

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

October 13, 2017 - 10:05 a.m.
Concord, New Hampshire

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RE: DG 17-135
LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP. d/b/a LIBERTY
UTILITIES:
2017-2018 Cost of Gas.

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Commissioner Michael S. Giaimo

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:
Brian D. Buckley, Esq.
Pradip Chattopadhyay, Asst. Cons. Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Paul B. Dexter, Esq.
Al-Azad Iqbal, Gas & Water Division

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

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 DEBORAH M. GILBERTSON
 DAVID B. SIMEK

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1	2017-2018 Cost of Gas filing, consisting of Direct Testimonies by David B. Simek, Deborah M. Gilbertson, and Mary E. Casey; Tariff Page changes; Table of Contents; Summary and Schedules; etcetera <i>[REDACTED - for Public Use]</i>	5
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P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here this morning in Docket 17-135, which is Liberty Utilities' Cost of Gas docket. I know that there are some changes to the numbers as they were originally filed. I'm sure Mr. Sheehan -- I know they will explain those to us. We're here for a hearing on the merits. This is a relatively short-fuse docket, so we know we have some pressure to get an order out.

Before we do anything else, let's take appearances.

MR. SHEEHAN: Good morning, Commissioners. Mike Sheehan, for EnergyNorth -- Liberty Utilities (EnergyNorth Natural Gas). Someday I'll get it right. Thank you.

MR. BUCKLEY: Good morning, Mr. Chairman and Commissioners. My name is Brian D. Buckley. I'm staff attorney with the Office of the Consumer Advocate. To my left is Pradip Chattopadhyay, Assistant Consumer Advocate. We're here representing the interest of residential ratepayers.

1 MR. DEXTER: Appearing on behalf of
2 the Commission Staff, Paul Dexter, Staff
3 attorney.

4 CHAIRMAN HONIGBERG: All right. What
5 do we need to deal with first? Mr. Sheehan.

6 MR. SHEEHAN: Sure. The parties have
7 talked and we have a few exhibits to be marked.
8 "Exhibit 1" will be the redacted initial
9 filing, Pages 001 through 235. "Exhibit 2"
10 will be the confidential version of that same
11 document. "Exhibit 3" will be the Technical
12 Statement of Deborah Gilbertson, which was
13 filed a couple days ago. "Exhibit 4" will be
14 the Revised Tariff Page 79, and that's a single
15 page that was circulated to the Bench this
16 morning. It is a revision of Bates Page 050.

17 Staff has marked Exhibits 5 through
18 8, which are data responses to Staff Tech 1-1,
19 "Exhibit 5"; Staff Tech 1-5, which would be
20 "Exhibit 6"; Staff Tech 1-6, which would be
21 "Exhibit 7"; and Staff Tech 1-7, which would be
22 "Exhibit 8".

23 (The documents, as described,
24 were herewith marked as

1 **Exhibit 1** through **Exhibit 8**,
2 respectively, for
3 identification.)

4 MR. SHEEHAN: Separately, we have
5 filed a number of documents, and some of these
6 data requests have confidential information.
7 We are asserting confidentiality under Puc
8 201.06 and .07. It does not require Commission
9 action unless and until someone seeks
10 disclosure of those documents. But I just
11 wanted to put on the record that these are the
12 routinely treated confidential filing --
13 materials in cost of gas filings.

14 With that, we have the three -- our
15 three witnesses on the stand ready to proceed.

16 CHAIRMAN HONIGBERG: Back on the data
17 responses. I know the rule about routinely
18 filed matters, and I know the rule that says,
19 if someone wants a data response confidential,
20 they are to file a motion at the time by the
21 hearing date. You're saying that that -- that
22 the routine filing rule sweeps up the data
23 responses as well?

24 MR. SHEEHAN: Yes. And I will find

1 the reference for you. I think it is in
2 201.06.

3 CHAIRMAN HONIGBERG: Thank you. That
4 will be helpful to find it before anybody else
5 will.

6 MR. DEXTER: Mr. Chairman, if I
7 might? None of the data responses contain
8 confidential information.

9 CHAIRMAN HONIGBERG: Okay.

10 MR. DEXTER: The ones that I marked
11 as exhibits.

12 CHAIRMAN HONIGBERG: Okay. But
13 there's still an open question here, because
14 the data responses exist. They have a life of
15 their own. So, let's get an answer to that
16 question, Mr. Sheehan, real quick.

17 MR. SHEEHAN: 201.06 is the -- titled
18 "Request for Confidential Treatment of
19 Documents Submitted by Utilities in Routine
20 Filings." (a) says "the following routine
21 filings" -- it lists the routine filings on
22 which this rule applies, and (a)(10) -- I'm
23 sorry, (a)(11) is "cost of gas proceedings",
24 and (a)(11)a. through g. list the various

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 items. And g. is "Responses to data requests
2 related to a. through f. above."

3 CHAIRMAN HONIGBERG: Excellent.
4 Thank you, Mr. Sheehan, for finding that so
5 quickly.

6 All right. As you said, your
7 witnesses are prepositioned. Mr. Patnaude,
8 would you do the honors please.

9 (Whereupon **Mary E. Casey,**
10 **Deborah M. Gilbertson,** and
11 **David B. Simek** were duly sworn
12 by the Court Reporter.)

13 CHAIRMAN HONIGBERG: Mr. Sheehan, you
14 may proceed.

15 MR. SHEEHAN: Thank you.

16 **MARY E. CASEY, SWORN**

17 **DEBORAH M. GILBERTSON, SWORN**

18 **DAVID B. SIMEK, SWORN**

19 **DIRECT EXAMINATION**

20 BY MR. SHEEHAN:

21 Q We'll start with the preliminaries with Ms.
22 Casey. Mary, your name and position with the
23 Company please.

24 A (Casey) Mary Casey, Senior Manager of

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Environment.

2 Q And you filed testimony in this matter, is that
3 correct?

4 A (Casey) Correct.

5 Q And it's generally on the topic of the
6 Company's management of the gas -- manufactured
7 gas sites, is that correct?

8 A (Casey) That is correct.

9 Q Do you have any changes to your testimony you
10 want to highlight this morning?

11 A (Casey) I do not.

12 Q And, if I were to ask you the questions in your
13 testimony, would your answers be the same today
14 as they are in the documents?

15 A (Casey) Yes, they would be.

16 Q And, so, you adopt that testimony today? And
17 do you adopt that testimony today?

18 A (Casey) I adopt that testimony.

19 Q Thank you. Mr. Simek, your name and position
20 with the Company please.

21 A (Simek) I'm David Simek, Manager of Rates and
22 Regulatory Affairs.

23 Q And you also filed testimony in this matter, is
24 that correct?

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 A (Simek) Yes.

2 Q Are there any changes to your testimony?

3 A (Simek) I do. One change. On Bates Page 004,
4 on Line 18, the reference to "0.0040 per therm"
5 should be "0.0027", which is related to the
6 filed Exhibit 4 tariff page.

7 Q Filed Exhibit 4, Mr. Simek, is the tariff page
8 that has the corrected number on it?

9 A (Simek) Yes, it does.

10 Q And that corrected number was for what item in
11 the cost of gas?

12 A (Simek) It's the transportation cost of gas
13 charge.

14 Q And the reason for that change will be
15 discussed by Ms. Gilbertson, is that correct?

16 A (Simek) Correct.

17 Q Can you give us a description of the proposed
18 cost of gas rate in this filing compared to the
19 beginning rate that was filed last year for
20 winter and summer?

21 A (Simek) Yes. The rate that was approved last
22 winter, the beginning rate was \$0.7162 per
23 therm for residential customers. And the
24 proposal in this rate -- in this rate case is

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 0.6659, which is a 7 percent decrease from last
2 winter's beginning rate.

3 The summer rate effective May 1st, '17 was
4 0.4368 per therm, and the proposed May 1, '18
5 rate is 0.3144, which is a 28 percent decrease.

6 Q Thank you. There are a few -- the Company each
7 year -- each summer files a reconciliation of
8 the prior year, is that correct?

9 A (Simek) Yes, it does.

10 Q And that's a filing with the Audit Staff. It
11 typically does not come into evidence as part
12 of these proceedings, is that correct?

13 A (Simek) Correct.

14 Q In this case, you wanted to make a reference to
15 a change in that audit filing, is that correct?

16 A (Simek) Correct.

17 Q And what is that?

18 A (Simek) Historically, there has been a
19 different school of thought from members from
20 Audit Staff, and between some members within
21 the Company as to what three different
22 schedules within that filing were meant to
23 represent.

24 Historically, we have provided purchased

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 therms, all three of those filings are related
2 just to volume. And, historically, we have
3 provided purchased therms over the period
4 that's being reconciled. And, through
5 discussions with Staff, they were fine with
6 that. They also were fine if we wanted to
7 change the "purchased therms" to be "delivered
8 therms", because we felt that delivered therms
9 more accurately reflected what the intent of
10 the schedules were.

11 We viewed this more as just an
12 administrative change. There were no financial
13 impact. No issues to this filing or any other
14 filings. It was just for a reference in
15 Ms. Gilbertson's testimony, where she does
16 discuss last winter's delivered therms. It was
17 referencing previously the purchased therms
18 that we had in there. And, so, now that we
19 change it to "delivered therms", she's going to
20 have to change her testimony.

21 Q Thank you. Ms. Gilbertson, your name and
22 position with the Company please.

23 A (Gilbertson) Deborah Gilbertson, Senior Manager
24 of Energy Procurement.

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Q And you also filed -- I'm sorry, Mr. Simek, did
2 I ever ask you the routine questions of "do you
3 adopt your testimony here this morning the same
4 as it was filed in the written form?"

5 A (Simek) I do.

6 Q Thank you. And, Ms. Gilbertson, you filed
7 testimony as well in this matter?

8 A (Gilbertson) Yes, I did.

9 Q And do you have any changes to that testimony
10 you'd like to highlight this morning?

11 A (Gilbertson) Yes, I do. On Bates Page 029, I'd
12 like to strike the "67.9 million" in Line 12,
13 and replace it with "82,097,585".

14 Q And the reason for that change is what?

15 A (Gilbertson) Is because the reconciliation
16 filing on Page 5 was referencing "purchased
17 therms" for the period, when a more appropriate
18 comparison would be delivered therms.

19 Q Which is what Mr. Simek just described?

20 A (Gilbertson) Correct.

21 Q And do you agree with Mr. Simek that this
22 change in your testimony has no impact on the
23 rates requested in this matter?

24 A (Gilbertson) Yes, I do.

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Q Ms. Gilbertson, you also filed a technical
2 statement this week, which we have marked as
3 "Exhibit 3". Can you tell us there were --
4 tell us the changes that you were highlighting
5 in that technical statement?

6 A (Gilbertson) Yes. There was a formula error
7 discovered on Schedule 16, which overstated the
8 unit cost of the LNG, and also trickled through
9 the -- through the schedules affecting Tariff
10 Page 79. So, essentially, what it did was
11 overstate the cost of the LNG. And, once it
12 was corrected, the LNG was reduced, the price
13 was reduced from 2.6 million to 0.7 million,
14 which was the accurate price.

15 Q And Schedule 16 appears where in the filing?
16 Can you put your finger on that? Your
17 technical statement --

18 A (Gilbertson) Yes. It's Line 95, Bates Page
19 113.

20 Q Thank you. And, so, there was a, as you say,
21 formula error that you found, corrected, and it
22 caused a ripple of changed numbers, is that
23 correct?

24 A (Gilbertson) That's correct.

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Q And what impact, if any, did it have on the
2 rates that -- the proposed cost of gas rates?

3 A (Gilbertson) The winter cost of gas rate was
4 overstated by 2 cents, 0.0214 cents [sic] per
5 therm, and the summer cost of gas rate was
6 overstated by less than a penny.

7 Q By "overstating", you mean the original filing
8 was slightly higher than what it should have
9 been?

10 A (Gilbertson) Yes.

11 Q And what's the Company's position with regard
12 to what rate you would ask the Commission to
13 approve now, given this correction?

14 A (Gilbertson) We would ask the Commission to
15 approve the rate that's already in the filing,
16 just simply because it's such a small change
17 that we could make it up through the
18 reconciliation process over the period.

19 Q And did that correction have an impact on any
20 other rate that you would like to address this
21 morning?

22 A (Gilbertson) Yes. It had an impact on Tariff
23 Page 79, which is the transportation cost of
24 gas.

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Q And, again, that's what Mr. Simek just
2 described in Exhibit Number 4?

3 A (Gilbertson) Yes.

4 Q And what impact did it have on that rate?

5 A (Gilbertson) It reduced the rate from 0.0040 to
6 0.0027.

7 Q And how would the Company like the Commission
8 to treat this correction or change in the
9 transportation rate?

10 A (Gilbertson) We'd like to replace the tariff
11 page and have it go into the effect with the
12 new rate.

13 Q So, you're asking that the Commission approve
14 the filed rates for the cost of gas, but this
15 corrected rate for the transportation?

16 A (Gilbertson) Yes.

17 Q And why is that?

18 A (Gilbertson) Because the transportation rate
19 should be the correct rate, and it's not going
20 to be able to be corrected over the period.

21 Q The cost of gas rate can be adjusted monthly?

22 A (Gilbertson) Yes.

23 Q And the transportation rate cannot?

24 A (Gilbertson) Cannot.

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Q It can only be addressed in these yearly
2 filings, is that correct?

3 A (Gilbertson) Exactly.

4 MR. SHEEHAN: Those are all the
5 questions I have. Thank you.

6 CHAIRMAN HONIGBERG: Mr. Buckley.

7 MR. BUCKLEY: Thank you, Mr.
8 Chairman.

9 **CROSS-EXAMINATION**

10 BY MR. BUCKLEY:

11 Q So, I think my question here is for
12 Ms. Gilbertson. Looking at Bates Page 030
13 through 031 discusses the Company's
14 overstatement of demand relating to lost and
15 unaccounted for gas and iNATGAS for the Winter
16 2016 through '17. Can you just speak a little
17 bit about this for a moment?

18 A (Gilbertson) Yes. It was discovered that, when
19 putting together the forecast for this year
20 that there was an overstatement last year of
21 the lost and unaccounted for. Traditionally,
22 it's about 2 percent. And, in last year's
23 filing, it was 7.4 percent, which was not
24 correct.

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Q Thank you. In discovery, the Company responded
2 to questions about the impact of this
3 overstatement on the Company's portfolio by
4 providing a prorated downward estimate of the
5 demand forecast on a uniform basis across the
6 Company's portfolio. And, Mr. Simek, you may
7 be able to chime in here as well. Do you see
8 any shortcomings in such an analysis and how it
9 might describe how the Company's portfolio has
10 been affected by the overstatement?

11 A (Gilbertson) The Company's forecast was not
12 affected adversely because of this
13 overstatement of the lost and unaccounted for.

14 Q "Not affected adversely" you said?

15 A (Gilbertson) It was not affected adversely at
16 all. I mean, we come up with a forecast each
17 year. Weather could impact it as much --
18 7.4 -- 5.4 percent is not a huge -- doesn't
19 make a huge difference.

20 Q So, the OCA was curious about the actual
21 running of a SENDOUT analysis. Can you speak
22 just for a minute about what SENDOUT is and
23 what it does?

24 A (Gilbertson) Sendout is the forecasted demand.

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Are you talking about the program "SENDOUT" or
2 are you talking about --

3 Q Yes.

4 A (Gilbertson) Oh, the SENDOUT program. So, what
5 the SENDOUT program does is it takes the
6 weather-normalized forecast and it runs a "best
7 cost" approach to dispatching the resources.

8 Q And I'll note that, in response to the OCA's
9 inquiry regarding whether or not a SENDOUT
10 analysis could be used to determine if the
11 portfolio would have been affected, the Company
12 responded that such an analysis would be
13 unavailable due to this time constraint
14 associated with the instant proceeding.

15 If the Company weren't facing such time
16 constraints, would you be able to rerun the
17 daily dispatch forecast and SENDOUT model,
18 possibly giving the parties and the OCA a more
19 accurate understanding of the impact of the
20 overstatement?

21 A (Gilbertson) Well, I could not. But it could
22 be done, not by me, but by -- it's a lot of
23 work to put a forecasting to daily, and then
24 run it through for a prior period that's --

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Q Can you help me understand how much work?

2 A (Gilbertson) I honestly don't know.

3 Q Thank you. Moving to Bates 013, Line 22, the
4 Petition describes a bill increase of 13.05
5 percent for the average R3 winter heating
6 customer over the previous winter. Which,
7 according to the revised model submitted on
8 October 10th, would be closer to, I think,
9 11.27 percent, subject to check. Does that
10 sound right to you?

11 A (Simek) Yes, it does.

12 Q Thank you. Judging from the Company's response
13 to discovery, it looks like the largest factor
14 driving this increase is the commodity cost,
15 accounting for roughly 11 cents of the 13.5
16 cent increase in the cost of gas. Can you tell
17 me a little bit just about what's possibly
18 driving this increase in commodity cost, and if
19 such a trend is likely to continue?

20 A (Gilbertson) Yes. I can address that. When we
21 forecast, we use a -- what we assume the basis
22 will be. I would say the drivers are the NYMEX
23 basis and the overstatement of the LNG.

24 CHAIRMAN HONIGBERG: Off the record

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 for just a second.

2 [Brief off-the-record discussion
3 ensued.]

4 BY MR. BUCKLEY:

5 Q So, that was the NYMEX basis and overstatement
6 of LNG you noted as --

7 A (Gilbertson) Yes.

8 Q And those are all affecting the commodity
9 costs. Do you think that is a trend that is
10 likely to continue?

11 A (Gilbertson) I don't -- I can't predict what
12 the market's going to do.

13 MR. BUCKLEY: Thank you,
14 Ms. Gilbertson. No further questions.

15 CHAIRMAN HONIGBERG: Mr. Dexter.

16 MR. DEXTER: Good morning.

17 WITNESS SIMEK: Good morning.

18 BY MR. DEXTER:

19 Q I want to get a little bit more basic than the
20 OCA did. I want to start by identifying what
21 rates are actually proposed for approval here.
22 Can someone just tell me what exactly -- what
23 rates are we looking for approval here on?

24 A (Simek) For the cost of gas, we're requesting

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 approval of the rates that were filed.

2 Q Okay. Well, let me help you out a little bit.

3 Can we go to Bates 45?

4 CHAIRMAN HONIGBERG: Off the record.

5 *[Brief off-the-record discussion*
6 *ensued.]*

7 BY MR. DEXTER:

8 Q So, is it correct --

9 MR. DEXTER: Is that better?

10 CMSR. BAILEY: Yes.

11 CHAIRMAN HONIGBERG: Yes.

12 BY MR. DEXTER:

13 Q Is it correct that Bates 45 lays out the cost
14 of gas rates that are proposed for approval
15 here? I'm sorry, Bates 45.

16 A (Simek) Correct.

17 Q And that we have, in the left-hand column, or
18 the middle column, I guess, we have Winter
19 Period Cost of Gas rates and Winter Period LDAC
20 rates?

21 A (Simek) Correct. And the LDAC rates are an
22 annual rate, but correct.

23 Q And, to the right-hand side, where it says
24 "Summer Period", again we have Cost of Gas

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1 rates and we have LDAC rates?

2 A (Simek) Correct.

3 Q And we have those for all those classes that
4 are listed on the left-hand side?

5 A (Simek) Correct.

6 Q Okay. And, if we flip the page to 046, what's
7 on Page 046? How are these different from
8 what's on Page 045?

9 A (Simek) These are additional rate classes that
10 are related to our Management Expansion
11 Program. They are the same rates.

12 Q So, the rates that are at issue are the same
13 for the classes that are listed on Bates 045
14 and the classes that are listed on Bates 046?

15 A (Simek) Correct.

16 Q Okay. Are there other rates that are proposed
17 here for approval?

18 A (Simek) Yes. We also are proposing for the
19 transportation cost of gas, which is Exhibit 4,
20 to have the Commission not approve the rate
21 that was actually in this filing, but to
22 approve the rate that's in the Exhibit 4, which
23 was a decrease from 0.0040 per therm to 0.0027
24 per therm.

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Q Okay. And, in the original filing, am I
2 correct that that's found on Bates Page 050? I
3 know it's been superseded, but I'm just trying
4 to understand the structure of the paper here.

5 A (Simek) Correct.

6 Q Okay. So, that's three sets of rates, three
7 types of rates. Bates 049 is the Fixed Price
8 Option. Is that proposed for approval here as
9 well?

10 A (Simek) It is.

11 Q Okay. And just describe that briefly for us
12 please, the Fixed Price Option?

13 A (Simek) It's a 2-cent premium from this
14 beginning rate that will allow customers who
15 sign up for that program to be able to have
16 their cost of gas price fixed for the full
17 winter period.

18 Q And is that available to all customers or just
19 certain customer classes?

20 A (Simek) Just residential customers.

21 Q Just residential class. Okay. Are there any
22 other rates that are proposed in this filing
23 for approval?

24 A (Simek) I believe that's all of them.

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1 Q And these rates, at least for the winter
2 period, are all proposed for effect November
3 1st, 2017, is that right?

4 A (Simek) Yes.

5 Q Okay. So, I just want to compare two
6 schedules, if we could for a moment. So, the
7 rates that we talked about that are proposed
8 for approval, and I'm just going to look at the
9 residential class. And I'm back on Bates 45,
10 which you said this is what's at issue here.
11 And I wanted to trace that through to the bill
12 impact page, which was provided. And I think
13 you have to go to Bates 092 in order to do
14 that, but correct me if I'm wrong.

15 A (Simek) Correct. It's Bates Page 092.

16 Q And just to make sure we're all on the same
17 page -- pages, so, for the residential R3
18 class, the proposed winter rate for cost of gas
19 is \$0.6659 per therm, is that right?

20 A (Simek) Correct.

21 Q And then -- and so I found that on Page 045.
22 And, if I go to Page 093 -- it's 092.

23 A (Simek) 092, correct.

24 Q Where do I find that rate on Page 092 for the

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 R3 class?

2 A (Simek) That's on Line 26.

3 Q And what column is that?

4 A (Simek) 51 through -- oh, I'm sorry, there
5 isn't a column. It's the November, December.
6 January, February, March, April, and then the
7 total winter period.

8 Q All right. So, I got my pages confused here.
9 Tell me what page we're on again? Which of the
10 rate impact page are we on? Page 90 --

11 A (Simek) Page 092.

12 Q 092. That's why, I'm on the wrong page. Okay.
13 And you said "Line 26"?

14 A (Simek) Correct.

15 Q And, if you go over to the column in the middle
16 of the page, you see the rate "0.6659"?

17 A (Simek) Correct.

18 Q Okay. So, this schedule then calculates the
19 impact of the rates that are approved?

20 A (Simek) Correct.

21 Q All right. And, if we jump down to the bottom,
22 where you look at the total bill difference
23 it's roughly \$100 increase proposed for a
24 residential heating customer, R3 class, is that

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1 correct?

2 A (Simek) That's correct.

3 Q Okay. Now, earlier in the direct testimony
4 with Mr. Sheehan, you had mentioned some
5 decreases.

6 A (Simek) Correct.

7 Q You had said that the rates were compared --
8 that were proposed were decreases in the cost
9 of gas, and yet the bill impact shows an
10 increase that I calculate around 12 or 13
11 percent?

12 A (Simek) Correct.

13 Q Could you explain that seeming inconsistency?

14 A (Simek) Sure. In the opening testimony with
15 Mr. Sheehan, I was discussing the beginning
16 November 1 rates that were proposed last year,
17 compared to the beginning November 1 winter
18 rates that are proposed this year. I also was
19 comparing the May 1 rates of '17 that were
20 approved, compared to the May 1 rates that are
21 proposed in this filing.

22 Q And how does that differ from what's laid out
23 on Bates 092?

24 A (Simek) You just have to look at the rates that

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 are in the November column only, and you would
2 also, on Line 69 and 70, you can't truly tie to
3 the numbers because that includes both the cost
4 of gas and LDAC, where my reference is only to
5 the cost of gas rate.

6 Q So, did the -- did the switch from a decrease
7 to an increase occur during the course of last
8 winter, is that what I understand?

9 A (Simek) Correct.

10 Q So, what happened during the course of last
11 winter that caused the cost of gas to
12 decrease?

13 A (Simek) Well, first of all, if you don't
14 mind, if you look at Line 54 on the schedule,
15 you can see through the monthly adjustments
16 that the rate started at "0.7162", and it ended
17 at "0.4002", with a weighted average of
18 "0.905" [0.5905?]. These are actual rates.
19 And the biggest driver here is we do a monthly
20 adjustment. And what we're looking at there is
21 current market conditions. We're also looking
22 at actuals that came through. Typically,
23 weather plays a major role. And, with all the
24 information that we had each month, it made

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 sense to continuously lower the rates.

2 CHAIRMAN HONIGBERG: Mr. Simek, just
3 so the record's clear, when you referred to the
4 average, you meant "0.5905", correct?

5 WITNESS SIMEK: Correct.

6 CHAIRMAN HONIGBERG: Yes. You
7 dropped the first 5 when you said the number.

8 WITNESS SIMEK: Oh. Sorry.

9 CHAIRMAN HONIGBERG: That's all
10 right. We're just trying to make the
11 transcript a little clearer.

12 BY MR. DEXTER:

13 Q Okay. So, then, just to finish this line on
14 the increase, could you highlight the major
15 changes that are giving rise to the \$100 per
16 bill increase, which I calculate roughly as a
17 12 percent increase in the cost of gas?

18 A (Simek) Yes. The two areas of increase are
19 related to the LDAC and primarily the
20 distribution rate increase.

21 Q Not the cost of gas?

22 A (Simek) The cost of gas, for the beginning
23 period, no. But, since we're keeping that
24 consistent throughout the -- every month, until

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 we actually do a reconciliation monthly with
2 actuals, comparing it to last year's decreases,
3 of course, that also plays a role.

4 Q Okay. Well, I'm going to try one more time,
5 because now I'm confused. So, if I look at the
6 cost of gas rate on Line 26 that's proposed,
7 that's "0.6659"?

8 A (Simek) Correct.

9 Q And, if I look at the cost of gas rate on Line
10 54 that the Chairman just referenced, "0.5509",
11 I think that's --

12 CHAIRMAN HONIGBERG: "0.5905".

13 BY MR. DEXTER:

14 Q "0.5905", I'm sorry. I think that's a 12
15 percent increase, would you agree?

16 A (Simek) Correct. The drivers for the increase
17 are related to, of course, the cost of gas
18 being fixed, in this analysis and our proposal,
19 compared to actuals of last year, plus there
20 was also a distribution rate increase, and also
21 LDAC did go up as well.

22 Q Right. But the last two things you mentioned
23 wouldn't be factored into the two -- it
24 wouldn't affect the two numbers that I asked

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 you about, correct?

2 A (Simek) Correct. But they do affect the \$99.97
3 that you referenced earlier.

4 Q No, I understand that. But I just wanted to
5 know if you could give me a high-level view of
6 the proposed -- what's behind the proposed 12
7 percent increase in the cost of gas rate? And,
8 if you've already answered it, that's fine.

9 A (Simek) The cost of gas -- the entire filing is
10 based on all the inputs that we put into our
11 multiple models, based on current market
12 conditions, and this is the output that came
13 about.

14 Q Okay. You don't have anything more specific,
15 like a particular type of supply was getting
16 more expensive or anything like that? It's not
17 that simple, I guess?

18 A (Simek) I don't have an answer to that, no.

19 A (Gilbertson) It's market-based. All the supply
20 is market-based.

21 Q Okay. Okay. So, I just wanted to, again, get
22 back to the basics and trace what it is we're
23 actually trying to collect through these rates
24 that are proposed. So, if you bear with me a

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 bit, I want to go to Bates 047. And Bates 047,
2 as I understand it, provides some detail for
3 the costs -- or, provides detail for the costs
4 that are being proposed to be collected. And,
5 if you look at Bates 049 -- 059, I think
6 there's even a little bit more detail. So, I
7 just want to look at Bates 047 and Bates 059.

8 Now, starting with Bates 047, the very
9 last number on that page is 56,532,000. Do you
10 see that number, total cost of gas?

11 A (Simek) Yes.

12 Q Now, I just was hoping you could show me where
13 that gets calculated into the rate that's
14 proposed? Where that number fits into the
15 calculation of the proposed rate?

16 A (Simek) If you go to Bates Page 048, you can
17 see, on the very first line, it has a "Total
18 Anticipated Direct Cost of Gas" of
19 "54,437,427".

20 Q Yes.

21 A (Simek) And, then, if you go down about seven
22 lines or so, there's the "Total Anticipated
23 Indirect Cost of Gas" for "2,095,304". You sum
24 those two together and that will total the

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1 "56,532,731" that's referenced on the previous
2 page.

3 Q Okay. So, that means -- so, that tells me then
4 that the number on Bates 047, which is the same
5 number that's on Bates 059, those are the gas
6 costs that we're talking about for approval for
7 recovery?

8 A (Simek) Correct.

9 Q Okay. So, if we turn then to Bates 059, it
10 looks to me like the gas costs are broken down
11 into a couple of major categories. And, so, if
12 you look at, for instance, Lines 10 and 11 on
13 Bates 059, it talks about "Purchased Gas", 9
14 million and then rounded to 41 million. Is
15 that right?

16 A (Simek) Yes.

17 Q Okay. And, so, for the details of that, if I
18 wanted to see what made up those numbers, if I
19 turn to Bates 085 -- I'm sorry, Bates 068 and
20 085, would that give me some idea as to what
21 makes up those numbers?

22 A (Simek) I believe, on Line 43 of Bates Page
23 068, under the "Total" column, the "9,099,131"
24 ties to the first number you referenced.

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Q There we go. So, there's the detail for the 9
2 million. And I know there's some confidential
3 information on this page, so I'm not going to
4 mention any of the numbers. But, if I look on
5 the left-hand column, it seems to break
6 these -- this \$9 million into a couple of
7 subcategories, one's "Pipeline" and one's
8 "Peaking". And, under "Pipeline", there's
9 about it looks like ten or twelve different
10 sources of gas. Can you tell me what those
11 are?

12 A (Gilbertson) Yes. I can tell you what those
13 are.

14 Q Okay. Would you please tell me what those are.

15 A (Gilbertson) So, these are the costs associated
16 with the dispatch of the pipeline supplies, as
17 well as the peaking supplies. This is the cost
18 associated with our dispatch of propane and LNG
19 for peaking.

20 Q Okay. So, those are your different -- those
21 are your different -- your resources?

22 A (Gilbertson) Uh-huh.

23 Q Okay. Then, so that's the 9 million. If we go
24 back to Page 085, is there a similar breakdown

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 of the 40 million, which was the -- this is, I
2 understand it, the demand costs?

3 A (Gilbertson) Uh-huh.

4 Q And Page 085, I believe, if I've traced this
5 right, would have the supply costs. Is that
6 right?

7 A (Gilbertson) Correct.

8 Q Okay. And, then, again you've got different
9 pipeline resources down the left-hand column.
10 And then you've got propane and LNG resources.
11 I don't want to mention the confidential
12 numbers. But, again, this provides some detail
13 as to what's behind the \$40 million in gas
14 commodity costs, is that right?

15 A (Gilbertson) That's correct.

16 Q Okay. So, now I'm back on 059, which is the
17 detail of the costs, the costs, and you've
18 identified the 9 million and the 40 million.
19 And I want to skip down to the second -- there
20 are some other costs that show up as 59 million
21 and change on the total for Line 23. But I
22 want to jump down to the second category of
23 "Anticipated Direct Costs", which is the
24 "Adjustments". And I see there's \$5 million in

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 reductions. And I wanted to ask you about two
2 of those. One appears on Line 31, and it's a
3 four and a half million dollar figure called
4 "Brokers Fees". Could you explain to me what
5 the brokers fees are and why they're treated as
6 a reduction to the cost of gas?

7 A (Gilbertson) Yes, I can explain that.
8 Actually, they're "broker revenues". And we
9 have -- we work with third party suppliers, and
10 we cash them out at the end of each month. So,
11 sometimes they bring in too much gas, sometimes
12 they don't bring in enough gas. So, we bill
13 them for the difference. As well as we sell
14 them peaking supplies as well. So, these are
15 the -- and these will fluctuate from
16 year-to-year depending on what the bills were
17 for the period. They're broker bills.

18 Q Okay. So, it's revenues, okay, for sales to
19 brokers. Is that number ever negative or is it
20 always a positive number? Is it always a
21 revenue number, or does it ever go --

22 A (Gilbertson) It could go either way.

23 Q It could go either way. Okay. And, if I
24 understand the filing, that you've predicted

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 that these will be the same as the actuals from
2 last year, is that true?

3 A (Simek) Correct.

4 Q And that is actually on Exhibit 8, if we can
5 turn to that. This is a comparison of the
6 proposed portfolio versus the actual of last
7 year. And, if we look at about three or four
8 lines down in the chart there, it shows that
9 broker revenues are predicted to be the same.
10 Is there any science behind that or is that
11 just going with the best available information?

12 A (Gilbertson) You're never going to know what
13 that is until the month happens.

14 Q Okay. Sure. So, the other item I wanted to
15 ask you about on adjustments, is called -- it's
16 Line 35, on Bates 059. And it's "Capacity
17 Release and Off System Sales Margin". It shows
18 \$2 million, which act to reduce the cost of gas
19 sought to be recovered. Could you tell me what
20 those are?

21 A (Gilbertson) Yes. These are the capacity that
22 we release into the market, and this is the
23 price we can get for it.

24 Q And how about off-system sales?

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 A (Gilbertson) Same thing.

2 Q What's the difference between "capacity
3 release" and "off-system sales"?

4 A (Gilbertson) I think in this case it really is
5 the same. But we do release capacity in the
6 summer period, our excess, and we get what we
7 can get for it. Additionally, we have asset
8 manage fees that they take our capacity in the
9 winter period. So, it's really the same.

10 Q Okay.

11 A (Gilbertson) I don't know why it's listed here
12 as two different things.

13 Q Okay. And, then, further on down the detail
14 page on 059, we get to "Indirect Gas Costs".
15 And it looks to me like there's four categories
16 of indirect gas costs: Working capital, bad
17 debts, production storage capacity, and
18 miscellaneous overhead. Can you just describe
19 briefly what those four items are?

20 A (Simek) Sure. The "working capital" is
21 basically the calculation that reflects the
22 amount of cash we would need to have on hand,
23 and then it takes an allocation of that and
24 puts it towards the cost of gas.

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1 "Bad debt" is literally taking a
2 percentage of our bad debt calculations for the
3 Company and putting a percentage of that to the
4 cost of gas.

5 And, for the "production and storage
6 capacity", this is -- off the top of my head,
7 I'm not exactly sure what that relates to.
8 That is in our tariff, and it's approved during
9 the rate case, distribution rate case. And
10 it's a fixed amount that gets charged only to
11 the winter.

12 A (Gilbertson) I believe it's the cost of running
13 the facilities.

14 A (Simek) Probably.

15 A (Gilbertson) It's for the produced gas, the LNG
16 and propane.

17 Q And the "miscellaneous overhead"?

18 A (Simek) Again, I don't know exactly what that
19 represents.

20 Q Okay.

21 A (Simek) It is in our tariff, and it is part of
22 the distribution rate case, the amount that
23 gets approved.

24 Q And the reference column references a "GTC

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 16(f)". That's the tariff you're talking
2 about?

3 A (Simek) That's the "General Terms and
4 Conditions" in our tariff.

5 Q Okay. So, I can look at that for more
6 information?

7 A (Simek) Correct.

8 Q Okay. All right. Now, I had one question on
9 the correction that was made by Ms. Gilbertson
10 that resulted in the change to the
11 transportation rates, which were on Exhibit 4.
12 But I want to look at Bates 113 for a minute.
13 Because the technical statement referenced a
14 reduction in the LNG costs, projected LNG
15 costs, from 2.6 million to -- from 2.6 million
16 to 778,000. And I couldn't find either of
17 those numbers on Bates 113, which is where I
18 think -- I think that's the page that was
19 referenced.

20 Could you just help me out here and show
21 me where that reduction -- how that reduction
22 would have affected the pages that were filed?

23 A (Simek) If you go to Bates Page 050.

24 Q Fifty, five-zero?

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 A (Simek) Yes. The "LNG" line, the third line
2 down, in the initial filing that's where the
3 2.6 million was identified. This is part of
4 the LNG that's getting allocated to the
5 transportation customers. And that's the
6 number that changed down to the 700 and
7 whatever thousand that's now in Exhibit 4.

8 Q Okay. So, Bates 050, Column 2, third line
9 down, LNG now would be about 778,000?

10 A (Simek) Correct.

11 Q Thank you.

12 A (Simek) You're welcome.

13 Q So, we started earlier with a calculation of
14 the rate. And I think it was on Bates 045.
15 And there were two elements to the calculation
16 of the rate. One was the gas costs and then
17 the other was the sales. I guess it's Bates
18 048, actually, not Bates 045. Bates 048. And
19 the sales figure, it's about eight lines down,
20 it doesn't have a line number, in Column 2, is
21 "84,893,215". Is that right?

22 A (Simek) Correct.

23 Q And where does that number come from?

24 A (Simek) That, again, is based on the different

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 inputs that we've put into our models, that's
2 an answer that comes out. It's also adjusted
3 to account for some timing of the unbilled
4 therms. And then, from there, that's the
5 number that gets divided into the total costs
6 to calculate the initial cost of gas rate.

7 Q Okay. So, is there any further detail provided
8 in this filing about the sales forecast or is
9 it just that number? I think there was a
10 reference --

11 A (Simek) There is.

12 Q -- to a "Schedule 10B"?

13 A (Simek) Yes. We can go to I believe it's
14 Schedule 11, I can get you the Bates page.
15 Yes. It's Bates Page 102, would be a normal
16 year forecast of --

17 *[Court reporter interruption.]*

18 **CONTINUED BY THE WITNESS:**

19 A (Simek) -- "89,487,445". And that number again
20 gets adjusted with some timing of some
21 unbilled, and that's where we come up with the
22 "84,893,215" that's listed in Column 2.

23 CHAIRMAN HONIGBERG: 84 million,
24 right?

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 WITNESS SIMEK: I'm sorry, yes.

2 "84,893,215".

3 BY MR. DEXTER:

4 Q Okay. And, again, this is my first time
5 through this, so I'm trying to figure it out.
6 I was looking at Bates 101. And there's a
7 figure there labeled "Firm Sales" -- "Sales
8 Volume", Line 23, about halfway through the
9 page. And I get a figure in the 85 millions.
10 And I'm just wondering why that's not the
11 number that was used in the rate calculation?

12 A (Gilbertson) So, what this schedule does is it
13 takes -- this is billed, this is also billed
14 volume. And it takes last year's actuals, it
15 weather-normalizes them, and it applies any
16 adjustments, such as increased sales
17 projections and econometric percentage basis to
18 come up with a plan for the year for the sales
19 and the transportation volumes.

20 Q Right. That's what I expected you to say. In
21 other words, this is what Mr. Simek said comes
22 out the sales forecast, is the econometric
23 model and based on last year and this and that.
24 But, then, so why isn't that the number that's

{DG 17-135} {10-13-17}

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 used back on Bates 049 for the calculation of
2 the rate?

3 A (Simek) The number on Bates Page 049 gets
4 adjusted with unaccounted for.

5 Q Okay.

6 A (Simek) Some timing for unaccounted for, both
7 on the front end and on the back end.

8 Q Okay. So, it's -- all right. I understand.
9 We'll move on. So, that brings up the -- well,
10 I had one more question on the sales forecast.
11 So, in what's now Exhibit 6, it was a data
12 request that we asked in the tech session, it's
13 Staff Tech 1-5, Staff had asked to reconcile
14 the forecasted sendout for normal weather
15 conditions, as compared to the actual sendout
16 for last winter. And it was a fairly
17 significant increase, I think it was on the
18 order of 25 percent, that's why we asked the
19 question.

20 The answer, if I could paraphrase, says
21 that you corrected the actual number. The
22 actual number, instead of being 68 million, was
23 really 82 million. But it didn't really answer
24 the question, now that the basis moved to 82

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1 million.

2 Can you explain what makes up the
3 difference between the 82 -- what's now the 82
4 million of actual sendout from last winter, as
5 compared to the 89 million of actual sendout --
6 of forecasted sendout for the upcoming winter?
7 I calculated it to be a 9 percent increase,
8 roughly. If you could just tell us what makes
9 up that 9 percent increase please?

10 A (Gilbertson) So, the 82 million is the actual
11 sales from last year. So, the 89 million is
12 the forecast for this year. I can explain why
13 the 82 million is less than the forecast for
14 last year, not necessarily why it's different
15 than the forecast for this year, because this
16 year hasn't happened yet.

17 Q Okay. I didn't follow that at all, I'm sorry.
18 So, we have a forecast of 89 million. We have
19 a --

20 A (Gilbertson) We had a forecast, an upcoming
21 forecast of 89 million.

22 Q Eighty-nine, right. Of actual --

23 A (Gilbertson) And last year we had a forecast of
24 93 million. And then we -- and then the 82

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 million is the actual volume that was used.

2 Q Last year?

3 A (Gilbertson) Last year.

4 Q Right.

5 A (Gilbertson) So, if we're comparing last year
6 to last year, what actually happened versus
7 what was forecasted, the explanation is that
8 the forecast contained iNATGAS, the
9 overstatement for lost and unaccounted for, and
10 the continued migration from sales to
11 transportation service. I don't know that I
12 can compare -- I mean, I can explain that, but
13 there is no comparison to this year. This
14 year's forecast doesn't have iNATGAS. There's
15 additional sales that we're expecting. There's
16 an increased sales volume. The forecast is the
17 forecast for this year, but there's nothing to
18 really compare it to, because we don't have
19 actuals.

20 Q Okay. Well, it doesn't strike me as an
21 unreasonable question to look at what happened
22 last year and see what's forecasted, and how
23 that compares to last year, but --

24 A (Gilbertson) Well, we have additional sales

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 this year.

2 Q Okay.

3 A (Gilbertson) We don't have iNATGAS.

4 Q Okay. So, there's a forecast --

5 A (Gilbertson) There's the adjustments, the
6 L&U --

7 Q Sorry.

8 A (Gilbertson) -- the lost and unaccounted for
9 has been adjusted. And we're expecting growth.

10 Q So, I think then the answer is that the
11 increase would be attributable to growth?

12 A (Gilbertson) Yes.

13 Q Okay. So, then, the question is, are you
14 anticipating 9 percent sales growth this year?
15 And, if so, what would be the basis for that?

16 A (Simek) I believe part of the reasons was due
17 to the warm weather as well.

18 Q But these are weather-normalized, I believe. I
19 think these are both normalized actuals --
20 weather-normalized actuals versus
21 weather-normalized forecasts?

22 CHAIRMAN HONIGBERG: How can you
23 "normalize actuals"? Mr. Dexter, how can you
24 "normalize actuals"? Actuals are actuals,

{DG 17-135} {10-13-17}

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 aren't they?

2 MR. DEXTER: Well, the answer says
3 "comparison of actual weather-normalized
4 sendout". And could let the -- you know, the
5 witness could address it.

6 WITNESS GILBERTSON: You can.

7 MR. DEXTER: But I think you take
8 your --

9 WITNESS GILBERTSON: You can
10 normalize it. Because, if it's a long winter,
11 your actual is going to be lower than what a
12 normal winter would be.

13 CHAIRMAN HONIGBERG: And, so, it's
14 not the actual actual, it is a
15 weather-normalized --

16 WITNESS GILBERTSON: It's a
17 weather-normalized actual.

18 MR. DEXTER: A weather-normalized
19 actual.

20 WITNESS GILBERTSON: Correct.

21 MR. DEXTER: The idea is I think so
22 that we can explore issues like this, taking
23 weather out of the equation is the idea.

24 CHAIRMAN HONIGBERG: So, it's a

{DG 17-135} {10-13-17}

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 "non-actual".

2 WITNESS GILBERTSON: But it's also
3 billed. You've got an unbilled portion in here
4 as well. This isn't --

5 BY MR. DEXTER:

6 Q Well, these are both sendout, though. So then
7 we get rid of the billed issue, don't we? The
8 billed/unbilled is a sendout versus sales
9 issue, as I understand it.

10 A (Gilbertson) I'm not 100 percent sure. So, can
11 we take this -- can I take this as a data
12 request or --

13 Q Sure.

14 A (Gilbertson) I'm not sure.

15 Q Okay.

16 A (Gilbertson) I'm just not sure.

17 Q Well, that's fair enough.

18 CHAIRMAN HONIGBERG: We need to
19 understand what the data request is, or,
20 actually, Mr. Sheehan needs to understand what
21 the data request specifically is.

22 MR. DEXTER: Okay. So, again, we
23 tried this in the tech session, because there
24 was a substantial variance. And we asked for

{DG 17-135} {10-13-17}

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 an item -- a detailed explanation of the
2 variance between actual sales last year and
3 forecasted -- I'm sorry, actual sendout and
4 forecasted sendout. And we understood that
5 both numbers would be weather-normalized.

6 The answer came back, and it took
7 care of a substantial part of the discrepancy,
8 because the answer was that "the actual number
9 as reported was incorrect". There were some
10 errors, and they corrected it. And they took
11 up the base number of 68 million, all the way
12 up to 82 million.

13 But it didn't answer the actual
14 question, which was -- which now would be
15 "what's the difference between the 82 million
16 actual and the 89 million forecasted?"

17 And we've heard today that it's
18 attributable to sales growth. But I just want,
19 if appropriate, if they want to take some time
20 to look into that, because 9 percent sales
21 growth sounds like a -- sounds like a high
22 number.

23 CHAIRMAN HONIGBERG: Okay. But,
24 putting aside the reasons, the basic question

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 is, following up on the data request, 1-5, to
2 provide some additional information to explain
3 the difference between the 82 and the 88?

4 MR. DEXTER: Correct.

5 CHAIRMAN HONIGBERG: Mr. Sheehan, do
6 you understand the question?

7 MR. SHEEHAN: I think I do. Just to
8 clarify, the change from 67 to 82 wasn't an
9 error. As we testified, it was a change in
10 philosophy in what numbers we use. But we will
11 explore the difference and explain the
12 difference between the 82 and the 89.

13 Obviously, I'm not sure that would
14 be -- I'm asking that whether that is needed
15 for an order in this proceeding? Would not
16 want to hamstring the Commission to get an
17 order out, if this becomes a bigger task than
18 it may seem on the surface.

19 CHAIRMAN HONIGBERG: Mr. Dexter, is
20 it Staff's view that this answer is essential
21 to resolving the pending Petition in time to
22 issue an order for November 1?

23 MR. DEXTER: Well, I think so.
24 Because, if I understood the earlier line of

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 questioning, the rate has two elements, the
2 costs and the sendout. And this has to do with
3 the forecasted sendout.

4 Now, I understand that the 89 number
5 was not the number that was used in the rate
6 calculation. That's an \$85 million number.
7 And Mr. Simek gave some reasons as to, you
8 know, why those two numbers aren't the same.
9 But I think this goes to the essential heart of
10 the rate that's proposed. Correct me if I'm
11 wrong, but --

12 MR. SHEEHAN: First, I looked at my
13 watch, we have three weeks. I'm not suggesting
14 it would take us three weeks to answer this.
15 Second, I think it's important to remember that
16 these forecasts go into the initial rate that
17 will be in effect November 1. The rest of the
18 winter becomes a blend of that forecast as it
19 is tempered by actual volumes that we see and
20 the weather that we see, and we have every
21 opportunity to adjust as we go. So, the
22 further you go in the winter, the less
23 important a role the forecast plays.

24 CHAIRMAN HONIGBERG: Except for the

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 people who took the Fixed Price Option, based
2 on the rate that got proposed initially.

3 MR. SHEEHAN: And that's --

4 CHAIRMAN HONIGBERG: So, if the rate
5 proposed initially is not the right rate that
6 should have been proposed, all the Fixed Price
7 Option people are -- they're locked in. So, it
8 is relevant to that initial rate, because
9 that's what determines what the Fixed Price
10 rate is, right?

11 MR. SHEEHAN: Fair enough.

12 CHAIRMAN HONIGBERG: So, --

13 MR. SHEEHAN: And, so, I can see two
14 scenarios. One is, there's an explanation that
15 makes perfect sense and there's no change to
16 what we've requested. Second, let's assume the
17 worst from our perspective, that, oops, our
18 rate was a nickel too high initially, and
19 therefore the FPO, and that could be adjusted
20 through billing. We could reduce the FPO rate
21 and we could make -- if we had to do the math.
22 But those are fixable things. And I'm honestly
23 not conceding that there was that kind of
24 mistake, I don't know.

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 CHAIRMAN HONIGBERG: All right. So,
2 how do you want to deal with this? Do you want
3 to figure out how long it will take, and then
4 let us know how long that -- what that is?

5 MR. DEXTER: I understand what
6 Mr. Sheehan was saying about the fact that this
7 can be changed every month up and down 25
8 percent, is my understanding.

9 If it turns out that it has to be
10 dealt with in an adjustment, rather than the
11 initial rate, I don't think Staff has any
12 problem with that. But I think we would like
13 to get answer. If it could be done before the
14 initial rate is approved, all the better. But,
15 ultimately, I think it's something that we, you
16 know, we'd want to know what's behind the 89
17 million.

18 MR. SHEEHAN: Again, we normally have
19 two weeks to respond to data requests. We have
20 two weeks plus. So, I think we can certainly
21 get this to them next week sometime.

22 CHAIRMAN HONIGBERG: Okay.

23 **(Exhibit 9 reserved)**

24 MR. DEXTER: And apologies for my

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 characterization as an "error". I think that
2 is not an accurate characterization. So, I
3 appreciate Mr. Sheehan pointing that out. I
4 guess it was more of a refinement or an
5 improvement, which is fine.

6 BY MR. DEXTER:

7 Q So in the Gilbertson testimony, at Bates 029,
8 there's a reference to a correction in the lost
9 and unaccounted for. I'd like to discuss that
10 for a little bit. And we asked a data request
11 about this as well. It's been marked as
12 "Exhibit 5". And we asked the Company to
13 quantify the impact that this overstatement
14 might have had on any rates proposed in this
15 proceeding and on any supply decisions and any
16 dispatch decisions. And, if I understand the
17 answer, it was that there wasn't really any
18 impact, because there's lots of things that can
19 affect forecasts, weather, among other things,
20 and they plan for contingencies. And that's
21 fine. But, in the middle of the answer on
22 Exhibit 5, there's a sentence that says "With
23 the exception of a request for one additional
24 LNG truck delivery to maintain LNG inventory

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 requirements, the RFPs for both the winter
2 periods were identical regardless of" these --
3 these issues.

4 So, I wanted to explore, if we could, the
5 cost impact of this one additional LNG truck
6 delivery, if we could. And, when I went
7 through the exhibit, it's about 40 pages long,
8 and, if you turn to Page 35, it talks about the
9 LNG truck deliveries.

10 But I'm kind of jumping ahead. Maybe I
11 should have you just briefly describe what's
12 contained in this 40-page exhibit, if you could
13 do that. And I believe it talks about it being
14 two different RFPs.

15 A (Gilbertson) Okay. So, I believe the 40-page
16 exhibit is all the RFPs that we sent out for
17 the period of 2015 and 2016, to show that they
18 were identical, with the exception of the LNG
19 trucking, which was one additional truck in
20 2016.

21 Q Okay. So, you went back two years, and you
22 provided us the RFPs. And then you went back
23 one year where this -- I think I can call it an
24 "error" in this case occurred in the volumes.

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 And you said "Everything was close enough.
2 Look, it didn't even impact the RFPs. We sent
3 out basically the same RFP, except for this one
4 exception." Is that a fair characterization of
5 the answer?

6 A (Gilbertson) We sent out the RFP, the second
7 year, for six trucks, as opposed to five
8 trucks.

9 Q Right. And other than that, everything was
10 identical?

11 A (Gilbertson) Everything was.

12 Q Okay. So, that's what I wanted to talk about
13 then, was the cost impact of this additional
14 truck. And, if I look at Page 35 of the
15 exhibit, it was actually Page 35 -- there's
16 four pages, 35, 36, 37, and 38. And, if I'm
17 correct, the Page 35 is your LNG supply for
18 2015, and then Page 36 is your LNG supply for
19 2016, 2016-2017?

20 A (Gilbertson) Correct.

21 Q Okay. And I see that there's "Package 1" and
22 "Package 2" --

23 A (Gilbertson) Correct.

24 Q -- in both RFPs. Could you describe those two?

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 A (Gilbertson) "Package 1" is for EnergyNorth and
2 "Package 2" is for New England Gas.

3 Q What's New England Gas?

4 A (Gilbertson) Massachusetts.

5 Q Oh. So, we can ignore Package 2. So, this
6 is -- so, Package 1, this is -- is this for the
7 supply or for the trucking? Is this for the
8 actual gas or the trucking or is it both or
9 what is it?

10 A (Gilbertson) It's both.

11 Q It's both. Okay. So, if I'm correct then,
12 you -- and did you act on these RFPs? Did
13 these RFPs actually become contracts?

14 A (Gilbertson) Yes, they did.

15 Q Okay. So, what would be the cost of the extra
16 truck in -- on Page 36 versus 35? That was
17 sort of the essence of our data request.

18 A (Gilbertson) We only -- we only take the trucks
19 if we need them. So, that's one thing. We
20 don't pay for anything if we don't use it. I
21 pulled both contracts, just for a comparison.
22 And, in 2015, the demand charge was higher than
23 in 2016, when we had the additional truck. It
24 was a \$250,000, with the five trucks being more

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 expensive.

2 Q You're saying five trucks were more expensive
3 in 2015 than six trucks in 2016?

4 A (Gilbertson) Yes, the option to call on. Now,
5 we didn't necessarily -- we have three small
6 tanks for LNG that can only hold 12,400. We
7 are constantly trucking. The additional truck
8 was a necessity regardless of whether or not
9 iNATGAS was in the picture or the lost and
10 unaccounted for was overstated. We needed the
11 extra truck either way. We have a Seven-Day
12 Rule that we have to -- as soon as we're using
13 LNG, we've got to replace it. In speaking with
14 Gas Control, they were very constrained with
15 only using five trucks.

16 Q So, I guess that's my question then. If what
17 -- what led to the cause of the additional
18 truck? Because the essence of the answer was
19 that "really everything was the same, except
20 this truck."

21 A (Gilbertson) Right.

22 Q So, I guess "what's behind the extra truck?" is
23 the real question?

24 A (Gilbertson) Behind the extra truck is that

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 there was a need, regardless of the iNATGAS,
2 there was a need to refill the three LNG tanks
3 in an expeditious manner, and five trucks
4 weren't enough, from looking at the previous
5 year and the growth of the portfolio. As soon
6 as you use that LNG, you've got to back truck
7 it. And Gas Control was having trouble getting
8 those trucks. They needed another one. So, we
9 got one.

10 Q And what was the demand charge of 250,000 that
11 you mentioned? Could you go over that again?
12 I didn't follow that.

13 A (Gilbertson) So, in 2016, the call payment was
14 250,000 less than in 2015. 2016 had the
15 additional truck.

16 Q Can you give the absolute numbers, rather than
17 the difference?

18 A (Gilbertson) I think it's confidential.

19 MR. SHEEHAN: I was going to say "we
20 can, provided it's not confidential." I mean,
21 we can do it. We just have to mark the
22 transcript and go that route.

23 MR. DEXTER: Well, all right. Even
24 in the aggregate, it's confidential?

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 WITNESS GILBERTSON: Well, it's
2 pricing on a contract.

3 MR. DEXTER: All right.

4 WITNESS GILBERTSON: I can give you
5 these, if you want to look at them?

6 CHAIRMAN HONIGBERG: What's your
7 pleasure, Mr. Dexter? How do you want to do
8 this?

9 MR. DEXTER: Well, you know, frankly,
10 this issue is confusing to us. And the answers
11 aren't really helping, to be honest with you.
12 Because, on the one hand, we have a situation
13 where the data response says that there was
14 the -- the forecast sendout was higher than it
15 should have been. But it didn't have any
16 impact, except this truck, but we needed the
17 truck anyway.

18 And I don't know that we're going to
19 get to the bottom of this today. And I think
20 having the contracts might help, and maybe
21 having an additional opportunity to explore
22 this. This doesn't necessarily -- this could
23 be handled in next year's reconciliation, I
24 believe. So, --

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 CHAIRMAN HONIGBERG: Okay. I mean,
2 the really narrow question for this moment is,
3 do you want the confidential information? Do
4 you want an answer? We can mark that page of
5 the transcript confidential?

6 MR. DEXTER: No. No, I think what I
7 would prefer to do would be to make a record
8 request for the contracts. That could be
9 treated confidentially. And then ask if this
10 issue, to the extent it is an issue, be
11 reserved, something that we could explore
12 further over the course of, you know, prior to
13 next year's reconciliation.

14 CHAIRMAN HONIGBERG: Mr. Sheehan, you
15 understand the request?

16 MR. SHEEHAN: I do. Those are the
17 contracts for the LNG supply and trucking,
18 correct?

19 CHAIRMAN HONIGBERG: Mr. Dexter?

20 MR. DEXTER: Yes. Yes. And as long
21 as we're -- if we're okay with holding this
22 over. I guess what I would like to do would
23 be, and I could do it in a written question,
24 rather than today, would be to sort of -- would

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 be to formulate a follow-up question in
2 response to the answers that I got, because I'm
3 frankly confused, based on what I just said
4 earlier, I'm not going to repeat it.

5 CHAIRMAN HONIGBERG: Right. Are we
6 then holding this record open for this or do
7 you want to do this separately with the
8 Company, outside of this proceeding?

9 MR. DEXTER: I think it could be done
10 outside, because this actually has to do with
11 cost of gas from last winter.

12 CHAIRMAN HONIGBERG: All right. So,
13 what we'll --

14 MR. DEXTER: So, it's really not
15 in --

16 CHAIRMAN HONIGBERG: Right. So,
17 then, we're not going to hold -- we're not
18 going to make this a data request for this
19 record, what would be "10", I guess. So, I
20 think we're holding 9 for the previous data
21 request.

22 So, we're not going to treat it as a
23 data request in this proceeding. We're going
24 to -- Staff is going to work with the Company

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 and ask whatever questions it wants in
2 preparation for the next time we're all
3 together on that. That's what I understand to
4 be happening.

5 Is that what everybody else
6 understands? Mr. Buckley, it looks like you
7 want to say something?

8 MR. BUCKLEY: Yes, Mr. Chairman.
9 Along those same lines, the OCA, you may have
10 been able to tell from our line of reasoning,
11 is also interested in further analysis around
12 what the portfolio would have looked like
13 without iNATGAS and without the inaccurate --
14 or, yes, the inaccurate lost and unaccounted
15 for gas number.

16 And I think we would ask that the
17 Company work with us and Staff work with us for
18 a similar resolution as what's being asked for
19 here. In that, in order to better determine
20 what the portfolio would have looked like, the
21 Company perform a full analysis via SENDOUT,
22 the software package. And that --

23 CHAIRMAN HONIGBERG: That seems like
24 a different issue, although I understand how

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 it's related. As I sit here, I don't have a
2 problem with that. And I think that's a matter
3 of working with the Company, working with
4 Staff, again, after this proceeding is
5 concluded.

6 Do Mr. Dexter and Mr. Sheehan agree
7 with that?

8 MR. SHEEHAN: Yes. I mean, I have to
9 make the caveat that -- let me back up. Of
10 course, they have the right to look and explore
11 these issues, because this is a brief docket
12 that, as we're seeing now, many of these
13 questions it's something, for whatever reason,
14 having difficulty getting an answer to their
15 satisfaction. So, with a more relaxed
16 schedule, maybe we can do that.

17 I would like to reserve that my
18 understanding is SENDOUT is a days process, not
19 a hit "send" again and you get another spit-out
20 in ten minutes.

21 And, so, I'm not agreeing that we
22 will do that. We will certainly work with
23 them, and maybe we will, but --

24 CHAIRMAN HONIGBERG: Thank you for

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 clarifying. I actually was thinking to ask you
2 two separate questions on the "do you agree,
3 Mr. Sheehan?" part of that. I think I
4 understand what you just said.

5 Mr. Dexter, Mr. Buckley, are we all
6 clear now on how we're going to proceed with
7 follow-up outside of this proceeding?

8 MR. BUCKLEY: Yes.

9 MR. DEXTER: I think I am, yes. I
10 just had a question about the "Exhibit 9" that
11 you mentioned. That's for the confidential
12 contracts, is that --

13 CHAIRMAN HONIGBERG: I've forgotten
14 now.

15 MR. SHEEHAN: It's for an explanation
16 of the 82 million --

17 CHAIRMAN HONIGBERG: Right. Right.
18 It's the follow-up question on the data
19 request.

20 MR. SHEEHAN: Right.

21 MR. DEXTER: Okay. So, this entire
22 issue then will be handled off-line?

23 CHAIRMAN HONIGBERG: Correct.

24 MR. DEXTER: Okay. I'm going to move

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 along. I just have a couple of questions on
2 the LDAC and a couple of questions on the
3 transportation rate. And I'll try to make this
4 quickly.

5 BY MR. DEXTER:

6 Q So, for the LDAC, I'd just like to turn to
7 Bates 053. And is it correct that this is
8 where we can see the detail for the various
9 elements that make up the LDAC?

10 A (Simek) Yes.

11 Q Okay. And one of those is environmental costs,
12 correct?

13 A (Simek) Correct.

14 Q And, if I wanted to find the backup to the
15 environmental costs, I would turn to Bates 124,
16 is that correct?

17 A (Simek) Correct.

18 Q And, so, on Bates 124, it looks like what's
19 proposed is to recover \$2.9 million of costs,
20 and, again, divided by a sales and
21 transportation number of therms, to get the
22 rate of "0.163", is that right?

23 *[Court reporter interruption -*
24 *multiple parties speaking.]*

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1 CHAIRMAN HONIGBERG: It's "0.0163".

2 BY MR. DEXTER:

3 Q So, I had two questions. The source of the 2.9
4 million, I couldn't find that anywhere in the
5 filing. Could you direct me to where I could
6 get some detail on the 2.9 million?

7 A (Simek) Absolutely. Beginning on Bates Page
8 160, which is the detail behind the Concord
9 Pond MGP Site, on Line 53 of each of the
10 schedules, it's not clear to just be able to
11 back into the number, but, on Line 53 of each
12 of these schedules shows the seven-year
13 remaining amount to be collected for each site.

14 So, for example, on Line 53, go all the
15 way over, for seven years out, there's the
16 "\$37,726" that we still need to collect for our
17 one-seventh portion of costs that were spent
18 back in Pool 12.

19 Q And this is just for one site, correct?

20 A (Simek) This is for one site. So, you would
21 add up all seven of those for the one site.
22 And then you'd have to add that up for each
23 site, and then we'll come up with the 2.9
24 million.

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Q So, just so I understand, we won't do this
2 today. But, if I go to the next page, which is
3 161, looks like we have a site called "Laconia
4 & Liberty Hill", correct?

5 A (Simek) Correct.

6 Q Where would be the number that I would want to
7 add to get to that 2.9 million?

8 A (Simek) Line 53.

9 Q Line 53. And what column?

10 A (Simek) All seven of -- well, you can take the
11 subtotal, which is the total of the seven
12 columns before that, or the six columns, in
13 this case.

14 Q What's the dollar figure? Unless it's blacked
15 out? I see some are blacked out here.

16 A (Simek) Yes, it's blacked out. But it would be
17 the subtotal of Line 53.

18 Q The number at the far right-hand side?

19 A (Simek) Correct.

20 Q It ends in a "6"?

21 A (Simek) Correct.

22 Q Okay. So, that's -- so, if I added that number
23 up for all the sites, I would get to 2.9
24 million?

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1 A (Simek) Correct.

2 Q Okay. And we'll save the discussion of the
3 seven-year and all that. I know that's been
4 covered in prior dockets. So, that's the
5 detail for the costs. And then we have a sales
6 figure that we have to divide it by to get the
7 rates. And this sales figure is "182 million
8 therms", which is significantly higher --

9 A (Simek) Yes.

10 Q -- than the "89 million" we were talking about
11 earlier. So, could you explain why that's
12 different?

13 A (Simek) The LDAC costs go to all customers,
14 cost of gas and transportation. So, it gets
15 divided by that total forecasted amount.

16 Q So, roughly, we've been discussing 85 to 90
17 million of it is sales?

18 A (Simek) Correct.

19 Q And then the rest would be transportation?

20 A (Simek) Correct.

21 Q But, if I go back to Exhibit 4, we have a
22 transportation throughput figure about
23 three-quarters of the way down on the
24 right-hand side of "52 million". And I'm

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 wondering how that number would relate to sort
2 of the leftover 85 million we were talking
3 about back on Bates 124?

4 A (Simek) So, this is the projected cost of gas
5 throughput for transportation customers.

6 MR. SHEEHAN: Mr. Chairman, if it may
7 help, I'm having someone whisper in my ear, I
8 could maybe offer a suggestion that may help my
9 witnesses.

10 CHAIRMAN HONIGBERG: Make the offer.

11 MR. SHEEHAN: Could it be an issue
12 over a winter rate versus a full year rate or
13 quantities?

14 CHAIRMAN HONIGBERG: Meaning that --

15 WITNESS SIMEK: I'm just asking
16 Ms. Gilbertson to try to -- we just want to
17 find the schedule that ties, that that is
18 related just to the winter, rather than a full
19 year rate.

20 MR. SHEEHAN: They're ahead of me.

21 **BY THE WITNESS:**

22 A (Simek) And that schedule is on Bates Page 101,
23 Line 35. And it's the subtotal for the winter
24 period.

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1 BY MR. DEXTER:

2 Q So, Exhibit 4 shows throughput for the winter,
3 and Bates 124 shows sales transportation
4 through the whole year, is that --

5 A (Simek) Correct.

6 Q Okay.

7 A (Simek) And this charge is only applicable to
8 the winter.

9 Q Exhibit 4 is only applicable to the winter?

10 A (Simek) Correct.

11 Q Okay. So, my analyst to the left here points
12 out that, if you go to Bates 124, that number
13 of "182 million" actually shows up in the lower
14 right-hand corner of Bates 101. So, I think
15 we've gotten to the bottom of it.

16 A (Simek) I'm sorry, was there a question?

17 Q No. I was just pointing out, we do agree, I
18 guess. You would agree that the number on
19 Bates 124 of "182 million" actually is detailed
20 on Bates 101, in the lower right-hand?

21 A (Simek) Yes, I would.

22 Q Okay. That answers that. So, I just wanted to
23 ask a question or two about the transportation
24 rate that is proposed on Exhibit 4. And

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 there's a reference in Ms. Tillotson's
2 testimony -- I'm sorry, Gilbertson's testimony
3 on Bates 032 and 033, about the Concord -- the
4 line to Tilton being completed. And my
5 question is, would the completion of that line
6 have any impact on the allocation of these
7 facilities that gets factored into this
8 transportation rate?

9 A (Gilbertson) No. It would not.

10 Q So, for example, on Exhibit 4, there's a "9.9
11 percent" figure, which is labeled "Estimated
12 Percentage Used for Pressure Support", that
13 won't -- that number won't be affected by the
14 fact that the Tilton Highline was completed?

15 A (Simek) We are in the process of a distribution
16 rate case, where we've outsourced our
17 functional cost of service study, which is
18 looking at that percentage. And the outcome of
19 that case may change that percentage. But I'm
20 not sure if it would be duly -- solely because
21 of Tilton or whatever the case is.

22 Q So, that number is fixed in the distribution
23 rate cases?

24 A (Simek) Correct.

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Q Okay. So, we'll deal with that in the rate
2 case then?

3 A (Simek) Yes.

4 MR. DEXTER: All right. Thank you.
5 That's all Staff has. Thanks.

6 CHAIRMAN HONIGBERG: Commissioner
7 Bailey.

8 CMSR. BAILEY: Good morning.

9 WITNESS SIMEK: Good morning.

10 CMSR. BAILEY: A lot of my questions
11 have been asked, so I have to kind of go
12 through and see.

13 BY CMSR. BAILEY:

14 Q Let me start with this. The error that you
15 discovered in the LNG overstatement, that
16 affects the rate of both the transportation
17 cost and the cost of gas?

18 A (Simek) Correct.

19 Q And you're not proposing to change the cost of
20 gas, because that's reconcilable?

21 A (Simek) Correct, because we can change the rate
22 monthly.

23 Q Right.

24 A (Simek) So, we'll take it into account in the

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1 first adjustment.

2 Q And, for your FPO customers, you've already
3 offered them the rate that's two cents higher
4 than the proposed rate?

5 A (Simek) We have.

6 Q Do you think that that's fair to them?

7 A (Simek) Well, there's a lot of changes that
8 happen each month. And one of them we looked
9 into was that this two cents winter rate that
10 went down due to this change was also offset if
11 we would have updated with NYMEX rates that
12 have gone slightly up in the meantime. So, it
13 was almost a wash. So, I do think, overall, it
14 is fair.

15 Q Was there an error in your last filing that was
16 about two cents as well and the FPO
17 customers -- I seem to remember an order that
18 we issued that had the FPO price two cents
19 higher than the rate that we were approving,
20 which was adjusted because of an error.

21 A (Simek) The rate for last year was -- I'm
22 sorry, the approved rate was less than two
23 cents. The FPO rate was less than two cents
24 higher than the approved rate for last winter.

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 So, there was an adjustment that was made to
2 the cost of gas that changed the non-FPO rate,
3 but it raised it.

4 Q Okay. All right. And the 25 percent cap that
5 you have, the flexibility, if the rate were
6 0.6445 cents, instead of 0.6659, that would be
7 impacted as well, right?

8 A (Simek) It would be that we would have less
9 flexibility to increase, correct.

10 Q Uh-huh. And now that you know that the true
11 rate is really about two cents lower than the
12 rate that you are asking us to approve, --

13 A (Simek) The true rate's two cents lower only
14 based on this one change. If we also took into
15 account the current market of the NYMEX, it was
16 really close to a wash.

17 Q Okay.

18 CHAIRMAN HONIGBERG: Could I --

19 CMSR. BAILEY: Yes.

20 BY CHAIRMAN HONIGBERG:

21 Q Mr. Simek, I want to follow up on that. Is
22 what you're saying that, if you did all of the
23 work today to determine what the rate should
24 be, there would be a wash? You would have

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 fixed the two-cent error from the one that's on
2 paper, but you also would have learned more
3 about the NYMEX prices, and they're a little
4 higher, is that right?

5 A (Simek) Correct. If we took into account all
6 the updated information that we have, --

7 Q As of today?

8 A (Simek) As of -- as of like last week.

9 Q Yes. But --

10 A (Simek) It was about a wash.

11 Q But, if you had done the work when you did, and
12 fixed the error then, what you would have filed
13 for would be a rate that's roughly two cents
14 lower, correct?

15 A (Simek) Correct.

16 CHAIRMAN HONIGBERG: Okay.

17 BY CMSR. BAILEY:

18 Q When did you -- well, what period of time did
19 you use of the NYMEX futures for this filing?
20 When were you looking at those?

21 A (Simek) The filing was due September 1st. So,
22 it would have been the last week of August.

23 Q Okay.

24 A (Simek) Now, we do take into account for the

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 filing it's a fifteen-day average. So, it
2 would have been the day that we pulled it,
3 let's just say it was August 28th, it would
4 have been the last fifteen days, and then an
5 average.

6 Q The only other area that I want to cover is
7 your expected bill impact to customers. And,
8 you know, I think customers consider that
9 important. And you're saying that it's -- that
10 the cost of gas rate would be a 7 percent
11 decrease from last winter's period, but the
12 total bill impact, because of all the other
13 increases, would be 13 percent, something like
14 that?

15 A (Simek) Yes. What the bill impact is comparing
16 is the overall weighted average cost of gas
17 rate over the whole period last year, compared
18 to our proposal for the November 1 rate, and
19 just keeping that consistent all the way
20 through. And, if we do that, I believe it was
21 a 13.05 percent total bill increase.

22 Q And does that include other increases that have
23 occurred since last year?

24 A (Simek) It does. It includes the distribution

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 rate increase as well.

2 Q Right. So, if it just included the cost of gas
3 rate, the total impact would have been lower?

4 A (Simek) Correct.

5 Q Okay. And, if you had calculated the rate
6 correctly in August, and you had proposed
7 0.6445 cents, you know, the 0.0214 cents less
8 than the rate you're proposing now, the
9 decrease in the cost of gas would have been
10 closer to 10 percent, rather than 7 percent
11 right?

12 A (Simek) I'd have to double check the math, but,
13 probably, yes.

14 CMSR. BAILEY: Okay. All right.
15 Thank you. I don't have any further questions.

16 CHAIRMAN HONIGBERG: Commissioner
17 Giaimo.

18 CMSR. GIAIMO: Thank you. Good
19 afternoon. This is my first COG case. So,
20 some of my questions may be rudimentary, so I
21 apologize in advance. And, if they were asked
22 and answered, please let me know and we'll move
23 on. All right.

24 MR. SHEEHAN: I'll object.

{DG 17-135} {10-13-17}

1 CHAIRMAN HONIGBERG: I don't think
2 so.

3 BY CMSR. GIAIMO:

4 Q So, what I heard was, following up on
5 Commissioner Bailey's comment of the 13 percent
6 total bill impact?

7 A (Simek) Yes. Let me just bring up the
8 schedule, so we have the -- for a residential
9 heating customer, correct, the total bill
10 impact is a 13.05 percent increase.

11 Q Which translates to \$100 over the course of the
12 six-month period, or something in the nature of
13 \$16 extra a month?

14 A (Simek) Yes. Yes.

15 Q Okay. So, again, coming at it from a "big
16 picture", what I heard was, the biggest driver
17 for the increase in this filing is the market,
18 is that a fair statement?

19 A (Simek) Correct.

20 Q It's all -- it's market-driven?

21 A (Gilbertson) Yes.

22 Q So, to what extent are there areas in your
23 filing that are controllable? Does anything
24 remain consistent from year to year in this

1 filing?

2 A (Simek) Well, we do have some fixed costs that
3 do remain consistent. And I know we have some
4 demand charges that we have contracts for that
5 we, obviously, include in here, because we know
6 what those charges will be. But, really,
7 again, a lot of the fluctuation has to do with
8 the commodity price that just isn't something
9 that we can control.

10 Q Can you, speaking of commodity, with your
11 commodity purchases, can you speak to the
12 length of the contracts and/or if you look at
13 long-term contracts, and if those are possible?

14 A (Gilbertson) For supply purchases, we enter
15 into one-year contracts.

16 Q Have you thought about -- have you thought
17 about extending that time period?

18 A (Gilbertson) Well, --

19 Q Why is the one year a magic number?

20 A (Gilbertson) Because you don't want to lose
21 sight of the fact that the prices could go
22 down, and you could lock yourself into a high
23 price contract for multiple year.

24 Q Okay.

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 A (Gilbertson) It's market-based, so...

2 Q Has there ever been any thought of blending it,
3 taking a certain percentage on a two-year
4 basis, and then others a year basis, and thus
5 allowing yourself to hedge?

6 A (Gilbertson) Well, we do do hedges for the
7 one-year periods. We have a -- we have a
8 baseload hedge that we fix the basis price over
9 the period, January -- December, January, and
10 February.

11 Q Okay.

12 A (Gilbertson) And that is -- that's considered a
13 hedge against the price spikes in the market.

14 Q Specifically, the winter spikes?

15 A (Gilbertson) Yes.

16 Q And, if I'm using the wrong terminology, please
17 let me know, or if I don't understand this
18 right. But is there a storage premium built
19 in? Is there -- what is the cost specifically
20 of the storage element of your proposal?

21 A (Gilbertson) Well, we refill our storages in
22 the summertime, when the prices are lower,
23 presumably. And, by the beginning of the
24 winter period, we plan to be 95 to 100 percent

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 full. And we leave a little room, because of
2 the migration from the marketers, from sales to
3 transportation. But we have to move --
4 sometimes we have to move some of our storage
5 to them, or they give it back to us. So, we
6 have to have a little room in the facility.

7 Q And they will be -- what will your storage look
8 like in May?

9 A (Gilbertson) In May?

10 Q Before you start to refill?

11 A (Gilbertson) Well, we have a -- I don't know
12 exactly what the ratchets are of where we want
13 to be at in May. But we have a schedule of how
14 the refill will -- how we will refill the
15 facilities.

16 Q Okay. So, one of the things that I think --
17 one of the things Attorney Dexter was talking
18 about was the differential between the types of
19 supply, and I think he hit on that early, the
20 different supplies in your portfolio. Can you
21 explain how your portfolio blends various
22 products? It looks like you have a Canadian
23 element, a Gulf, Marcellus, and some LNG. So,
24 maybe you can briefly just explain how you

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 marry those portfolios together for the benefit
2 of the customer, and the -- you can explain if
3 there's any value of relying specifically on
4 one resource, and then sprinkling in the other
5 resources?

6 A (Gilbertson) Right. So, each winter we send
7 out four RFPs, Requests for Proposals. We have
8 a long-haul proposal, where we have a baseload
9 quantity. This is coming from the Gulf. Where
10 we have a baseload quantity, with an option to
11 call on a swing, up to 12,000 a day, for each
12 of the months November through April.

13 We also have a baseload Zone 6 RFP, which
14 is -- that's the hedged, where we can call on,
15 from December through February, 12,000 in
16 December, 20,000 in January, and 15,000 in
17 February. And, actually, that's a baseload.
18 So, we're going to get that.

19 And, then, there's also an RFP for a call
20 option, and that's Gas Daily priced, plus an
21 adder. And that's 30,000 -- 20 or 30,000 a day
22 for the course of the winter.

23 And we also have a Canadian piece, which
24 is at Dawn, we pick up 4,000 a day, we RFP that

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1 out.

2 So, it's a mix of long-haul, Zone 6, and
3 Zone 4.

4 Q Okay. I guess I had one last question. With
5 respect to the manufactured gas plant
6 remediation, my final question. Well, reading
7 your testimony, it sounds like there's
8 obviously a lot going on with respect to that.
9 Can we expect to see -- what can we expect to
10 see in future years? Similar numbers?

11 A (Casey) I wish. No. This was kind of a calm
12 year, with regard -- relative to the past
13 couple of years anyway, because we haven't had
14 any large remediation. We do have some
15 remedial activities coming up, as a matter of
16 fact we had some occur in Manchester, in
17 September. And we'll be seeing the impact of
18 that to the tune of a couple of hundred
19 thousand dollars for that site, for instance.

20 We're planning on paving the Nashua site.
21 So, in response to that capital project, we are
22 going to do the impermeable cap over the Holder
23 1 area, which is identified by the DES as being
24 the part that needs to be impermeably capped.

[WITNESS PANEL: Casey|Gilbertson|Simek]

1 Q Okay.

2 A (Casey) And you'll see costs next year relative
3 to that. The costs will be slightly inflated,
4 unfortunately, because it's also an asbestos
5 disposal site. So, we have to figure out how
6 to split those costs out of the recovery
7 mechanism. So, we're going to be very
8 conscious of that when the time comes.

9 Nothing like what happened in Gilford in
10 2014 and 2015.

11 CMSR. GIAIMO: Okay. Thanks for
12 putting up with me.

13 BY CHAIRMAN HONIGBERG:

14 Q I want to note for the record, I am a Liberty
15 gas customer. I do not take the Fixed Price
16 Option. I'm concerned about what's happening
17 with the Fixed Price Option customers because
18 of the change.

19 I want you to hypothesize a customer in
20 this room who did opt for the Fixed Price this
21 year. How would you explain why what you're
22 proposing is fair to them?

23 A (Simek) Basically, when you look at all
24 different market conditions, I believe it was

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 the best price available at the time. And, at
2 the minute that we turn that in, something
3 could change, as far as anything could be
4 found, on market rates or anything. And, as of
5 the week of August 28th timeframe, when we
6 reran some market numbers and did some
7 comparisons, it was still a wash. And that was
8 why we went forward with proposing to not take
9 into effect that change.

10 Q I'm skeptical. Because I think what you told
11 me was that, if you had done the calculations
12 correctly, in late August, you would have
13 produced a rate that's roughly two cents lower
14 than the one -- than the one that the Fixed
15 Price people are paying or have signed up to
16 pay for the winter.

17 I also wouldn't be surprised if -- I mean,
18 I know it's a small number. Let me ask a
19 question actually about that. I know there's a
20 limit on how many people can sign up. Can you
21 refresh my memory about what that is?

22 A (Simek) I don't recall what the limit is, but I
23 know we've never come close to it.

24 Q Right. Roughly, what percentage of the

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 residential customers do sign up for the Fixed
2 Price Option?

3 A (Simek) I believe it's about 10 percent.

4 Q And, roughly, how many customers is that?

5 A (Simek) Nine thousand (9,000).

6 Q Okay. I am hypothesizing that many of the
7 people who do sign up do so because they are
8 paying attention to what they think is going to
9 happen. So, I'm also hypothesizing that some
10 percentage of those people are capable of going
11 out and reading about what's happening and
12 making phone calls.

13 So, I guess, if we approve what's been
14 filed, I think I would suggest that you prepare
15 your call center, and work with the people in
16 our Consumer Affairs Division, as to how to
17 respond to the questions about this, if they
18 were to come in. That's just a suggestion.

19 A (Simek) Okay.

20 CHAIRMAN HONIGBERG: I have no other
21 questions. Commissioner Bailey.

22 BY CMSR. BAILEY:

23 Q If we didn't approve the rate that you
24 proposed, but approved the rate that you would

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[WITNESS PANEL: Casey|Gilbertson|Simek]

1 have proposed if you got that error correct, --

2 A (Simek) We would be okay with that.

3 Q You could do that?

4 A (Simek) Yes.

5 Q I had a question and I can't -- it just flew
6 out of my head, I'm sorry. But, if you're okay
7 with that, then I'm okay with that.

8 A (Simek) Okay.

9 CHAIRMAN HONIGBERG: Mr. Sheehan, do
10 you have any further questions for your
11 witnesses?

12 MR. SHEEHAN: No, sir.

13 CHAIRMAN HONIGBERG: All right.
14 Without objection, we'll strike ID on the
15 exhibits. Keep the record open for what will
16 be Exhibit 9, which is a follow-up on one of
17 the data requests that's pending.

18 I think the witnesses can stay where
19 they are, because I think this will take just
20 another few seconds, and we'll allow the
21 parties to sum up.

22 Mr. Buckley, you may begin.

23 MR. BUCKLEY: Thank you, Mr.

24 Chairman. Given the Company's willingness to

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1 work with the Office of the Consumer Advocate
2 and Staff to take a hard look at the impact
3 that, in 2016 and '17's Winter, the inaccuracy
4 in lost and unaccounted for gas, as well as the
5 iNATGAS, the inaccuracy that that would have
6 had an impact on the portfolio, the OCA is
7 supportive of the filing.

8 CHAIRMAN HONIGBERG: Mr. Dexter.

9 MR. DEXTER: I would echo the
10 thoughts of the OCA. Given that we'll have the
11 opportunity to look further into that situation
12 involving the lost and unaccounted for and the
13 iNAT and any impacts, Staff supports the
14 filing.

15 CHAIRMAN HONIGBERG: Let me circle
16 back to Mr. Buckley. I'm sorry, I should have
17 asked Mr. Buckley this question.

18 As a person representing the
19 residential ratepayers, do you have any
20 thoughts on the exchange that Commissioner
21 Bailey and I had with the witnesses?

22 MR. BUCKLEY: Yes. I think that the
23 OCA definitely sides with -- or, has concerns
24 about the impact of what's been proposed here

1 on FPO customers. And appreciates that Mr.
2 Simek mentioned that they would be open to an
3 approval of the revised rate. And that is
4 certainly, I think, something that the OCA
5 would like to see as well.

6 CHAIRMAN HONIGBERG: Mr. Sheehan.

7 MR. SHEEHAN: Could I ask Mr. Simek
8 one thing?

9 CMSR. BAILEY: Redirect?

10 MR. SHEEHAN: Not an official
11 question. Just go -- I want to ask him where I
12 can tell you to find, if you choose to approve
13 a different rate, where you would go to find
14 it, to make sure you approve the correct one.

15 CHAIRMAN HONIGBERG: Sure. Let's go
16 off the record for a moment.

17 *[Off-the-record. Atty. Sheehan*
18 *conferring with Mr. Simek.]*

19 CHAIRMAN HONIGBERG: Mr. Sheehan.

20 MR. SHEEHAN: The question I just
21 discussed with Mr. Simek is, "if you elected to
22 approve the lower rate, where would you find
23 it?" And the answer is, "it's not in the
24 record." We have provided the information

1 informally to Staff. We provided them the
2 updated model. It was actually a conversation
3 with Staff that resulted in our proposal just
4 to fix it later. And I understand the concerns
5 you've raised from the Bench.

6 So, right now, there isn't a -- Mr.
7 Simek offered that he could give the
8 residential numbers, because he happens to have
9 those in front of him. But we don't have the
10 numbers for all the other customer classes, if
11 you're wanting to adopt that 2 cent lower rate.

12 So, I guess, to solve the problem, we
13 could, I presume -- I mean, the whole purpose
14 of this was to avoid refiling 200 pages of
15 schedules to fix a rate. And, again, I
16 appreciate why you may want to do that. But I
17 assume we could leave the record request open
18 for that spreadsheet that has been provided to
19 become or something along those lines.

20 CHAIRMAN HONIGBERG: Yes. I hear
21 you. I think then what we would be talking
22 about doing is reopening the record.

23 MR. SHEEHAN: In effect.

24 CHAIRMAN HONIGBERG: Leaving it open

1 for additional things.

2 MR. SHEEHAN: And Mr. Mullen was
3 mentioning the mechanical difficulties of the
4 communications that have already happened with
5 the FPO customers, the numbers that have been
6 broadcast to them, the numbers that, *etcetera*.
7 So, --

8 CHAIRMAN HONIGBERG: I'm a little
9 less concerned about that, because people don't
10 mind getting good news. So, I don't think
11 there's a confusion issue. I understand
12 there's a mechanics -- and that's not free,
13 communications like that. But it's a limited
14 universe of people who signed up, you know who
15 they are. So, it may well be that it could be
16 done, if that's the direction we go.

17 I think Commissioner Bailey may have
18 a question for you.

19 CMSR. BAILEY: On your October 11th
20 filing, Exhibit 3, you say that "The impact of
21 this change is a reduction in the Winter Cost
22 of Gas rate by 0.0214 cents per therm" -- or,
23 actually, "by 2.14 cents per therm". So, if we
24 just took all your -- I mean, do the cost of

1 gas rates vary by class?

2 WITNESS SIMEK: They do.

3 CMSR. BAILEY: So, if we just -- if
4 we wanted to make this change, could we just
5 say "adjust the rates and file the tariff at
6 \$0.0214 lower than what you filed"?

7 WITNESS SIMEK: Yes. Yes, you could.

8 CMSR. BAILEY: Thank you.

9 CHAIRMAN HONIGBERG: All right. Do
10 we now have -- it's obvious we've had the
11 record kept open here. Do we -- would we need
12 any additional information, Mr. Sheehan?

13 MR. SHEEHAN: Commissioner Bailey,
14 those are the numbers that he had in front of
15 him for the residential customers. And,
16 apparently, Mr. Simek, his answer -- my
17 question was, "would the same two-cent
18 reduction apply to every class equally?" And
19 it sounds like --

20 WITNESS SIMEK: I believe it would.

21 I know I just answered that on the stand.

22 MR. SHEEHAN: Okay.

23 WITNESS SIMEK: I guess I would want
24 to maybe double-check the model, but I do

1 believe that's the case.

2 MR. SHEEHAN: We don't want to have
3 an unintended consequence where some commercial
4 rate would have moved by more or less than the
5 two cents.

6 CHAIRMAN HONIGBERG: Right.

7 MR. SHEEHAN: And that's the concern
8 that -- my hesitation.

9 CHAIRMAN HONIGBERG: All right. So,
10 we're going to leave the record open for
11 another data request, a response being made
12 here, to confirm what the rates would be if
13 they were approved at the lower rate reflecting
14 the correct information as of late August.

15 MR. SHEEHAN: And, at the risk of
16 saying things I don't know the answers to,
17 maybe the way to handle it is for us to file
18 revised proposed tariff pages with those
19 numbers in them. And then you have something
20 in front of you that you can approve. And then
21 Mr. Simek can do the work behind it to make
22 sure it's the right numbers.

23 CHAIRMAN HONIGBERG: That makes sense
24 to me. Mr. Dexter, Mr. Buckley, does that make

1 sense to you as well?

2 MR. DEXTER: I guess it does. But I
3 had another question. I thought the one
4 possibility would be to just change the FPO
5 rate, and leave the cost of gas rates that were
6 filed and the transportation rates as proposed,
7 because -- not the transportation rates, the
8 cost of gas rates, because those are
9 reconcilable. But, as I understand the issue
10 here, it just has to do with the FPO rate,
11 which is not reconcilable. Could the change
12 just be made to the FPO rate?

13 CHAIRMAN HONIGBERG: The lingering
14 issue there has to do with the ability -- the
15 Company's ability under the provisions of this
16 to raise the rate up a certain percentage, and
17 down as much as is appropriate, based on the
18 numbers that come in. It would reset the
19 starting point.

20 Now, I suppose what we could do, if
21 this were the direction that we were going, is
22 say that the starting point for the increase
23 for this round is going to be starting at a
24 lower number, whatever that number is supposed

1 to be, and so the percentage, which I think is
2 25 percent, Mr. Sheehan, is that right?

3 MR. SHEEHAN: Yes, 25.

4 CHAIRMAN HONIGBERG: Is off of that
5 lower number, rather than the number that's in
6 the filing. And maybe that would -- would that
7 work, Mr. Sheehan?

8 MR. SHEEHAN: And I'm looking to my
9 witness who's 50 feet away. Probably, but,
10 again, the starting point might be different
11 for those other customers, for the commercial
12 customers. If you're going to lower the
13 residential rate by two cents, and you're using
14 the 25 percent band, there would be a different
15 band for commercial customers that may have a
16 different starting point.

17 CHAIRMAN HONIGBERG: So, I think that
18 piece of information would be included in the
19 type of information you're proposing to file.
20 And then that would give us the information in
21 the record we would need to decide how we want
22 to deal with those other classes. Is that
23 right?

24 WITNESS SIMEK: Yes.

1 MR. SHEEHAN: Thank you.

2 CHAIRMAN HONIGBERG: Mr. Simek, we
3 appreciate your help on that. All right.

4 **(Exhibit 10 reserved)**

5 MR. SHEEHAN: All that being said,
6 then we will file revised tariff pages based on
7 the model that includes the two-cent
8 correction, my shorthand for it, as of the
9 September -- just that correction.

10 And I just wanted to note, for
11 Commissioner Giaimo's benefit, the hedging
12 policy we follow was approved in a prior order
13 in DG 14-133, and has been changed over the
14 years, that's the most recent change that the
15 Commission approved. And I think it was
16 basically to hedge the basis, rather than other
17 mechanisms.

18 So, we ask that you approve the rates
19 that we will file -- actually, we ask you to --
20 yes, we ask you to approve those rates.

21 Thank you.

22 CHAIRMAN HONIGBERG: All right.

23 Thank you all. Appreciate everyone's
24 flexibility and willingness to sort of the work

1 on the fly here. It's not always the easiest
2 thing to do, especially for the witnesses. And
3 we really do appreciate your ability to do
4 that.

5 So, we'll take the matter under
6 advisement. Wait for the responses to the
7 outstanding items, and issue an order as
8 quickly as we can.

9 ***(Whereupon the hearing was***
10 ***adjourned at 12:00 p.m.)***