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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

September 8, 2009 - 10:54 a.m.  
Concord, New Hampshire

RE: DG 07-050  
ENERGYNORTH NATURAL GAS, INC.  
d/b/a KEYSpan ENERGY DELIVERY:  
Indirect Gas Costs.

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

Sandy Deno, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas, Inc.  
d/b/a KeySpan Energy Delivery:  
Thomas P. O'Neill, Esq.

Reptg. PUC Staff:  
F. Anne Ross, Esq.  
Stephen Frink, Asst. Dir. - Gas & Water Div.  
George McCluskey, Electric Division

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



1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning.  
3 We'll open the hearing in docket 07-050 concerning  
4 EnergyNorth Natural Gas, doing business as KeySpan, and  
5 now doing business as National Grid New Hampshire. And,  
6 we have a Settlement Agreement that was filed between the  
7 Company and Staff on July 31. And, a secretarial letter  
8 was issued on August 14 setting the hearing for this  
9 morning.

10 Can we take appearances please.

11 MR. O'NEILL: Thomas O'Neill, Senior  
12 Counsel, on behalf of EnergyNorth Natural Gas, Inc., doing  
13 business as National Grid NH.

14 CHAIRMAN GETZ: Good morning.

15 MS. ROSS: Anne Ross, good morning,  
16 Commissioners, with the Commission Staff. And, with me  
17 today is George McCluskey, an Analyst, and Steve Frink,  
18 head of the Gas Division.

19 CHAIRMAN GETZ: Okay. Good morning.  
20 And, we will have a panel, I take it, of witnesses?

21 MR. O'NEILL: Yes. The Company is  
22 sponsoring the testimony of Ann Leary. And, I believe the  
23 Staff --

24 MS. ROSS: And Staff is presenting

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[WITNESS PANEL: LEARY|McCluskey]

1 George McCluskey.

2 CHAIRMAN GETZ: Okay. Please proceed.

3 (Whereupon Ann Leary and George

4 McCluskey was duly sworn and cautioned

5 by the Court Reporter.)

6 ANN LEARY, SWORN

7 GEORGE McCLUSKEY, SWORN

8 DIRECT EXAMINATION

9 BY MS. ROSS:

10 Q. Mr. McCluskey, could you give your name and title for  
11 the record please.

12 A. (McCluskey) My name is George McCluskey. And, I'm an  
13 analyst in the Electric Division.

14 BY MR. O'NEILL:

15 Q. Ms. Leary, would you state your name for the record  
16 please.

17 A. (Leary) Yes. My name is Ann Leary. And, I am Manager  
18 of Gas Regulation and Pricing for Massachusetts and New  
19 Hampshire for National Grid.

20 BY MS. ROSS:

21 Q. Mr. McCluskey, could you begin by summarizing briefly  
22 the Settlement Agreement that we've reached.

23 A. (McCluskey) Yes. The docket number for this  
24 proceeding, 07-050, was a winter cost of gas adjustment

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[WITNESS PANEL: LEARY|McCluskey]

1 proceeding, in which Staff raised the issue of the  
2 appropriate mechanism for reconciling indirect gas  
3 costs. The Commission subsequently issued an order  
4 approving a method, essentially which is known as the  
5 "accrued accounting method", where both the gas costs  
6 and gas revenues are accounted for on an accrued basis.

7 Q. Mr. McCluskey, you referred to "indirect gas costs",  
8 but this also involved direct gas costs, didn't it?

9 A. (McCluskey) That's correct. The main reconciliation  
10 account related to the direct gas costs. But the  
11 Company also recovers through the cost of gas  
12 adjustment bad debt related costs and cash working  
13 capital costs. And, both of those have a  
14 reconciliation account. And, so, the accounting  
15 mechanism for those accounts is also impacted by this  
16 Settlement Agreement.

17 As I indicated, the Commission  
18 subsequently issued an order that approved the accrued  
19 accounting approach to reconciliation. But the  
20 Commission did not address the mechanism for  
21 transitioning to accrued accounting from billed revenue  
22 accounting, and this Settlement Agreement resolves that  
23 transition issue.

24 The heart of the Settlement Agreement is

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[WITNESS PANEL: LEARY|McCluskey]

1 in Article II, 2.1, where it specifies for both the  
2 Peak and Off-Peak accounts for direct gas costs what  
3 the starting balance would be. This starting balance  
4 would be for November 1 of 2008. The Commission's  
5 order, which I previously mentioned, had a date -- a  
6 starting date for accrued accounting of November 1,  
7 2005. This Settlement Agreement pushes the start date  
8 out to November 1, 2008. So, the starting balance  
9 that's referenced or the starting balances that are  
10 referenced in Paragraph 2.1 relate to November 1, 2008.

11 In addition to specifying starting  
12 balances, the parties have also agreed that, in the  
13 month of November of 2008, the Company will recognize  
14 revenue associated -- that is billed in November, but  
15 relates to October consumption. That is part of the --  
16 an important part of this Settlement Agreement.

17 MS. ROSS: Mr. McCluskey, I'm going to  
18 have Attorney O'Neill begin with Ms. Leary now to get into  
19 a little of the detail about the impact, the cost impacts  
20 of the adjustment and potential rate impacts.

21 BY MR. O'NEILL:

22 Q. Ms. Leary, just by starting, you heard Mr. McCluskey'S  
23 summary of the Settlement. In principle, you agree  
24 with the summary of the Settlement that he just

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[WITNESS PANEL: LEARY|McCluskey]

1 testified to?

2 A. (Leary) Yes, I do.

3 Q. And, the details of the implementation of the mechanism  
4 can be found in Exhibit A to the Settlement, is that  
5 correct?

6 A. (Leary) That is correct.

7 Q. And, could you just very briefly just walk through  
8 Exhibit A as to just how the -- how the Settlement  
9 would be put into effect? How it will be implemented,  
10 the change will be implemented?

11 A. (Leary) Exhibit A actually shows our reconciliation  
12 filing. And, it shows both the gas costs and the  
13 indirect gas costs that Mr. McCluskey referenced. It  
14 shows how -- what type of collections we will now be  
15 representing. So, it shows how we're now going to  
16 reflect the accrued revenues to the month of November  
17 and going forward. What it also shows, as  
18 Mr. McCluskey was talking about specifically, if we  
19 turn to -- I think it's the account 175.40, which would  
20 be Exhibit A, Page 2 of 6, it's going to show that, in  
21 the case that Mr. McCluskey just detailed, we will now  
22 show the customer billings of \$4.9 million in the  
23 Off-Peak account. But, all of this, really, this  
24 accrued accounting, that the impact happens to be in

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[WITNESS PANEL: LEARY|McCluskey]

1 terms of the interest that is now associated with these  
2 accounts.

3 I took a quick look at the interest that  
4 we actually have filed with the Staff in terms of the  
5 period November of '08 through April of '09, and  
6 compared this, you know, with what it would look like  
7 had we reflected accrued revenues in the calculation,  
8 and it has a decrease of about \$155,000 for that six  
9 month period.

10 This would represent, in terms of -- in  
11 terms of bills, I don't have the actual figures in  
12 front of me, but as I remember, I think the cost of gas  
13 filing that we just submitted was for about 83 to  
14 \$84 million in total for what we're looking for this  
15 upcoming winter period. So, this \$155,000 reduction,  
16 out of the \$83 million, is only about two-tenths of a  
17 percent. So, if you had a customer that was using -- a  
18 customer using, I think we use a typical residential  
19 heating customer uses 932 therms over the winter  
20 period, that's going to be perhaps less than a \$2.00  
21 reduction in their total bill for that six month  
22 period.

23 Q. And, Ms. Leary, the Company is prepared to implement  
24 the Settlement effective as of November 1, 2008 in

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[WITNESS PANEL: LEARY|McCluskey]

1 order to resolve this docket?

2 A. (Leary) Yes, we are.

3 MR. O'NEILL: Thank you. I have no  
4 further questions.

5 CHAIRMAN GETZ: Ms. Ross.

6 MS. ROSS: Can I confer for a minute?

7 (Atty. Ross conferring with Witness  
8 McCluskey.)

9 MS. ROSS: Yes, we have one  
10 clarification.

11 BY MS. ROSS:

12 Q. Mr. McCluskey, could you just clarify the statement you  
13 made earlier about the effective date in the prior  
14 order on this company.

15 A. (McCluskey) Yes. I stated that the Commission had  
16 issued an order which approved accrued accounting  
17 starting November 1 of 2005. In fact, that was not  
18 correct. That was -- that order applied to Northern  
19 only. The Commission never did issue an order with  
20 regard to EnergyNorth on that issue.

21 Q. Mr. McCluskey, just one final question. Could you tell  
22 the Commission why Staff supports the Settlement that  
23 we've reached.

24 A. (McCluskey) I believe it's a negotiated settlement. I

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[WITNESS PANEL: LEARY|McCluskey]

1 think the starting balance, which is really the pointed  
2 issue, reflects Staff's litigated position, but we've  
3 agreed to move the starting date to November 1 of 2008.  
4 I believe we would have argued that it should start at  
5 November 1, 2005 had we gone to litigation. And, so, I  
6 think this is certainly a compromise from Staff's  
7 position. And, so, we think it's reasonable from that  
8 standpoint.

9 MS. ROSS: Thank you. I have no further  
10 questions.

11 CHAIRMAN GETZ: Okay. Commissioner  
12 Below?

13 CMSR. BELOW: No questions.

14 CMSR. IGNATIUS: No questions. Thank  
15 you.

16 CHAIRMAN GETZ: Okay. Nothing from the  
17 Bench. Anything further?

18 (No verbal response)

19 CHAIRMAN GETZ: Hearing nothing, then  
20 the witnesses are excused. Thank you very much. Sandy,  
21 what's the next exhibit number?

22 MS. DENO: Twenty-two.

23 CHAIRMAN GETZ: Twenty-two. Okay.  
24 We'll mark as an exhibit in this case and admit into

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1 evidence the Settlement Agreement filed on July 31 as  
2 "Exhibit Number 22".

3 (The document, as described, was  
4 herewith marked as Exhibit 22 for  
5 identification and admitted into  
6 evidence.)

7 CHAIRMAN GETZ: Opportunity for closing,  
8 Ms. Ross.

9 MS. ROSS: Yes. I'll be brief. Staff  
10 supports this Settlement. This was a difficult  
11 litigation. And, we believe that this outcome is fair.  
12 It gets us to the accounting methodology that Staff  
13 believes is correct. It does it at a later date, but  
14 going forward this should be a better mechanism for  
15 reconciling these accounts. And, it's consistent with the  
16 Northern settlement, and it's also consistent with the way  
17 the electricians reconcile their supply costs. So, we  
18 support the Settlement.

19 CHAIRMAN GETZ: Okay. Thank you.  
20 Mr. O'Neill.

21 MR. O'NEILL: I'll likewise be brief.  
22 The Company supports the Settlement as a negotiated  
23 outcome to what had been a very contentious docket. We  
24 believe that, as Ms. Ross stated, the Settlement is

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1 consistent with the way that other companies in New  
2 Hampshire treat this issue. And, the date of November 1,  
3 2008, as opposed to November 1, 2005, resulted in an  
4 outcome that the Company was willing to accept in order to  
5 resolve the docket. Thank you.

6 CHAIRMAN GETZ: Okay. Thank you. Then,  
7 we'll close this hearing and take the matter under  
8 advisement.

9 (Whereupon the hearing ended at 11:08  
10 a.m.)

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