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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 21, 2015 - 9:08 a.m.  
Concord, New Hampshire

NHPUC APR23'15 AM 8:42

RE: DG 15-091  
LIBERTY UTILITIES (ENERGYNORTH NATURAL  
GAS) CORP. d/b/a LIBERTY UTILITIES:  
2015 Summer Cost of Gas.

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

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:  
Wayne Jortner, Esq.  
James Brennan, Finance Director  
Office of Consumer Advocate

Reptg. PUC Staff:  
Michael J. Sheehan, Esq.  
Rorie E. Patterson, Esq.  
Stephen P. Frink, Asst. Dir./Gas & Water Div.  
Al-Azad Iqbal, Gas & Water Division

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

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

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	2015 Summer Cost of Gas Filing, including the Direct Testimony of Francisco C. DaFonte, the Direct Testimony of David B. Simek, Table of Contents, Schedules, and Summary for Summer COG (03-17-15) <b>{CONFIDENTIAL VERSION}</b>	5
2	2015 Summer Cost of Gas Filing, including the Direct Testimony of Francisco C. DaFonte, the Direct Testimony of David B. Simek, Table of Contents, Schedules, and Summary for Summer COG (03-17-15) <i>[REDACTED VERSION - for public use]</i>	5

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

1  
2 CHAIRMAN HONIGBERG: We are here this  
3 morning in DG 15-091, which is Liberty Utilities  
4 (EnergyNorth Natural Gas) Summer Cost of Gas proceeding.  
5 It's something we do every six months, comparing  
6 summer-to-summer and winter-to-winter, reconciling as  
7 necessary. This will not include the LDAC, the Local  
8 Delivery Adjustment Clause charge, because that's done in  
9 the winter. Other than that, this is one of those ones we  
10 do.

11 Before we go further, let's take  
12 appearances.

13 MS. KNOWLTON: Good morning,  
14 Commissioners. My name is Sarah Knowlton. I'm here today  
15 on behalf of Liberty Utilities (EnergyNorth Natural Gas)  
16 Corp. And, with me today from the Company are its two  
17 witnesses, Mr. Simek and Mr. DaFonte, and also Mr. Mullen  
18 and Mr. Hall.

19 MR. JORTNER: Good morning, your Honors.  
20 Wayne Jortner, for the Office of the Consumer Advocate.  
21 And, with me is James Brennan of the Office of the  
22 Consumer Advocate.

23 MR. SHEEHAN: Good morning. Mike  
24 Sheehan, of Commission Staff. And, present is Steve

1 Frink, Assistant Director of the Gas & Water Division;  
2 Al-Azad Iqbal, a Utility Analyst; and Rorie Patterson,  
3 co-counsel.

4 CHAIRMAN HONIGBERG: Ms. Knowlton, how  
5 are we going to proceed this morning?

6 MS. KNOWLTON: Thank you. The Company  
7 would propose calling as a panel Mr. Simek and Mr.  
8 DaFonte. We have two exhibits that I'd like to mark for  
9 identification. The first, as "Exhibit 1", I would  
10 propose to mark the Confidential Version of the Company's  
11 Summer Cost of Gas filing from March 17th, 2015. And, as  
12 "Exhibit 2", the Redacted Version of that filing of the  
13 same date.

14 (The documents, as described, were  
15 herewith marked as **Exhibit 1** and  
16 **Exhibit 2**, respectively, for  
17 identification.)

18 CHAIRMAN HONIGBERG: A couple of things.  
19 We probably should deal with the Motion for Confidential  
20 Treatment. There's no objection, correct?

21 MR. SHEEHAN: Correct.

22 CHAIRMAN HONIGBERG: Mr. Jortner,  
23 there's no objection to the Motion for Confidential  
24 Treatment?

[WITNESS PANEL: Simek~DaFonte]

1 MR. JORTNER: No objection.

2 CHAIRMAN HONIGBERG: All right. That  
3 motion is approved. The other aspect of that, keep in  
4 mind that we don't have up here the redacted version. So,  
5 if there's a need to refer to the redacted version,  
6 someone is going to have to give it to us or explain. I  
7 believe that the confidential version has what's redacted  
8 highlighted within it. So, if we're moving in a direction  
9 where we're going to start talking about something that's  
10 confidential, we'll have to try and keep that in mind and  
11 deal with it on the transcript. Does that make sense?

12 MS. KNOWLTON: Yes.

13 CHAIRMAN HONIGBERG: All right. Are  
14 there going to be any other witnesses?

15 MS. KNOWLTON: No. I'm sorry.

16 MR. SHEEHAN: None from staff.

17 CHAIRMAN HONIGBERG: You're probably  
18 right, just making sure.

19 So, why don't we have your witnesses  
20 come up then, Ms. Knowlton.

21 MS. KNOWLTON: Thank you. The Company  
22 calls Mr. Simek and Mr. DaFonte.

23 (Whereupon **David B. Simek** and

24 **Francisco C. DaFonte** were duly sworn by

{DG 15-091} {04-21-15}

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the Court Reporter.)

**DAVID B. SIMEK, SWORN**

**FRANCISCO C. DaFONTE, SWORN**

**DIRECT EXAMINATION**

BY MS. KNOWLTON:

Q. Good morning, Mr. DaFonte. I'll start with you, if you're ready?

A. (DaFonte) Yes, I am.

Q. Would you state your full name for the record please.

A. (DaFonte) Francisco C. DaFonte.

Q. By whom are you employed?

A. (DaFonte) Liberty Utilities (EnergyNorth Natural Gas) Corp.

Q. What is your position with the Company?

A. (DaFonte) I'm the Vice President of Energy Procurement.

Q. Do your job responsibilities in that capacity include responsibility for the Company's Summer Cost of Gas filing?

A. (DaFonte) Yes, they do.

Q. What is your role in that?

A. (DaFonte) I help in terms of developing the forecast, responsible for overseeing that development, as well as management of the resource portfolio, overseeing the cost estimates for the summer period as well, and,

[WITNESS PANEL: Simek~DaFonte]

1 obviously, putting together testimony to discuss all of  
2 those issues.

3 Q. Did you prepare the direct testimony that has your name  
4 on it that was filed in this docket on March 17th,  
5 2015?

6 A. (DaFonte) Yes, I did.

7 Q. Do you have any corrections or updates to that  
8 testimony?

9 A. (DaFonte) I do not.

10 Q. If I were to ask you the questions in your testimony  
11 today, would the answers be the same?

12 A. (DaFonte) Yes, they would.

13 Q. Do you have any additional -- any additional  
14 information that you'd like to provide to the  
15 Commission today that relates to the cost of gas  
16 filing? And, in particular, I had in mind with regard  
17 to the PNGTS rate case?

18 A. (DaFonte) Yes. We received a notice from PNGTS  
19 regarding a refund that goes back to December of 2010,  
20 and covers the period through and including January of  
21 2015. That stems from a couple rate cases that PNGTS  
22 had before the FERC, where they sought to increase  
23 rates to approximately \$1.32 from their previous rate  
24 of approximately 85 cents. And, those rates were

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 implemented by the FERC subject to refund. Ultimately,  
2 the FERC ruled that the rates for PNGTS should be  
3 approximately 88 cents. So, therefore, PNGTS had to go  
4 back and refund the difference between the rate that  
5 was implemented on a temporary basis, and then refund  
6 the difference to all shippers holding capacity on  
7 PNGTS during that period. EnergyNorth only holds 1,000  
8 decatherms of capacity. Nevertheless, because of the  
9 large differential between the temporary rate and the  
10 approved rate, it's going to receive about \$715,000 in  
11 refunds. And, that is coming either this week --  
12 should be coming this week. So, the refund should be  
13 in this week.

14 Q. Has the Company given any consideration as to how it  
15 would flow that refund back to customers?

16 A. (DaFonte) We haven't determined the exact allocation,  
17 but, because the PNGTS rate is spread across the summer  
18 and winter period, it would make most sense to the  
19 Company that the refund would also be allocated partly  
20 to the summer and partly to the winter period.

21 Q. How would that affect the filing that the Company has  
22 before the Commission today?

23 A. (DaFonte) We haven't done the calculation yet in terms  
24 of the impact on summer rates. It should not be

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 significant. But, nevertheless, we'll run that  
2 calculation to make that determination. But, if it is  
3 split evenly, one would expect about, you know,  
4 357,000 or so dollars going into the summer period, or  
5 somewhere around there, and the same into the winter  
6 period, if it's an equal split. But the Company is  
7 certainly open to, you know, working with Staff to  
8 determine how best to allocate that refund.

9 Q. And, am I correct to assume that that would result in a  
10 further reduction of the rate that's proposed today?

11 A. (DaFonte) Correct.

12 Q. Thank you. Mr. Simek, I'm going to ask you similar  
13 questions. Would you -- let's start with your name  
14 please, if you would state that for the record.

15 A. (Simek) David B. Simek.

16 Q. By whom are you employed?

17 A. (Simek) Liberty Energy Utilities (New Hampshire) Corp.

18 Q. What is your position with the Company?

19 A. (Simek) I am a Lead Utility Analyst within the  
20 Regulatory Group.

21 Q. What do your job duties encompass?

22 A. (Simek) Mainly rate-related services related to gas.

23 Q. Do you have any responsibility for the Summer Cost of  
24 Gas filing for EnergyNorth?

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 A. (Simek) Yes. I was responsible for providing my  
2 written testimony, and also calculating the rates.

3 Q. And, was the written testimony that has your name on  
4 it, filed on March 17th, 2015, prepared by you or under  
5 your direction?

6 A. (Simek) Yes.

7 Q. Do you have any corrections or updates to your  
8 testimony?

9 A. (Simek) No.

10 Q. If I were to ask you the questions contained in your  
11 testimony today, would the answers be the same?

12 A. (Simek) Yes.

13 MS. KNOWLTON: I have nothing further  
14 for the witnesses.

15 CHAIRMAN HONIGBERG: Mr. Jortner.

16 MR. JORTNER: Thank you. Just a couple  
17 of questions for Mr. DaFonte regarding the PNGTS refund.

18 **CROSS-EXAMINATION**

19 BY MR. JORTNER:

20 Q. For the total of the 700 -- approximately \$715,000  
21 refund, Liberty has received that already, is that  
22 correct?

23 A. (DaFonte) I'm not sure if it's here yet, but it should  
24 be -- it was supposed to have been issued by

[WITNESS PANEL: Simek~DaFonte]

1 April 15th. So, I would have to check to see if that's  
2 already been received by the Company. But I expect, if  
3 not last week, then this week.

4 Q. And, when that gets rolled into this reconciliation  
5 period and the winter reconciliation period, is there  
6 any interest rate that's applied to the amount that  
7 will be flowed back to ratepayers?

8 A. (DaFonte) The interest is calculated and paid for by  
9 PNGTS. So, any refund in the difference in the rates  
10 accrues interest through April 15th.

11 Q. And, that's already included in the \$715,000 you've  
12 probably received at this point, correct?

13 A. (DaFonte) That's correct.

14 Q. So, there's -- but there's no additional interest that  
15 Liberty would be providing to ratepayers, because of  
16 the delay and because of the time between your receipt  
17 and the rolling into rates?

18 A. (DaFonte) Right. That would be embedded in the PNGTS  
19 interest calculation.

20 Q. Well, the PNGTS interest calculation is done once they  
21 make the payment to you, which presumably has happened  
22 already. So, I'm just asking about the interest rate  
23 that might be provided by Liberty, because Liberty is  
24 holding those funds for some amount of time?

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 A. (Simek) The Company would include the rate, the  
2 3.25 percent, that rate for the customer deposit, for  
3 the period that we're holding the funds to when the  
4 actual refund gets disbursed to customers.

5 Q. Thank you, Mr. Simek. And, so, the total refund amount  
6 will increase from \$715,000 before it's reconciled?

7 A. (Simek) Correct.

8 Q. Thank you. Is there currently an estimate of what --  
9 of how the cost of gas rate will change after that  
10 refund is applied?

11 A. (Simek) No, there is not. I haven't done the  
12 calculation.

13 MR. JORTNER: Okay. That's all I have.  
14 Thank you.

15 CHAIRMAN HONIGBERG: Mr. Sheehan.

16 MR. SHEEHAN: Thank you. A few  
17 questions, and we'll start with those that we just left  
18 off with.

19 BY MR. SHEEHAN:

20 Q. When you do calculate the change in the summer rates,  
21 will that be implemented through a monthly trigger  
22 filing?

23 A. (Simek) In regards to updating the futures or are we  
24 talking just about this refund?

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 Q. Refund first.

2 A. (Simek) I believe the refund would probably be held  
3 until the next summer period, accumulating the interest  
4 in the meantime. And, so, we would probably include  
5 the winter portion, once we reconcile it, in the winter  
6 period, and, then, the summer period would go next  
7 year.

8 Q. Okay. So, it's unlikely to affect this summer's rates,  
9 it will be part of the calculation for next summer?

10 A. (Simek) I believe so, yes.

11 Q. Okay. It sounds like you're still in the -- the  
12 Company is still in the thought process of how to deal  
13 with these issues surrounding the refund, is that fair?

14 A. (Simek) Yes.

15 Q. And, in that regard, has the Company given any thought  
16 to who should get the refund, in particular, regarding  
17 the Company-managed supplies? Does it go to marketers  
18 or does it go to customers? Has there been any thought  
19 in that process?

20 A. (DaFonte) The Company does not release that capacity as  
21 a part of its slice of system. So, there wouldn't be  
22 no allocation to marketers.

23 Q. Okay.

24 A. (DaFonte) We are working with PNGTS to find out if any

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 marketer that served the Berlin, essentially, there's a  
2 jail up there that has been a transportation customer  
3 in the past. Since Liberty has acquired the  
4 EnergyNorth assets, they have been a sales customer.  
5 So, we'd have to go back and look to see if they did --  
6 if National Grid did, in fact, release capacity, and  
7 whether PNGTS directly refunded the entity that took on  
8 that capacity or whether we would have to refund it to  
9 them.

10 Q. Going back to the question Mr. Simek thought I was  
11 going to ask, your filing is based, in part, on the  
12 NYMEX price from back in March. Has the price changed  
13 from then until now, and will that be incorporated into  
14 the summer rates?

15 A. (Simek) Yes. Based on the April 17th NYMEX settlement,  
16 the cost of gas would be approximately \$400,000 lower,  
17 and since it would reduce the rate by about  
18 5.6 percent. And, it would also change what we  
19 proposed in this filing today, from approximately 34  
20 cents to -- down to about 32 cents. We are -- what we  
21 would typically do is make the change based on our  
22 first month's adjustment that would be made and  
23 effective on June 1st to incorporate those --

24 (Court reporter interruption.)

{DG 15-091} {04-21-15}

1 **CONTINUED BY THE WITNESS:**

2 A. (Simek) That it would be incorporated on June 1st,  
3 that's related to timing of the NYMEX rates.

4 BY MR. SHEEHAN:

5 Q. So, the request for the rate effective May 1 has  
6 remained the same, and this change related to NYMEX you  
7 would do by June 1 through the so-called "trigger  
8 report"?

9 A. (Simek) Correct.

10 Q. Assuming it doesn't change again?

11 A. (Simek) Correct. We submit the trigger by the 24th of  
12 the month. And, so, it would be based on the NYMEX  
13 forwards that are around that period.

14 Q. Did the PUC Audit Staff complete its audit from last  
15 summer's cost of gas period?

16 A. (Simek) Yes.

17 Q. And, were there any findings from that audit?

18 A. (Simek) The major finding that came out of that audit  
19 is related to the beginning balances, the difference  
20 between the beginning balances that the Company shows  
21 on its General Ledger and the beginning balances that  
22 we had showed in our filings for the three regulatory  
23 accounts.

24 This has been an issue that's been

[WITNESS PANEL: Simek~DaFonte]

1 ongoing back to National Grid days. But I had  
2 committed to Audit Staff to have this issue resolved by  
3 the end of this month. So, going forward, we will be  
4 having the filings' beginning balances and the General  
5 Ledger will tie.

6 Q. And, any changes that you would have to make based on  
7 the audit finding and the investigation you're doing to  
8 figure that out, would that be implemented into this  
9 summer's rates, if they have an effect?

10 A. (Simek) No. The summer reconciliation, which gets  
11 verified by Audit, the Commission Staff Audit team, is  
12 they have been verifying all along that all the  
13 activity within the month is what actually ties. So,  
14 there really would be no effect, because they already  
15 audited and confirmed that the activity was correct.  
16 It really was just a beginning balance issue. So,  
17 there will be no changes that would be made to the  
18 Summer Cost of Gas.

19 Q. Mr. DaFonte, can you compare the 2015 summer supply  
20 plan to the 2014 plan? Is it similar? And, explain  
21 any differences please.

22 A. (DaFonte) Sure. The plan is very similar. Obviously,  
23 we don't purchase a lot of supply during the summer.  
24 But the supply that we do purchase is primarily a

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 Marcellus supply, our Tennessee long-haul capacity  
2 access has -- or, has access to Marcellus and Utica  
3 shale supplies. The difference is, and it's reflected  
4 in the rate, is that last summer the Marcellus was  
5 trading at approximately 30 to 60 cents below the  
6 NYMEX, and this year it's in the \$1.00 to \$1.30 range  
7 below the NYMEX. So, it's a very depressed market  
8 there in Marcellus, and the Company is taking advantage  
9 of that through its purchases.

10 We are also pretty well depleted in  
11 storage, and we'll look to refill that this summer as  
12 well, very similar to last summer. We were coming off  
13 of a significantly colder winter last year. This year,  
14 the winter was actually even colder. So, it was  
15 actually, without having all the numbers in yet for  
16 April, but, for the winter period, November through  
17 April, it looks like it's going to be above a design  
18 winter, in terms of how cold it was. So, something  
19 that we hadn't seen certainly coming, and, even from a  
20 design perspective, it wasn't forecast to be this cold.  
21 So, we did deplete storage quite well. And, we have  
22 the opportunity now to refill it with much cheaper  
23 Marcellus gas. All those storages are located in and  
24 around Marcellus, so, we're able to inject gas there at

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 a very low cost, which should help the winter period.

2 Q. And, of course, the cost of those purchases we'll deal  
3 with this fall in the winter cost of gas?

4 A. (DaFonte) That's correct. That's correct. And,  
5 otherwise, everything else is pretty similar, not many  
6 changes.

7 Q. There is an increase in the demand cost for 2015,  
8 compared to the 2014. Can you explain the basis for  
9 that?

10 A. (DaFonte) Yes. Prior to Liberty taking on the assets  
11 of EnergyNorth, National Grid had taken a portion of  
12 its Dracut capacity, approximately 26,000 decatherms,  
13 and it was included in their peaking service. Which  
14 meant that the demand charges associated with that  
15 capacity were all rolled into the winter period, and  
16 into that peaking service in particular. That was a  
17 bit problematic when we took a look at it, because it's  
18 a company-managed service, and we are obligated to  
19 provide the marketers with an estimation of what the  
20 price is going to be for that particular service. Of  
21 course, when you're buying gas at Dracut, and you have  
22 the volatility that has been exhibited over the last  
23 two winters there, it becomes very difficult to  
24 estimate when you're going to call on it and what the

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 price is going to be at that time. So, that led to  
2 what I would consider, you know, not the most efficient  
3 way to manage that capacity. And, it certainly would  
4 lead to cost shifting, either way, whether it's to the  
5 marketers or to the sales customers.

6 So, we felt that it was better to assign  
7 that capacity directly to the marketers, because it is  
8 pipeline capacity and it should fall into the  
9 "pipeline" category, as opposed to the "peaking"  
10 category, which is typically just LNG and propane, and  
11 if the Company had a peaking-type service from a third  
12 party.

13 And, so, by doing that, it now becomes  
14 a, you know, more allocated cost to the summer period.  
15 However, a lot of those costs or a good portion of  
16 those costs are essentially released and refunded  
17 through the release to these marketers. But, in doing  
18 that it also allows the marketers to determine how best  
19 to utilize the capacity, whether they want to lock in  
20 prices, whether they want to use it for peaking, or  
21 something else. And, we kind of leave it to the  
22 marketers to deal with it in the manner that they see  
23 fit.

24 MR. SHEEHAN: Thank you. That's all the

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 questions Staff had.

2 CHAIRMAN HONIGBERG: Commissioner Scott.

3 CMSR. SCOTT: Good morning.

4 WITNESS DaFONTE: Good morning.

5 WITNESS SIMEK: Good morning.

6 BY CMSR. SCOTT:

7 Q. Where do I start? Perhaps I'll start with Mr. Simek.

8 On your testimony, you talk about "occupant accounts",  
9 it's an issue we've addressed before at the Commission.

10 I think you mentioned there's, on Bates 021, there's  
11 a -- your understanding is it's around 41, \$42,000 less  
12 than forecasted. But I was curious if you could help  
13 me interpret Schedule 15, Bates 145. So that, you give  
14 me a snapshot, which understandably is the period that  
15 we're talking about here, but what it doesn't do is  
16 give me a understanding of how it compares to prior  
17 months in similar, you know, past years' the same  
18 month. That is there -- I assume, based on the way  
19 you're handling occupancy accounts now, that the number  
20 would be less, is that the case?

21 A. (Simek) Yes, it is. If we actually can go to Bates  
22 Page 142. And, if we can look at Column (e), we can  
23 see that, from the period from three years ago, the  
24 number of occupant accounts were approximately 4,500.

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 And, now, for this last period, November '13 through  
2 October of 2014, the number of accounts is down to 37  
3 or 3,800.

4 We have been actively managing the  
5 accounts. Just recently, this year, we closed  
6 approximately five to six hundred (600) Grade III  
7 leaks, which, obviously, is helping to lower our  
8 overall outstanding accounts. If we look at  
9 schedule -- or, I'm sorry, Bates Page 139, this is the  
10 actual calculation, which, when you get to Lines 52,  
11 53, and 54, that actually state the incentive or  
12 disallowance that was based on how well the Company  
13 managed the occupant accounts.

14 Going forward, we do plan on working  
15 with Commission Staff to look into this, this model and  
16 this calculation, and really see if it's doing what it  
17 was actually intended to do, which is really giving an  
18 incentive or a disallowance based on how well we're  
19 managing the accounts. Because, over some research  
20 that we've done internally, it doesn't appear that this  
21 actual calculation is really performing as it was meant  
22 to do. So, we do plan on working with Commission Staff  
23 to review it and see if there's a different direction  
24 that we can maybe take going forward.

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 Q. Thank you. And, going back to Schedule 15, on Bates  
2 145, so just to help me understand that snapshot, it  
3 would appear that it was actually going up within that  
4 snapshot. Is that a seasonal impact or --

5 A. (Simek) Exactly. We don't really close the accounts  
6 during the winter. So, if this was actually for the  
7 full 12 months, we would assume that it would be much  
8 lower in the summer period when we do the catch up that  
9 we would be doing through, basically, from May, May and  
10 June.

11 Q. So, can you help me with that? So, you don't close  
12 accounts during the winter for unoccupied dwellings?

13 A. (Simek) That was my understanding, yes. It was just a  
14 Company direction that for -- well, let me take a step  
15 back. We do have a policy that's in place right now  
16 that we have, and it's sitting with the rate case, for  
17 the rate case that's in discussion right now. And, in  
18 that policy, we'd be moving forward with a soft close  
19 process, which is what we are in the process of  
20 implementing now. So, that process alone will allow us  
21 to move forward and close much more accounts quickly.  
22 And, there's actually meetings going on today to begin  
23 that process and move forward. So, we fully plan on  
24 having that number decrease immensely over the next few

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 months. So, again, if we were showing a 12-month  
2 impact, we would see that number going down.

3 Q. Thank you.

4 A. (Simek) You're welcome.

5 Q. Another question I had was, now I've just got to find  
6 it, so bear with me, on Bates 008, there's a discussion  
7 about "supplemental gas supply facilities". So,  
8 reading this, am I correct in understanding that  
9 there's, in addition to, obviously, your portfolio of  
10 supply, the supplemental gas facilities are viewed as  
11 sufficient for your needs, is that correct?

12 A. (Simek) Yes.

13 Q. And, on Bates 023, it's probably not necessary to go  
14 there, there's a discussion about bill messaging and  
15 educating customers. So, for those who have to sit  
16 through the electric side of the discussion, they all  
17 understand it's important for the Commission that  
18 customers understand there's a cyclical seasonal price  
19 impact. Is there some messaging -- well, let me back  
20 up a little bit. Is that correct for gas also?

21 A. (Simek) Yes.

22 Q. And, does the on-bill messaging at least allude to  
23 that? So, my fear is that what I wouldn't want is an  
24 uneducated customer to get a message saying "Great

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 news, your bill's gone down", and them not to  
2 understand that it's likely to go up again in the  
3 winter season.

4 A. (Simek) I am not exactly sure what's stated on the bill  
5 itself. I know we talked about the rates going down.  
6 I'm not sure if there's any discussion about the  
7 seasonality. I do know that the bill insert also  
8 points the customers to look for more information on  
9 our webpage. And, on the webpage, it does discuss the  
10 seasonality of rates, on the gas side as well. So, I'm  
11 just not sure what the bill -- what's exactly written  
12 on the bill insert.

13 Q. Thank you. And, I think my final question is, is  
14 during this summer period, I presume not a whole lot,  
15 do you have any kind of growth projections? Is there  
16 an expectation that there will be additional customers  
17 coming in?

18 A. (DaFonte) Yes. Yes, that's the assumption. We're  
19 ramping up our growth, you know, more actively seeking  
20 new customers, and expect that the growth for this  
21 summer will exceed last summer. And, I think, subject  
22 to check, we added a little over a thousand meters last  
23 year. So, we're expecting that we'll improve  
24 significantly on that.

{DG 15-091} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 Q. And, am I correct, for those who heat with gas, the  
2 summer is likely to be the time you'd make a switch, is  
3 that a correct statement?

4 A. (DaFonte) Correct. That's when we are typically adding  
5 the new customers. So, this would be the period to do  
6 it.

7 Q. Is that similar for commercial customers? Is that --

8 A. (DaFonte) Yes. You know, this is really our  
9 construction season. So, to the extent that we're  
10 extending a main or putting in a service, we would do  
11 it while we can dig in the street.

12 CMSR. SCOTT: Thank you. That's all I  
13 have.

14 CHAIRMAN HONIGBERG: I don't have any  
15 questions that haven't already been asked. Ms. Knowlton,  
16 do you have any further questions for your witnesses?

17 MS. KNOWLTON: I do. I have a few.

18 **REDIRECT EXAMINATION**

19 BY MS. KNOWLTON:

20 Q. This question is either for you, Mr. Simek, or Mr.  
21 DaFonte. If the Company were ordered to include in the  
22 new rate that's proposed for this summer the rate  
23 change as a result of the PNGTS rate refund, would the  
24 Company be able to accommodate that?

{DG 15-091} {04-21-15}

1 A. (Simek) Yes.

2 Q. Mr. Simek, with regard to the issue of customer  
3 communications, your testimony refers to a press  
4 release that the Company would be issuing at the time  
5 of receipt of an order from the Commission regarding  
6 this rate change, is that correct?

7 A. (Simek) Yes.

8 Q. And, would you be willing to commit to the Commission  
9 that you could look at that press release and ensure  
10 that there is some language in there that addresses  
11 Commissioner Scott's concern about messaging to  
12 customers that the rate is -- it's a seasonal change  
13 only, and that the rate would be expected to go up  
14 again next winter?

15 A. (Simek) Yes. Also, if I could just add to that. I had  
16 mentioned "bill inserts" in my discussion. The bill  
17 inserts, I wrongly spoke, they do include information  
18 regarding the seasonality. It was the messages that  
19 are on the bill itself that, unfortunately, I'm not  
20 familiar with what that says.

21 MS. KNOWLTON: Thank you. I have  
22 nothing further for the witnesses.

23 CHAIRMAN HONIGBERG: I think that is all  
24 we need from the witnesses. There are no other witnesses.

1                   Is there any objection to striking the  
2 ID on the two exhibits?

3                   (No verbal response)

4                   (Atty. Sheehan indicating in the  
5 negative.)

6                   CHAIRMAN HONIGBERG: Seeing none, we'll  
7 go with that. Is there anything else we need to do before  
8 the parties sum up?

9                   (No verbal response)

10                  CHAIRMAN HONIGBERG: Didn't think so.  
11 Mr. Jortner, you get to go first.

12                  MR. JORTNER: Thank you, your Honor.  
13 The Office of Consumer Advocate has no material object --  
14 excuse me -- has no objections to the cost of gas  
15 adjustment being executed as proposed.

16                  With respect to the issue that  
17 Ms. Knowlton just brought up again with her client, where  
18 she elicited their willingness to flow it all through in  
19 the current period, the OCA would probably favor that  
20 approach, but is not -- would not object to a longer  
21 period, given the fact that the interest rate, as  
22 testified to by Mr. Simek, would make ratepayers largely  
23 indifferent between an immediate flow-through and a  
24 flow-through that might take a year or a little bit more

1 than a year.

2 So, given that, we have no objections.

3 Thank you.

4 CHAIRMAN HONIGBERG: Thank you.

5 Mr. Sheehan.

6 MR. SHEEHAN: Thank you. Staff  
7 completed its review of this docket and recommends  
8 approval of the Summer Cost of Gas as proposed. I agree  
9 with the tenor of this hearing that, if the Commission  
10 ordered, we could certainly work in some of these other  
11 rates, apparently, the Company could, but that is  
12 something that Staff does not have a strong position on,  
13 on the refund that Mr. Jortner just mentioned, as well as  
14 the NYMEX changes. It seems to make more sense to approve  
15 the rate as proposed, and make the adjustments as the  
16 summer goes along.

17 We thank Staff and the OCA -- I mean,  
18 the Company and the OCA for cooperating in this process.  
19 And, we have nothing further.

20 CHAIRMAN HONIGBERG: Ms. Knowlton.

21 MS. KNOWLTON: Thank you. Based on the  
22 testimony that was heard today, as well as the prefiled  
23 direct testimony of the witnesses, the Company submits  
24 that the proposed rates are just and reasonable, and ask

1 that the Commission approve the rates for a  
2 service-rendered basis as of May 1st, 2015. The Company  
3 would update the rates through the monthly trigger filing,  
4 as appropriate.

5 With regard to the issue of the PNGTS  
6 refund, the Company is open to however the Commission  
7 seeks to treat that refund, so long as it recognizes that  
8 there is some allocation of the refund to the summer cost  
9 of gas and some to the winter period, as that should be  
10 done appropriately.

11 The last point I'd like to make is that  
12 the Company does continue to work to reduce the occupant  
13 accounts that are outstanding. It does have our  
14 attention. And, as Mr. Simek indicated, the Company also  
15 has a proposal on the table in the rate case. So, we'll  
16 see where that goes. But, regardless, the output  
17 accounts, you know, is something that we are actively  
18 working.

19 And, with that, I'd like to thank the  
20 Staff and the OCA for their participation and making this  
21 a smooth, quick docket. I know it's a fast one.

22 CHAIRMAN HONIGBERG: I think  
23 Commissioner Scott isn't going to let it go just yet.  
24 Commissioner Scott.

1 MS. KNOWLTON: Okay.

2 CMSR. SCOTT: So, given your willingness  
3 to include the PNGTS rebate, what would be -- obviously,  
4 the filing doesn't have that in it right now. Is that  
5 something you could put together in a fashion that would  
6 meet your timelines?

7 WITNESS SIMEK: Yes. We could.

8 CHAIRMAN HONIGBERG: Would it be for May  
9 1 or would it be adjusted for June 1?

10 WITNESS SIMEK: We could make the  
11 adjustment for May 1st.

12 CHAIRMAN HONIGBERG: Anything else?  
13 (Chairman Honigberg and Commissioner  
14 Scott conferring.)

15 CHAIRMAN HONIGBERG: Ms. Knowlton.

16 MS. KNOWLTON: The only other thing I  
17 wanted to throw out there is, I don't know whether the  
18 Commission would want the Company to provide any  
19 additional information about the impact of this? The  
20 dollar amount is relatively small. And, I know that  
21 Mr. DaFonte indicated that he needs to hear from PNGTS  
22 whether there is some customers, you know, that already  
23 have received their portion of the refund, we wouldn't  
24 want them to get double paid.

1                   But, you know, if the timing was  
2 possible, and I would leave this to Mr. DaFonte and  
3 Mr. Simek, if you wanted some type of update showing the  
4 impact, if it's feasible to do, I would throw that out  
5 there as a possibility.

6                   CHAIRMAN HONIGBERG: It sounds to me  
7 like the invitation has been offered by you all to -- and  
8 I think we're going to take you up on at least figuring it  
9 out. How complicated would it be? Is it really doable?  
10 It's going to take -- it's going to take a year to get all  
11 the money back. It's either going to happen this summer  
12 and the following winter or it's going to happen the  
13 following winter, over the next summer. One way or the  
14 other, it's going to take a year to get the money back,  
15 it's just a question as to which year. Mr. Jortner has  
16 appropriately observed that the interest should make the  
17 customers who are and remain customers indifferent. There  
18 may be a difference between who's a customer now and who's  
19 a customer a year from now.

20                   But, I mean, I think if it's feasible,  
21 it probably makes sense to figure out and do it. If it's  
22 infeasible, or it would require an inordinate amount of  
23 work, even though it is feasible, then tell us that, and I  
24 guess work with Staff and the OCA as to what makes the

1 most sense. Does that work for everybody?

2 MR. SHEEHAN: Yes, sir.

3 CHAIRMAN HONIGBERG: Okay. Is there  
4 anything else we need to do?

5 (No verbal response)

6 CHAIRMAN HONIGBERG: Okay. Then, well,  
7 before we close the hearing, it's for rates to be  
8 effective May 1. That means the order needs to be out by  
9 the end of next week, basically, right?

10 MR. SHEEHAN: Correct.

11 CHAIRMAN HONIGBERG: All right. So,  
12 then, we'll adjourn this hearing and issue an order as  
13 quickly as we can. And, we're adjourned.

14 **(Whereupon the hearing was adjourned at**  
15 **9:47 a.m.)**

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