacts of migration and this cost
- 24 shifting?

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 A. (Leary) Yes. In fact, the parties are trying to  
2 schedule some type of a meeting during the month of  
3 November. We will be bringing up our hedging expert,  
4 Steve McCauley, to talk about our entire hedging  
5 policy, and ways to mitigate this impact to the  
6 remaining cost of gas customers.

7 Q. And, is it fair to say that one possible option to  
8 avoiding this situation where all customers pay, would  
9 that be a re-entry fee?

10 A. (Leary) Yes. That's definitely one possibility that is  
11 out there. I guess, when the parties meet, it will be  
12 important to look at the different options that are  
13 available, and also looking at the administrative costs  
14 to achieve those various options. So, I think we, you  
15 know, the parties need to meet and discuss that in  
16 total.

17 MS. HATFIELD: Thank you. No further  
18 questions.

19 CHAIRMAN GETZ: Mr. Fossum.

20 MR. FOSSUM: Thank you. I guess I don't  
21 have very much left.

22 BY MR. FOSSUM:

23 Q. I'll begin with Ms. Leary here. In the filing, on  
24 pages stamped "122" and "123", which details the Energy

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 Efficiency Charge of approximately \$5 million to be  
2 recovered through the LDAC, and includes about \$300,000  
3 related to program incentives. Is that charge  
4 consistent, to your knowledge, with Staff's  
5 calculations of the performance incentive due to the  
6 Company?

7 A. (Leary) No. The Staff had actually picked up a few  
8 errors the Company had made in calculating this amount.  
9 The Staff is actually recommending that the incentive  
10 level should be \$318,000, not \$300,000 that the Company  
11 had calculated.

12 Q. And, how will that relatively small difference be  
13 treated?

14 A. (Leary) The Company will include it in its  
15 reconciliation filing, and it will actually be  
16 incorporated in next year's filing factor.

17 Q. Thank you. And, on Page 139 of the filing, which  
18 summarizes some of the remediation costs Ms. Leone  
19 spoke about, and indicates current period expenses of  
20 about 1.2 million. Has the Company provided the  
21 Commission's Audit Staff with supporting documentation  
22 for those current expenses?

23 A. (Leary) Yes, we have.

24 Q. And, to your knowledge, has the Staff completed its

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 audit of those expenses?

2 A. (Leary) To my knowledge, the Staff has not yet  
3 completed its audit of those environmental expenses.

4 Q. Okay. And, when the Staff does complete its audit, do  
5 you -- how do you anticipate those expenses to be  
6 treated? I mean, I understand that this has happened  
7 in previous cost of gas filings?

8 A. (Leary) Yes. In previous cost of gas filings, it's  
9 difficult for Staff to review all these invoices  
10 associated with the environmental filing. So,  
11 generally, the LDAC factor, which includes this  
12 environmental response cost, will be approved, subject  
13 to final review by the Commission Audit Staff of all  
14 those invoices. And, any difference will then be trued  
15 up in the following year's peak cost of gas filing.  
16 And, the Company has no concern or issues with  
17 following that procedure in this filing here today.

18 Q. Very good. Thank you. Turn to you, Mr. Poe. You had  
19 spoken earlier about the decrease, if I remember  
20 correctly, the reasons for the decrease in the forecast  
21 for this year. And, you mentioned some of the sales  
22 customers migrating, as well as current economic  
23 conditions. Would it be fair to say that an increase  
24 in energy efficiency has also contributed to the

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 decrease?

2 A. (Poe) Yes, indeed. When I mentioned the 9.4 percent  
3 decrease in last year's forecasted peak period  
4 requirements versus this year's forecasted peak period  
5 requirements, about 4 percent of that was load loss due  
6 to factors such as the economy, conservation; migration  
7 of customers accounted for the other 5.4 percent.

8 Q. Thank you. In reference to the Concord Lateral, I just  
9 want to clarify, the Company is due to finalize its RFP  
10 today and render its decision tomorrow, is that  
11 accurate?

12 A. (Poe) Yes. Our schedule is to receive all of the bids  
13 by 5:00 p.m. today, and then strive to make a decision  
14 by tomorrow.

15 Q. And, again, just to clarify, the Company will be  
16 providing the Commission and Staff with copies of any  
17 agreements reached in that process?

18 A. (Poe) Yes, it will.

19 Q. Now, as to the supply on that line, could you briefly  
20 describe the Company's strategy on the use of that  
21 supply to the benefit of ratepayers?

22 A. (Poe) Certainly. The RFP has been structured -- let me  
23 take a step back for a second. If you remember, absent  
24 the 30,000 additional capacity, the Company had in its

{DG 09-162} {10-14-09}



[WITNESS PANEL: Leary|Poe]

1 last peak period 20,000 of capacity from Dracut. It  
2 went out and secured an 8,000 a day piece of citygate  
3 delivery, and that would have been from one of a number  
4 of different vendors. We've now taking that 8,000 and  
5 converted it into something that the Company will be  
6 transporting itself or through this RFP. So, we are  
7 looking for a replacement for our baseload supply,  
8 which was on the initial 20,000 of capacity, plus this  
9 incremental 8,000 citygate that we were getting. So,  
10 we will have a piece of baseload capacity, and we're  
11 looking for roughly 25,000 a day December through  
12 February, and then, on top of that, we still have an  
13 additional 25,000 a day of capacity, which we'll be  
14 using to purchase swing gas as peaking supplies. There  
15 are a few days during the wintertime where we have to  
16 use that full capacity. And, also, in the shoulder  
17 periods, we'll be using that original 20, plus the new  
18 30, as we need it, to buy swing gas for peaking needs.

19 Q. Okay. And, to your knowledge, as a result of the  
20 Northeast LNG projects becoming operational, is the  
21 Company expecting greater volume trading at the Dracut  
22 point this year?

23 A. (Poe) Yes. With the first cargoes having arrived at  
24 the REPSOL facility, we're expecting supply to come

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 down the Maritimes Northeast Pipeline, additional  
2 cargoes of LNG to arrive at Distrigas, and domestic  
3 supplies to be available coming from the west, along  
4 the Tennessee Pipeline. So, hopefully, Dracut will  
5 continue to be a more and more liquid point for  
6 purchasing of supply.

7 Q. And, as it becomes a more liquid point, do you expect  
8 that that's going to have an effect on price volatility  
9 at Dracut?

10 A. (Poe) Yes, indeed. Because, if you look at the  
11 differential in pricing between the Gulf Coast supply  
12 and delivered supply in Tennessee Zone 6, summertime  
13 versus wintertime, you can see that, due to the lack of  
14 capacity, and therefore the lack of supply, there's a  
15 premium put on supply during the wintertime. With  
16 additional supplies available year-round, particularly  
17 in the peak period, that should mitigate that price  
18 differential, and keep both the volatility, as well as  
19 the price premium, down.

20 Q. Now, the Company's capacity on the Concord Lateral,  
21 will the Company -- does the Company expect that it  
22 will be able to generate any capacity release revenue  
23 from release of that capacity in off-peak periods?

24 A. (Poe) The Company is hoping that it will. It has

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 structured the RFP as an asset management arrangement,  
2 looking to see if there are bidders who would be  
3 willing to provide supply, and then also manage the  
4 capacity. And, in managing the capacity, will provide  
5 another mitigation payment to customers, in terms of  
6 the capacity release we're doing.

7 Q. Now, I know that you've already said that there's some  
8 hope for a decreased need for your LNG and for your  
9 propane facilities. But, to the extent that you might  
10 need them, are those facilities operational and  
11 prepared for this coming winter period needs?

12 A. (Poe) Yes, they are. And, in fact, as I said earlier,  
13 we plan to have all those facilities at 100 percent  
14 storage capacity by November 1st of this year.

15 Q. And, have there been any substantive changes to any of  
16 those facilities recently?

17 A. (Poe) None that I'm aware of, no.

18 Q. Okay. And, finally, I guess just to clarify, you had  
19 noted that sendout is down 9.4 percent compared to last  
20 year. Was that last year's forecasted amounts or  
21 actual amounts?

22 A. (Poe) Last year's forecast versus this year's forecast.

23 Q. Okay. And, do you know how last winter's actual degree  
24 days for New Hampshire compared to normal degree days?

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 A. (Poe) Subject to check, I believe that it might have  
2 been one to two percent colder than normal, so that the  
3 load would have been a little bit higher than normal.

4 Q. Oh. And, you had mentioned it was last year's forecast  
5 versus this year's forecast. How does this year's  
6 forecast compare to last year's actuals, if you know?

7 A. (Poe) Again, subject to check, as I said, the weather  
8 was slightly colder than normal. But, at the same  
9 time, going into the 2008-2009 peak period, I believe  
10 our forecast had been higher than actually occurred  
11 during the wintertime, the forecast had not fully  
12 accepted the effects of the economic conditions. And,  
13 so, therefore, we were slightly higher than what would  
14 have been, what would have occurred under normal  
15 weather. So, I would anticipate that last year's  
16 actual peak period, versus this winter's normal peak  
17 period, last winter might have been two percent roughly  
18 higher than what we're normal expecting this winter.

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

21 WITNESS POE: You're welcome.

22 CHAIRMAN GETZ: Commissioner Below?

23 Okay. Nothing from the Bench. Any redirect, Mr. O'Neill?

24 MR. O'NEILL: No. No redirect.

{DG 09-162} {10-14-09}

[WITNESS PANEL: Leary|Poe]

1 CHAIRMAN GETZ: Okay. Then, the  
2 witnesses are excused. Thank you. Is there any objection  
3 to striking identifications and admitting the exhibits  
4 into evidence?

5 MR. O'NEILL: No objection.

6 MR. FOSSUM: No.

7 CHAIRMAN GETZ: Hearing no objection,  
8 they will be admitted into evidence. Is there anything  
9 else, before we provide an opportunity for closing  
10 statements?

11 (No verbal response)

12 CHAIRMAN GETZ: Hearing nothing, then,  
13 Ms. Hatfield.

14 MS. HATFIELD: Thank you, Mr. Chairman.  
15 The OCA has no objection to the Company's winter cost of  
16 gas proposed rates. And, we are pleased that the Company  
17 and the parties will be discussing hedging and migration  
18 issues in the near future. And, we also appreciate the  
19 Company and Staff's willingness to continue to review rate  
20 case expenses, with the aim of resolving that issue as  
21 quickly as possible. Thank you.

22 CHAIRMAN GETZ: Thank you. Mr. Fossum.

23 MR. FOSSUM: Thank you. The Staff also  
24 supports the proposed cost of gas rates as they're filed.

{DG 09-162} {10-14-09}

1 The Audit Staff has reviewed last year's peak period cost  
2 of gas reconciliation and has not found any exceptions.  
3 The sales forecast for the coming period is consistent  
4 with past experience. And, although, as has been noted,  
5 growth has slowed recently, due in part to the general  
6 economic climate. And, the supply plan is based on least  
7 cost planning and the direct gas costs are based on actual  
8 or hedged prices and projected pricing reflecting market  
9 expectations. And, there's to be a reconciliation of the  
10 forecast and actual gas costs for this coming peak period,  
11 to be filed before next winter's cost of gas proceeding,  
12 so that any concerns related to this period's gas planning  
13 and dispatch can be addressed.

14 We recognize the Company doesn't have  
15 any real control over the price volatility in recent years  
16 on the NYMEX gas futures contracts. But its hedging  
17 policy has offered some measure of price stability.  
18 Nevertheless, their hedging policy has been around for a  
19 couple of years now, and we're looking forward to  
20 reviewing that policy with the Company and with OCA, to  
21 make sure that it's cost-effective and meeting its  
22 intended goals, or if some program revisions should be  
23 made.

24 The LDAC is comprised of a number of  
{DG 09-162} {10-14-09}

1 surcharges and a credit, which have all been established  
2 in prior proceedings. Staff has completed its review of  
3 these surcharges and has found that the rates have been  
4 correctly calculated and is therefore recommending  
5 approval. Staff, however, has not completed its review of  
6 the environmental remediation costs at this time, and,  
7 obviously, of the rate case expenses. But, for the  
8 moment, recommends that the proposed rates be implemented  
9 on November 1st, along with the other LDAC adjustments.  
10 And, if the Audit Staff finds an error in the  
11 environmental remediation costs, we'll notify the  
12 Commission so that the issue can be addressed.

13 As to the rate case expenses, Staff is  
14 expecting, as has been noted, to complete the review  
15 shortly, and a procedural schedule is to be established so  
16 that this issue can be resolved somewhat swiftly. And  
17 we'll present a final determination to the Commission for  
18 its decision.

19 Staff has also reviewed the proposed  
20 supply balancing charges and capacity allocator  
21 percentages, and they appear to be accurate and  
22 reasonable, based on the updated information. And, Staff  
23 therefore recommends the Commission's approval.

24 In sum, Staff appreciates the efforts of

{DG 09-162} {10-14-09}

1 the Company and OCA in the matter, recommends approval of  
2 the COG rates, subject to the final audits or  
3 reconciliations that have already been mentioned. Thank  
4 you.

5 CHAIRMAN GETZ: Thank you. Mr. O'Neill.

6 MR. O'NEILL: Thank you. Mr. Chairman,  
7 Commissioners, the Company would simply request that the  
8 Commission approve the cost of gas rates that were filed  
9 by the Company in this proceeding. And, we look forward  
10 to continued discussions with regard to the Company's  
11 hedging policy and an opportunity to report back to the  
12 Commission with the results of those discussions. Thank  
13 you.

14 CHAIRMAN GETZ: Okay. Thank you. Then,  
15 we'll close the hearing and take the matter under  
16 advisement.

17 (Whereupon the hearing ended at 10:23  
18 a.m.)

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