

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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REDACTED
For Public Use

RE: DG 17-141
LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP. d/b/a LIBERTY
UTILITIES - KEENE DIVISION:
Winter 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 - Keene Division:
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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DAVID B. SIMEK

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P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here in Docket 17-141, which is Liberty's Keene Division's Winter Cost of Gas proceeding. We have the filing. We know there are some changes that I'm sure you all will explain to us.

And, before we do anything else, let's take appearances.

MR. SHEEHAN: Good afternoon, Commissioners. Mike Sheehan, for Liberty Utilities (EnergyNorth Natural Gas) Corp., today representing the Keene Division.

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

MR. DEXTER: And Paul Dexter, appearing on behalf of the Staff -- Staff counsel, appearing on behalf of Staff.

CHAIRMAN HONIGBERG: So, what are the

1 preliminaries before we get started,
2 Mr. Sheehan?

3 MR. SHEEHAN: Thank you. There's a
4 number of exhibits that have been marked. I
5 will run through them. "Exhibit 1" is the
6 redacted version of our initial filing, Bates
7 Pages 001 through 035. "Exhibit 2" is the
8 confidential version of that same document.
9 "Exhibit 3" is the redacted version of Mr.
10 Simek's Technical Statement. "Exhibit 4" is a
11 confidential version of that.

12 Next are a series of data responses
13 that Staff and the OCA sought to have marked.
14 "Exhibit 5" is response to Staff Tech 1-2, the
15 redacted version. "Exhibit 6" is the same
16 document, Staff Tech 1-2, the confidential
17 version. And "Exhibit 7" is Staff Tech 1-3.
18 "Exhibit 8" is Staff Tech 1-4. And "Exhibit 9"
19 is the OCA Tech 1-1.

20 As I said this morning, there are
21 confidential numbers scattered through the
22 filing in some of these data responses and Mr.
23 Simek's Technical Statement. And we again rely
24 on the provisions of 201.06 to have the

[WITNESS PANEL: Gilbertson|Simek]

1 Commission treat those as confidential under
2 the routine filings, which, again, does not
3 require Commission action, only if someone
4 requests a copy of them.

5 Thank you.

6 CHAIRMAN HONIGBERG: All right.

7 Thank you for that.

8 (The documents, as described,
9 were herewith marked as
10 **Exhibit 1** through **Exhibit 9**,
11 respectively, for
12 identification.)

13 CHAIRMAN HONIGBERG: Anything else
14 before we have the witnesses sworn in?

15 *[No verbal response.]*

16 CHAIRMAN HONIGBERG: Mr. Patnaude,
17 would you do the honors please.

18 (Whereupon **Deborah M. Gilbertson**
19 and **David B. Simek** were duly
20 sworn by the Court Reporter.)

21 CHAIRMAN HONIGBERG: Mr. Sheehan.

22 **DEBORAH M. GILBERTSON, SWORN**

23 **DAVID B. SIMEK, SWORN**

24 **DIRECT EXAMINATION**

{DG 17-141}[REDACTED-For Public Use]{10-13-17}

1 BY MR. SHEEHAN:

2 Q Mr. Simek, your name and position with the
3 Company please.

4 A (Simek) David Simek, Manager of Rates and
5 Regulatory Affairs.

6 Q And were you involved in preparing the filing
7 that is before us today for the Keene Cost of
8 Gas?

9 A (Simek) Yes.

10 Q And Exhibits 1 and 2 also contains your
11 testimony, does it not?

12 A (Simek) It does.

13 Q Do you have any changes to your testimony?

14 A (Simek) I do not.

15 Q If you could please give us an overview of what
16 the Company -- the Keene Division is requesting
17 in the cost of gas matter?

18 A (Simek) Sure. The Company is requesting a cost
19 of gas rate approval of \$1.2208 per therm,
20 which is, compared to the starting November '16
21 rate of \$1.5152 per therm, which is a 19
22 percent decrease.

23 Q You also -- let me go through your testimony.

24 Do you today adopt your prefiled testimony,

1 which is in Exhibits 1 and 2, as your testimony
2 as if given today orally?

3 A (Simek) Yes, I do.

4 Q You also filed a technical statement this week,
5 which have been marked as "Exhibits 3" and "4".
6 Could you please describe for us what the
7 purpose was for filing that technical
8 statement.

9 A (Simek) I will. This technical statement
10 includes costs that the Company was charged
11 from our CNG supply provider. These are new
12 charges that we began receiving this year. And
13 our initial filing only included the costs that
14 would be charged during the winter months. And
15 it was later determined, after this filing,
16 that all demand charges related to this
17 contract should be charged to the winter.

18 Q And why is that?

19 A (Simek) And that has to do with the need to no
20 longer have to run the blower at the propane
21 facility, which required 24/7 manned coverage.
22 And, since we no longer need to run that
23 facility, which was required for winter demand,
24 the charges related to the CNG should be

1 related to the winter.

2 Q The CNG facility that is being put into service
3 as we speak is the first step in what the
4 Company plans to do in Keene, is that correct?

5 A (Simek) Correct.

6 Q And I think what you were saying is this first
7 step, what's in place now, its sole or primary
8 purpose is to replace the blower system on the
9 old propane/air system?

10 A (Simek) Correct. Both for safety issues and
11 for -- well, mainly for safety issues, but also
12 to be able to reduce some costs, the first step
13 was to implement this CNG facility.

14 Q And a few years from now all of the CNG costs
15 will go to year-round cost of gas, or at least
16 they will be allocated appropriately, is that
17 correct?

18 A (Simek) Correct.

19 Q But you're just saying this particular winter
20 the CNG facility's primary purpose is to retire
21 the blower system, which only ran in the
22 winter?

23 A (Simek) Correct.

24 Q And, therefore, those costs should be allocated

1 to the winter?

2 A (Simek) Correct. And it was determined that
3 they should be added to the winter after we
4 made the original filing.

5 Q And what effect does that have on these rates?

6 A (Simek) It would be a 3.82 cent per therm
7 increase.

8 Q And how does the Company propose to make that
9 change?

10 A (Simek) We're proposing to make that change
11 through the monthly adjustment mechanism.

12 Q So, today, you're asking -- we're asking the
13 Commission to approve the rates as filed?

14 A (Simek) Correct.

15 Q And the decision to have this 3 cent change --
16 3.8 cent change with the first monthly filing
17 was in discussion with Staff, is that correct?

18 A (Simek) Yes, it was.

19 MR. SHEEHAN: That's all I have.

20 Thank you.

21 CHAIRMAN HONIGBERG: Mr. Buckley.

22 MR. BUCKLEY: Thank you, Mr.

23 Chairman.

24 **CROSS-EXAMINATION**

1 BY MR. BUCKLEY:

2 Q So, I'm going to follow up a little bit on what
3 Mr. Sheehan, his line of questioning regarding
4 the CNG conversion. And this I think is
5 presented at Bates 008, Lines 4 through 6,
6 describes a small section of the Keene system
7 that sounds like, at this very moment, is being
8 converted to CNG from propane. Is that
9 correct?

10 A (Simek) We're putting -- we put in a CNG system
11 that will take away some of the load that
12 normally would have been provided by the
13 propane system, which, in turn, allows us to
14 retire the blower system at the production
15 facility.

16 Q And is this CNG system, is it connected to the
17 same system as the propane or is it isolated
18 from the propane system?

19 A (Gilbertson) It's isolated from the propane
20 system.

21 Q Okay. But the costs of the CNG would -- they
22 are recovered along with the same cost of gas
23 that the propane system is itself, is that
24 correct?

1 A (Simek) Yes.

2 Q Okay. And does that cost of gas, does that
3 vary for residential or commercial ratepayers
4 or is it all one uniform cost of gas?

5 A (Simek) It's all uniform.

6 Q So, can you speak a little bit more about the
7 CNG customers? Are those commercial customers
8 or residential, the ones currently, as it's an
9 isolated system?

10 A (Simek) Currently, the facility will be
11 commercial customers that are being supplied
12 from the CNG facility.

13 Q Okay. Thank you. But, in the future, is that
14 CNG expansion likely to reach residential
15 customers as well?

16 A (Simek) Absolutely.

17 Q Okay. I guess what I would raise here is the
18 exhibit that's been marked as number "6", and
19 that's the confidential version of Staff Tech
20 1-2. And I guess, without saying any of the --
21 revealing any confidential information here, to
22 me it looks -- can you describe the cost of CNG
23 on a per gallon basis relative to the other
24 fuel sources here?

[WITNESS PANEL: Gilbertson|Simek]

1 A (Simek) On a per gallon basis, including the
2 supply and the CNG facility in total, the cost
3 is higher. It's _____ per gallon, compared
4 to spot price --

5 MR. SHEEHAN: Hang on a second. Mr.
6 Chairman, I think given the --

7 WITNESS SIMEK: Oh, shoot.

8 MR. SHEEHAN: That's okay. Given the
9 fact that these numbers I think will be talked
10 about a lot, maybe it makes sense just to go
11 ahead and put the confidential numbers on the
12 record, and we'll deal with it through the
13 transcript.

14 CHAIRMAN HONIGBERG: That makes
15 perfect sense. I think Mr. Simek would agree.

16 WITNESS SIMEK: Thank you.

17 **CONTINUED BY THE WITNESS:**

18 A (Simek) So, as you can see on the Exhibit 6,
19 the shaded area there really compares the CNG
20 dollar per gallon compared to spot prices as
21 projected when we made the filing.

22 BY MR. BUCKLEY:

23 Q So, to me, it looks here like, and I understand
24 that there are some safety considerations with

[WITNESS PANEL: Gilbertson|Simek]

1 moving from the blower system to the CNG
2 system. But, just taking a bit of a simplistic
3 view at this, it looks like the CNG is more
4 expensive than the propane, and tends to be
5 going to, at least for now, commercial
6 customers, and not residential customers. But
7 the cost of gas will socialize those costs for
8 the commercial customers across both commercial
9 and residential customers. Is that an accurate
10 assessment?

11 A (Simek) It is, but you're only looking at the
12 cost of gas itself. When you take into account
13 the savings for retiring the blowing system,
14 and those costs, which get allocated through
15 distribution rates, the actual, if you want to
16 compare apples-to-apples, the actual cost of
17 gas for the CNG will then be lowered to the
18 other shaded area on the page, which is the ____
19 _____ per gallon.

20 Q And the savings associated with retiring the
21 blower system, can you explain a little bit
22 about where those savings come from?

23 A (Simek) It's related to 24-hour/7-day a week
24 manning of the facility for safety purposes.

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[WITNESS PANEL: Gilbertson|Simek]

1 We would no longer need to require that type of
2 staffing.

3 Q And was the -- getting rid of that level of
4 staffing, was that entirely dependent on the
5 switch to CNG? Or was that something that was
6 contemplated independent of that switch?

7 A (Simek) I don't have the full answer to that.
8 I believe that we definitely made it because of
9 the switch. I don't have an answer if the
10 Company was going to maybe scale down at some
11 point or not the staffing level.

12 Q Fair enough. Are you familiar with the status
13 of Docket DG 17-068? And, just as a reminder
14 here, this is a docket where Liberty Utilities
15 had petitioned the Commission for a declaratory
16 ruling that it wouldn't need to seek permission
17 from the Commission under RSA 374:22 and RSA
18 374:26 to distribute natural gas in Keene. Are
19 you familiar with that docket?

20 A (Simek) I am.

21 Q Can you tell us the status of that docket or
22 the status of the request?

23 A (Simek) As far as I know, there has been no
24 updates to that docket.

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[WITNESS PANEL: Gilbertson|Simek]

1 Q Thank you.

2 A (Simek) You're welcome.

3 Q And can you just tell me what the -- and you
4 can ballpark this, what the makeup of the Keene
5 system is, percentage of residential customers
6 versus percentage of commercial customers?

7 A (Gilbertson) I actually have that. The
8 residential customer count is 62 percent, the
9 commercial is 38 percent. And the load is 20
10 percent for the residential and 80 percent for
11 the commercial.

12 Q And do you know, and you can also ballpark this
13 as well, do you know what percentage the CNG
14 conversion that is planned for thus far in this
15 filing about how much of the load that would
16 be? If you don't, that's fine.

17 A (Gilbertson) I mean, I don't know, I don't have
18 a calculator here.

19 Q Okay. That's fine. I was just curious. All
20 right. Moving along. Bates Page 010 describes
21 the Non-FPO cost of gas rate for Winter 2017/18
22 as "decreasing 19.4 percent" from last winter.
23 Which, according to a model that was submitted
24 to Staff and the OCA on October 10th would

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[WITNESS PANEL: Gilbertson|Simek]

1 likely be somewhere closer to 16.9 percent, if
2 the revision that's noted in the technical
3 statement were incorporated into the rates.
4 And that's about 26 cents per therm. Does that
5 sound correct to you, subject to check?

6 A (Simek) Yes.

7 Q Okay. So, I'll highlight, for the witnesses
8 and the Commission, OCA's Exhibit 9, which is
9 the response to an OCA Tech Session Data
10 Request 1-1. And that goes over the various
11 factors contributing to this decrease.

12 And I'll note that this is based on the
13 revised model. This is not actually what's
14 requested in the Petition right now. But I
15 will ask, are most of these, the factors
16 driving the decrease, they're probably similar,
17 is that correct, in their sort of order of
18 magnitude?

19 A (Simek) Correct.

20 Q So, it looks from this exhibit that a major
21 factor driving the adjustment is the -- or,
22 driving the decrease is the prior period
23 adjustment?

24 A (Simek) Correct.

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[WITNESS PANEL: Gilbertson|Simek]

1 Q And that's more or less reconciliation?

2 A (Simek) Yes.

3 Q Okay. And that represents about 37.5 cents per
4 therm of a decrease, what -- that number would
5 change slightly based on what's in the actual
6 Petition, but that sounds about right?

7 A (Simek) Yes.

8 Q And, in that same exhibit, the Company
9 describes "CNG" component, which we've talked
10 about of the cost of gas, which wasn't in the
11 portfolio last winter, but is now accountable
12 for, and these numbers are now approximate,
13 because it's not exactly what's in the
14 Petition, but it's close, approximately 26
15 cents of the overall rate, of the 1.26 --
16 1.25.9 -- or, \$1.25 and nine-tenths of a cent.
17 Does that sound accurate?

18 A (Simek) Correct.

19 MR. BUCKLEY: No further questions.

20 CHAIRMAN HONIGBERG: Mr. Dexter.

21 MR. DEXTER: Thank you.

22 BY MR. DEXTER:

23 Q So, I was also interested in what makes up the
24 decrease. I know it's 19 percent, and now

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[WITNESS PANEL: Gilbertson|Simek]

1 reduced down to 17 percent. And we have two
2 exhibits in the case that talk about the
3 changes, Exhibit 8 and Exhibit 9. And one's a
4 Staff data request and one's an OCA data
5 request. Could you just describe the
6 difference between these two exhibits?

7 A (Simek) Yes. Just give me one moment please.

8 Q Sure.

9 A (Simek) So, really, the driver between the two
10 exhibits is that Exhibit 8 includes the FPO
11 rates, because the question again was based on
12 an FPO rate, and then it also asked for a total
13 rate. Whereas, Exhibit 9 is just adding up to
14 the total cost of gas rate that was filed,
15 that's the Non-FPO rate, comparison between
16 last winter and this winter.

17 Q So, they are both comparisons between what was
18 projected at the start of last winter versus
19 what's projected at the start of this winter,
20 is that correct?

21 A (Simek) Correct.

22 Q Okay. And that's also what's contained in your
23 bill impact analysis, is that true? No. Let
24 me withdraw that question.

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[WITNESS PANEL: Gilbertson|Simek]

1 Instead, I'd just like to turn your
2 attention to Bates 028 and 029, which are the
3 bill impact analyses, for the residential
4 class.

5 A (Simek) Correct.

6 Q And can you tell me the difference between
7 Bates 028 and Bates 029?

8 A (Simek) The difference has to do with Bates 028
9 representing the FPO option rate, and Bates 029
10 representing the Non-FPO option rate.

11 Q Okay. So, let's look at Bates 028 then, the --
12 029, the Non-FPO option rate. So, what's being
13 compared here, and in the top box versus the
14 bottom box?

15 A (Simek) Well, the top box includes rates that
16 are actual for the Winter Period of 2016/2017.
17 So, the cost of gas rates there are the actual
18 rates for the month.

19 And what we have in the bottom box is the
20 projected Non-FPO starting rate in November
21 '17, and it's held consistent through the
22 future five months.

23 Q And, okay. So, this is a comparison then of
24 forecast versus actual last year?

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[WITNESS PANEL: Gilbertson|Simek]

1 A (Simek) Correct.

2 Q Okay. And I believe in your technical
3 statement you indicate that this decrease would
4 be a little bit smaller of a decrease if the
5 updated information were factored in, is that
6 right?

7 A (Simek) Correct.

8 Q And, again, looking at Bates 029, focusing on
9 the COG rate, can you tell me what makes up the
10 significant factors that led to the rate
11 decrease?

12 A (Simek) Every month we go ahead and look at
13 market conditions, look at where we're at with
14 what actuals were for the prior months, and we
15 look at what the updated projections are for
16 NYMEX. And we then calculate what we believe
17 the future going rate should be, and that's
18 what we submit on a monthly basis.

19 Q Okay. So, turning to the -- to what's been
20 described in the filing as the "Propane
21 Purchase Stabilization Plan". Can you describe
22 that plan in general please?

23 A (Gilbertson) Yes. Just let me find the Bates
24 Page.

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[WITNESS PANEL: Gilbertson|Simek]

1 Q In the exhibit, Bates 007 and 008, but --

2 A (Gilbertson) Oh, it's Bates Page 021.

3 Q Sorry.

4 MR. SHEEHAN: While she's looking, I
5 neglected to have her establish her testimony,
6 if I could go through that exercise?

7 CHAIRMAN HONIGBERG: You want to do
8 it now, just --

9 MR. SHEEHAN: That's what I was
10 proposing.

11 CHAIRMAN HONIGBERG: Everyone I think
12 would stipulate --

13 MR. SHEEHAN: Okay.

14 CHAIRMAN HONIGBERG: -- that
15 Ms. Gilbertson's testimony from the filing is
16 going to be a full exhibit and accepted,
17 correct?

18 MR. SHEEHAN: Correct.

19 CHAIRMAN HONIGBERG: There were no
20 corrections you needed to make to it, were
21 there?

22 WITNESS GILBERTSON: No.

23 CHAIRMAN HONIGBERG: All right.

24 We're good.

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1 MR. SHEEHAN: Thank you.

2 **BY THE WITNESS:**

3 A Okay. To answer the question, the Propane
4 Purchase Stabilization Plan is -- it's a hedge,
5 it's a prepurchase during the summer periods
6 for the winter period.

7 BY MR. DEXTER:

8 Q And the volumes that are shown on Bates 021
9 that were prepurchased or hedged is 575,000
10 gallons, is that correct?

11 A (Gilbertson) That's correct.

12 Q And how does that compare to last winter's
13 volumes that were pre-purchased or hedged?

14 A (Gilbertson) Last year was 725,000, I believe.

15 Q And what makes up that difference? What led to
16 the difference?

17 A (Gilbertson) The difference is the purchase of
18 the CNG, for starters. Additionally, the
19 575,000 is 60 percent of the portfolio, with --
20 when it's included with the Amherst facility,
21 which I believe is the approved amount.

22 Q When you say "included with the Amherst
23 facility", can you explain a little bit more
24 what that means?

[WITNESS PANEL: Gilbertson|Simek]

1 A (Gilbertson) Yes. The Amherst facility is
2 essentially a hedge as well, because we
3 purchase propane in the summertime. So, if you
4 add the volumes for the Amherst facility, with
5 the Purchase Price Stabilization Plan volumes,
6 it's about 60 percent, 62 percent of the
7 portfolio.

8 Q And those were pre-purchased, the Amherst were
9 pre-purchased in the summer as well?

10 A (Gilbertson) Yes.

11 Q Okay. So, if I go then to Exhibit 6, and there
12 are four sources of supply, it looks like, on a
13 per gallon basis, if we just look at the box
14 and ignore Paragraph (b) for a minute, it looks
15 like the Amherst is the least expensive of the
16 four options, would you agree with that?

17 A (Gilbertson) Yes.

18 Q So, how does that -- how many gallons were
19 prepurchased through the Amherst storage?

20 A (Gilbertson) The Amherst storage was -- the
21 purchase I believe was -- it's 254,000 gallons
22 that we want to put into the tank. And we
23 empty it in the winter. So,
24 approximately, --

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1 Q And doesn't -- I'm sorry, go ahead.

2 A (Gilbertson) Yes. Approximately, I think it's
3 230 -- 232,415 gallons.

4 Q And is that just filled once and then emptied
5 once or does it cycle?

6 A (Gilbertson) It's filled once.

7 Q Okay. And you mentioned a "60 percent" figure.
8 Could you explain what that was? A "60 percent
9 hedging limit" figure, I think you said?

10 A (Gilbertson) Yes. My understanding was that
11 the portfolio should be hedged 60 percent, I
12 believe that's an historical figure that we've
13 been going with.

14 Q Now, the chart on -- I think the OCA already
15 established that the CNG, on a per gallon
16 basis, ignoring the paragraph below, is the
17 highest cost option in the chart here. Would
18 you agree with that?

19 A (Simek) Yes.

20 Q Okay. And then the paragraph below talks about
21 "labor costs", in that they should be factored
22 in to the per gallon cost to get a more
23 complete picture. Is that a fair assessment of
24 that?

[WITNESS PANEL: Gilbertson|Simek]

1 A (Simek) Yes.

2 Q Now, the \$124,000 in labor costs, where are
3 they proposed to be recovered?

4 A (Simek) Through distribution rates.

5 Q And were they -- I know we have a distribution
6 rate case pending right now with the Keene
7 Division, were those costs incurred during the
8 test year of that case?

9 A (Simek) Yes.

10 Q And are they projected -- how are they
11 projected forward?

12 A (Simek) We haven't projected forward. We don't
13 have them in there.

14 Q Okay. Can you give us a timeframe on the CNG
15 conversion and where you stand in that
16 timeframe?

17 A (Gilbertson) Energy Procurement has a biweekly
18 meeting with Engineering. And my understanding
19 is that, by November 1st, we should be ready.
20 That was as of the last meeting.

21 Q Ready to do what?

22 A (Gilbertson) Ready to go live with the CNG.

23 Q And, again, that's just a portion of the
24 system, is that right?

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[WITNESS PANEL: Gilbertson|Simek]

1 A (Gilbertson) That's just the plaza, yes.

2 Q Just the plaza. And what's the long-term plan
3 for the CNG conversion?

4 A (Gilbertson) I'm not sure. I'm not sure. It
5 is to convert all the customers at some point
6 or away from their propane system. But I don't
7 know the time and I don't know all the
8 particulars. That's more of an engineering
9 question.

10 Q Uh-huh. Could you explain how the going live
11 on the CNG was able -- allowed you to back off
12 the labor associated with the propane plant?

13 A (Gilbertson) Because the plaza is the reason we
14 need the blowers on, because it's at the end of
15 the system. And, if the plaza is no longer on
16 propane, we won't need the blower system.

17 Q Okay. And I think you mentioned that the
18 technical statement, the purpose of that was to
19 include demand charges that originally were
20 thought to apply to the -- to year-round
21 customers. And the purpose of the technical
22 session [statement?] was to insert those into
23 the winter cost of gas. Did I have that right?

24 A (Simek) Yes. What happened is, for this phase

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[WITNESS PANEL: Gilbertson|Simek]

1 at least, the reason for this first phase was
2 because we wanted to retire the blower system
3 and -- again, for safety, and, in order to do
4 so, the blower system was only needed for the
5 winter period. So, all costs related to this
6 phase should be included in the winter cost of
7 gas.

8 Q And absent the savings of the labor costs,
9 would the Company have continued with the
10 program or would they have gone with the CNG
11 for this winter?

12 A (Simek) Well, again, it was driven by safety.
13 And I can't answer for sure what the Company
14 would have done, but I believe we would have
15 gone forward regardless.

16 Q Uh-huh. And is the plan to use CNG in the
17 upcoming summer period for this piece of the
18 facility?

19 A (Gilbertson) Yes.

20 Q Okay. And you don't -- I think I asked you
21 this, but you don't have -- you can't give us
22 an idea of what the long-term expansion is
23 beyond just this plaza at this point?

24 A (Gilbertson) No, I can't. This would be more

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[WITNESS PANEL: Gilbertson|Simek]

1 of an engineering. They could tell you
2 timelines and phases, and I don't want to
3 misspeak.

4 Q Okay. So, there was a data request that I did
5 mark as an exhibit that contained the CNG
6 contract. And I believe it referenced a
7 "mobilization fee". Are you familiar with
8 that?

9 A (Gilbertson) Yes.

10 Q And is that different from the demand charge
11 that was covered in the technical statement or
12 is that the same thing?

13 A (Gilbertson) No, that is not. It's something
14 separate. That's a one-time fee.

15 Q And how does that work? Can you describe,
16 though, what that fee is?

17 A (Gilbertson) The fee is for -- it's a one-time
18 setup fee. I don't know all the particulars
19 behind it, but I know it's not recovered
20 through the cost of gas. It's an engineering
21 fee, it's an engineering cost. And it will be
22 treated differently than the demand charge.

23 A (Simek) Yes. It's not included in this cost of
24 gas proceeding. It's been deferred for

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1 discussions during the distribution rate case.

2 Q So, when it comes time to spread the demand
3 costs out over the full period -- I understand,
4 for the purposes of this case, you've got the
5 CNG demand costs just allocated to the winter.
6 When it comes time to spread those out to the
7 winter and the summer, do you envision that on
8 an equal monthly basis or would you envision it
9 being somehow weighted summer versus winter?

10 A (Simek) I'd assume it potentially be
11 load-weighted based on the difference between
12 the summer load and the winter load. But that
13 would have to be a discussion that we have
14 internally and what we believe makes sense.

15 Q Okay. So, that's a question for the future?

16 A (Witness Simek nodding in the affirmative).

17 Q So, I'm going to end with the question I
18 started with this morning, I just want to make
19 sure I understand. So, for purposes of this
20 case, there's just two rates -- there's four
21 rates proposed -- there's two rates proposed,
22 is that right?

23 A (Simek) Correct.

24 Q And just so we know exactly in the filing where

[WITNESS PANEL: Gilbertson|Simek]

1 they are, if we go to Bates 017, are those the
2 two rates we're talking about on the right-hand
3 column, about the middle, midway down the page?

4 A (Simek) Yes. The "Non-Fixed Price Option" and
5 the "Fixed Price Option".

6 MR. DEXTER: Okay. Good. And that's
7 all. That's all that Staff has.

8 CHAIRMAN HONIGBERG: Commissioner
9 Bailey.

10 BY CMSR. BAILEY:

11 Q I want to follow up on one of Attorney Dexter's
12 questions about the hedging that you do. Did I
13 understand a question and answer that he asked
14 and you answered was that last year you were
15 able to put 750,000 in the PPSP?

16 A (Gilbertson) I think it was 725,000.

17 Q Okay. All right.

18 A (Gilbertson) And I think it's been that amount
19 for a couple of years.

20 Q But this year it's lower than that?

21 A (Gilbertson) It is.

22 Q And that's -- I don't understand how, if that
23 equated to your 60 percent total last year, why
24 you couldn't put that much away this year?

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[WITNESS PANEL: Gilbertson|Simek]

1 A (Gilbertson) I think last year was higher than
2 the 60 percent. And I don't know if it has
3 anything to do with the Amherst tank or when we
4 got it. I don't know historically. But I do
5 know that, and we may have had more customers
6 as well in the Keene area.

7 Q Have you lost customers in the last year?

8 A (Gilbertson) I don't really know the -- I think
9 we have lost customers, but I don't know how
10 many and I don't know the volume impact.

11 Q I guess what I'm trying to understand is why
12 you wouldn't prepurchase as much as you could
13 to keep the rate down as low as it can be, if
14 you have that opportunity?

15 A (Gilbertson) Because, if we prepurchase and we
16 don't use it, we're stuck with it. We don't
17 have anywhere to put it. You don't want to be
18 over-hedged, because you'll have too much
19 supply and you won't have anywhere to put it,
20 if it's warm.

21 Q If the winter is warm?

22 A (Gilbertson) If the winter is warm.

23 Q And do you have some kind of algorithm that
24 predicts that, based on the number of customers

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[WITNESS PANEL: Gilbertson|Simek]

1 that you think you have?

2 A (Gilbertson) Algorithm to predict how much the
3 Stabilization Plan should have?

4 Q Yes.

5 A (Gilbertson) Is that what you're asking?

6 Q Based on the number of customers that you think
7 you're going to have. Because it doesn't sound
8 like you really even know whether you've lost
9 customers or not. But you --

10 A (Gilbertson) I could find out. I'm a little
11 bit new to this, so --

12 Q Oh. You're doing a great job, by the way.

13 A (Gilbertson) Okay. But, anyway --

14 A (Simek) I'm sorry, Deb. I can answer the
15 customer question. The customer count has
16 stayed relatively stable.

17 Q Okay. So, then why did you decrease the amount
18 of hedge? That's what I don't get.

19 A (Gilbertson) We did reduce it for the CNG.
20 But, in doing the math, it seemed to me that
21 that's still 62 percent hedged. I don't know
22 why it was so high last year.

23 Q Okay.

24 A (Gilbertson) I don't know.

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[WITNESS PANEL: Gilbertson|Simek]

1 Q Well, maybe because you didn't have the CNG
2 last year?

3 A (Gilbertson) Well, yes. Yes, but we were
4 higher hedged. We were more than 62 percent
5 hedged.

6 Q Right. Okay. I have a similar concern about
7 the difference that was raised in the technical
8 statement, in that it's the story that we're
9 telling customers that I'm worried about. And,
10 so, in your filing, you say that the bill
11 impact is going to be \$175, roughly, lower than
12 last year. But, really, it's only going to be
13 \$150 lower than last year, based on if your
14 calculations are correct on the thing that you
15 left out. And, so, what are we supposed to
16 tell customers in this order?

17 A (Simek) Well, again, in this case, the rates
18 would be going up, and -- about three cents.
19 And these were costs that are applicable to the
20 winter, they just weren't determined to be
21 included in the winter until after we had made
22 the filing. And they are just, they are right,
23 they are to make the system safe. In our mind,
24 they are required. And they just were

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[WITNESS PANEL: Gilbertson|Simek]

1 determined to be winter-related costs after the
2 filing date.

3 Q And I understand that, and I don't -- I
4 don't -- I haven't decided, but assume that I
5 don't dispute that. If we tell customers that
6 they can expect \$175 decrease in their rates,
7 because that's the filing that you're asking us
8 to approve, and it's really only a \$150
9 decrease, that seems like we're misleading
10 them.

11 A (Simek) That \$175 decrease is based as if we
12 had kept the rate consistent from November 1
13 all the way through April 30th.

14 Q Right.

15 A (Simek) And we do adjust it every month.

16 Q I know, but this is what we do every year. And
17 we say in our order "we expect that the impact
18 on customers will be a decrease from last year
19 of X percent." And it seems like the decrease
20 from last year of X percent isn't really
21 correct. So, can you give me a number that I
22 can tell customers what the decrease is really
23 expected to be?

24 A (Simek) I can, I don't have that with me. But,

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1 yes, I can. We have it within our updated
2 model, yes.

3 Q Okay.

4 CHAIRMAN HONIGBERG: I think we need
5 a -- we'd like to make a data request then, so
6 that there would be an updated bill impact
7 page, so we will put correct information in the
8 order, assuming that this is approved as
9 requested.

10 MR. SHEEHAN: Understood.

11 CHAIRMAN HONIGBERG: All right. So,
12 that's "9".

13 MS. DENO: No, "10".

14 CMSR. BAILEY: "10".

15 CHAIRMAN HONIGBERG: "10", sorry.

16 *(Exhibit 10 reserved)*

17 BY CMSR. BAILEY:

18 Q Somewhere I read that you contracted Xpress
19 Natural Gas for the CNG supply. How did you do
20 that?

21 A (Gilbertson) Through an RFP.

22 Q And was it a competitive solicitation?

23 A (Gilbertson) Yes.

24 Q Did you have multiple responses?

[WITNESS PANEL: Gilbertson|Simek]

1 A (Gilbertson) We had -- yes. We sent it out, I
2 think we had like maybe five, but we only got
3 two back.

4 Q Okay. And you chose the lower cost?

5 A (Gilbertson) Yes.

6 CMSR. BAILEY: Okay. That's all I
7 have. Thank you.

8 CHAIRMAN HONIGBERG: Commissioner
9 Giaimo.

10 CMSR. GIAIMO: Hello.

11 WITNESS SIMEK: Hi.

12 BY CMSR. GIAIMO:

13 Q So, I'm trying to discern what I heard this
14 morning with what I'm hearing today. So, maybe
15 you can help clarify or explain why the things
16 are similar or different to what we heard
17 earlier.

18 So, on Page 007, Bates 007, it says, on
19 Line 5, "The Company actively monitors its
20 level of unaccounted-for volumes," --

21 CHAIRMAN HONIGBERG: Slow down.

22 BY CMSR. GIAIMO:

23 Q -- "which amounted to 3.32 percent for the
24 twelve-month period ending June". Is there a

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[WITNESS PANEL: Gilbertson|Simek]

1 difference in the system -- is there a
2 difference in unaccounted between the Keene
3 system and the rest of the system? And, if so,
4 why would there be a difference?

5 A (Simek) There is a difference.

6 Q Why is there twice as much -- the difference
7 appears to be twice as much on the Keene system
8 as the rest of the system?

9 A (Simek) I'm not qualified to answer that
10 question.

11 A (Gilbertson) When you say "the rest of the
12 system", do you mean EnergyNorth?

13 Q Yes. I'm sorry.

14 A (Gilbertson) Oh, okay. Well, it's a
15 different -- it's a totally different
16 distribution system.

17 Q Sure.

18 A (Gilbertson) Totally different. One is -- I
19 mean, I don't think you can compare them.
20 One's propane, the other's -- I don't think you
21 can -- and they're in different locations.
22 Location has a lot to do it with it as well.

23 Q Okay. So, that explains the difference. I was
24 just trying to make sure I understood what the

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[WITNESS PANEL: Gilbertson|Simek]

1 difference might be, because it seemed like it
2 was pretty disparate.

3 The other question is, it seems like the
4 per therm premium added for the FPO is 2 cents
5 across the board?

6 A (Simek) Correct.

7 Q Is that based in something specific that they
8 should be treated similarly? I'm just trying
9 to understand.

10 A (Simek) Based on -- EnergyNorth, as well, had a
11 2-cent premium, correct.

12 Q Right.

13 A (Simek) And there's precedent. And there have
14 been -- I'm not sure the 2-cent has actually
15 been ordered, but I know that there's definite
16 precedent historically of where the 2-cent came
17 from.

18 Q Yes. I think a case was referenced in the
19 earlier -- earlier this afternoon -- earlier
20 this morning, I'm sorry. So, I don't know if
21 it stems from the same order, and if it's
22 required or if it was distinguished between the
23 propane/CNG system and the natural gas system.

24 And I wonder if you can maybe just briefly

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[WITNESS PANEL: Gilbertson|Simek]

1 discuss the over-collection from last year, the
2 29,372. Specifically, what that may be from?

3 A (Simek) Well, overall, that's a relatively low
4 variance, because we're trying to time the
5 market, basically, and set rates appropriately.
6 But a lot of the time it has to do when rates
7 are changing that we're trying to -- our actual
8 accounting data, for example, we're setting
9 rates for May 1st, or, I'm sorry, maybe we
10 should say "February 1st", with information
11 that we have available to us on January 24.
12 Well, that will only include December actuals
13 and whatever market conditions that we have.
14 And almost the whole month of January already
15 had activity, but we have no actual data yet to
16 use for our projections going forward. So,
17 we're always trying to catch up, basically.

18 Q Uh-huh.

19 A (Simek) But, typically, that's how we set the
20 rates. And, so, we're a little behind, that
21 includes even if rates are going up or down, we
22 tend to be a little behind, and that can lead
23 to the over- or under-collection.

24 From the prior year, we had a

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[WITNESS PANEL: Gilbertson|Simek]

1 under-collection of I believe it was -- just
2 give me a moment please -- \$406,000, which
3 obviously had a much bigger impact on rates
4 than it did this year.

5 CMSR. GIAIMO: Okay. Thanks.

6 CHAIRMAN HONIGBERG: I have no
7 substantive questions. I have a question about
8 what's marked as "confidential" in Exhibits 5
9 around 6.

10 Given the subject matter of the
11 question, which is not confidential, it seems
12 like the labels of the two rows should not be
13 confidential. You agree with that, right,
14 Mr. Sheehan?

15 MR. SHEEHAN: Yes. Agreed.

16 CHAIRMAN HONIGBERG: So, can we get
17 replacements for 5 and 6 filed? That would
18 complete the record.

19 Mr. Sheehan, do you have any further
20 questions for your witnesses?

21 MR. SHEEHAN: I do not.

22 CHAIRMAN HONIGBERG: All right. So,
23 I think the witnesses can stay there, because
24 this won't take long from here.

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1 Without objection, we'll strike ID on
2 Exhibits 1 through 8. We're holding 9 for the
3 record request regarding updated bill impacts.

4 CMSR. BAILEY: Ten.

5 CHAIRMAN HONIGBERG: Ten. I did it
6 again.

7 CMSR. BAILEY: Through 9.

8 CHAIRMAN HONIGBERG: I'm sorry. I
9 said it wrong, and then I wrote it down wrong
10 when I was corrected. So, it's 10. Thank you.

11 CMSR. BAILEY: So, strike on 9.

12 CHAIRMAN HONIGBERG: Striking on 9 as
13 well.

14 I'll just note that earlier today,
15 when there was some chance that I wouldn't be
16 here for the end of this hearing, Commissioner
17 Bailey said "you're going to have to -- you're
18 going to have to remind me how to do all that
19 stuff." And I'm not sure I do, actually. I
20 think she would probably do just fine.

21 I think all that's left is for the
22 parties to sum up. Mr. Buckley, why don't you
23 start us off.

24 MR. BUCKLEY: Thank you, Mr.

1 Chairman. The OCA is genuinely concerned about
2 the precedent that would be set through the
3 inclusion of CNG within the Keene Cost of Gas
4 without a final action from the Commission in
5 Docket DG 17-068, particularly in light of the
6 higher cost per gallon of CNG over propane, and
7 the fact that the CNG needs are attributable to
8 the needs of the C&I customers, in this
9 instance at least, but the COG is spread across
10 all customers, including residential
11 ratepayers.

12 Our recommendation is that the
13 Commission require the Company to revise its
14 filing utilizing the lower cost per gallon fuel
15 source, that is propane, until the Commission
16 either approves or denies the Company's
17 Petition for a Declaratory Ruling.

18 CHAIRMAN HONIGBERG: Question,
19 Mr. Buckley. If the Request for Declaratory
20 Ruling were granted in the Company's favor,
21 would that change your position? I just want
22 to make sure I understand.

23 MR. BUCKLEY: While we would still be
24 concerned about any adverse impacts on the

1 residential ratepayers with Keene associated
2 with CNG, I think that a ruling in DG 17-068
3 would at least go part of the way towards
4 alleviating those concerns.

5 CHAIRMAN HONIGBERG: But you'd still
6 be concerned about the possible
7 cross-subsidization of the CNG customers by the
8 propane customers, who are residential largely,
9 is that what you're saying?

10 MR. BUCKLEY: Yes. We would be
11 concerned about the subsidy between the two.

12 CHAIRMAN HONIGBERG: Okay. Thanks.
13 All right, Mr. Dexter.

14 MR. DEXTER: Staff is supportive of
15 the rates that were filed. But we are likewise
16 concerned about the CNG issue. The Exhibit 6
17 demonstrates that, on a fuel basis, the CNG is
18 the most expensive option. And it only becomes
19 a lesser expensive option if you back out
20 nonfuel-related costs, as the witness said.

21 Those nonfuel-related costs are, as I
22 understand them, labor costs that are at issue
23 in the current rate cases that are pending, and
24 may very well be in dispute in those cases as

1 to whether or not they should have been
2 incurred in the first place. So, if it were
3 determined that those costs were never needed
4 in the first place, they would then be used to
5 justify -- they would then be being used to
6 justify a fuel source that's more expensive
7 than the other options. And that's where the
8 Staff's concern lies.

9 So, while we do support the rates as
10 filed, we would like to reserve the opportunity
11 to adjust these in a future proceeding, perhaps
12 this time next year, looking back, or in a
13 reconciliation proceeding, pending the outcome
14 of how those labor costs are treated in the
15 rate case, as well as the docket that the OCA
16 mentioned on the overall question of CNG.

17 CHAIRMAN HONIGBERG: Mr. Sheehan.

18 MR. SHEEHAN: Thank you. A few
19 comments. First, on the updated bill impact
20 question, we certainly filed that, but recall
21 that the request, and this was done with
22 Staff's assent, if you will, was to approve the
23 rates that we filed, which would -- let's just
24 say it was going to be over the year 175 or

1 150, that would still be true, and it's always
2 a forecast and always fluctuates, and then make
3 the -- whatever the adjustment is on the next
4 monthly trigger. That's what we've proposed in
5 this case. And, so, if -- just put that out
6 there, but that's what we propose.

7 So, if you approve the rates as
8 filed, and allow us to make the adjustment as
9 we would in the normal monthly trigger filing,
10 the bill impact schedule would still be
11 accurate as filed for today.

12 CHAIRMAN HONIGBERG: Yes. Yes, but.
13 There's knowledge that we all have, and that,
14 if we were signing an order, would have as we
15 were signing it, that the best guess of the
16 Company is that something's going to change in
17 the first time it gets reconciled. And it's
18 going to have -- in effect, if the Company is
19 right as of the time that we do all this, the
20 "175" is not the right number. And that's got
21 to be reflected in some way. And, so, the only
22 way to get that information I think is by an
23 updated bill impact, which would then have to
24 be -- I think it would have to be written

1 clearly, but the point would have to be
2 conveyed to customers that these adjustments in
3 this instance are actually expected to be
4 increases as they reconcile, if all the
5 information is correct.

6 MR. SHEEHAN: Steve was just saying,
7 so maybe the bill impact should say, for
8 November 1, it will be the rate as filed, and
9 beginning December 1 it would be the rate as
10 filed, plus the increase that we propose. And
11 it will be based on that rate through the rest
12 of the winter. So, it would be sort of a
13 tiered --

14 CHAIRMAN HONIGBERG: That actually
15 makes quite a bit of sense, I think. As usual,
16 Mr. Mullen makes a lot of sense, even when he's
17 not speaking out loud.

18 MR. SHEEHAN: I have a hand behind my
19 head.

20 Okay. So, that is one question. The
21 other issue is the CNG. The utility's
22 obligation is to provide safe and reliable
23 service at the best cost. It is not a straight
24 "lowest cost" period. And, for the reasons

1 that the Commission is very aware of, there
2 have been issues in Keene. And the proposed --
3 the CNG facility is allowing us to provide safe
4 service at a good cost.

5 Second, the fact that the CNG is
6 overall cheaper than the other fuel options is
7 something you can consider in approving the
8 CNG, to the extent the per gallon price may be
9 higher.

10 I appreciate Mr. Dexter's comment
11 that those 24/7 costs have not yet been
12 approved. Well, certainly, the Company
13 strongly feels they were necessary under the
14 circumstances. There were events since
15 December of '95 where having -- whoops --
16 December '15, when having people there kept
17 another event from happening. There were
18 people on-site who could address the blower
19 hiccups that did occur. So, it was entirely
20 consistent with making it a safe system.

21 Also, from the day we acquired Keene,
22 the plan has been to convert it to CNG and LNG.
23 And it's not going to be a perfectly smooth
24 costwise from now and until when we're done.

1 There will be little hiccups and little
2 arguably cross-subsidies as we isolate one part
3 of the system and convert it to the next. It
4 just so happens this first isolation of the
5 plaza is all commercial customers. It
6 physically made the most sense. If you know
7 Keene, it's in the corner between Route 9
8 and -- the Route 9 corner of the southwest part
9 of Keene, it's that mall there, and our plant
10 is just south of it. So, we run the pipe to
11 that mall, we close up that mall from the rest
12 of the city, and it just made perfect sense.

13 The next step, whatever it is, may
14 pick up commercial, residential, a mix, and
15 we'll go on from there. So, I don't think
16 those are reasonable reasons to start looking
17 at a neighborhood-specific cost of gas rate,
18 which we would go to if we start looking at CNG
19 versus propane. I am not the engineer either,
20 but it's a four or five-year conversion plan.
21 All the details have been -- the broad picture
22 has been discussed informally with Staff in the
23 rate case. The details are coming. So, that
24 will be made available during the next couple

1 months through the rate case. So, all that
2 information is coming.

3 It's a long way of saying that the
4 CNG is a -- and the other thought is, the other
5 Keene docket that is related to this, and we
6 also -- we also filed in 17-069, a tariff
7 change to allow us to serve natural gas to the
8 Keene customers, and that tariff went into
9 effect in August. So, now, our tariff says
10 that we will provide propane and natural gas to
11 our customers, and it calculates how we will
12 measure the natural gas.

13 So, a long way of saying I don't --
14 please approve the rates as filed. We will
15 make that bill impact filing to explain the
16 first rate will be as filed, December 1 it will
17 be slightly higher -- slightly lower, sorry.

18 MR. MULLEN: Higher.

19 MR. SHEEHAN: Higher.

20 CHAIRMAN HONIGBERG: Higher. Higher
21 is right.

22 All right. Thank you all. We will
23 take this matter under advisement, wait for the
24 submission of Exhibit 10, and issue an order as

1 quickly as we can.

2 *(Whereupon the hearing was*
3 *adjourned at 2:10 p.m.)*