

1 STATE OF NEW HAMPSHIRE

2 PUBLIC UTILITIES COMMISSION

3
4 **April 21, , 2009** - 2:35 p.m.
5 Concord, New Hampshire6 RE: **DG 09-038**

NHPUC MAY26'09 AM 9:40

7 **NEW HAMPSHIRE GAS CORPORATION:**
8 **Notice of Intent to File Rate Schedules.**
9 **(Prehearing conference & Hearing on**
10 **Temporary Rates)**11 **PRESENT:** Chairman Thomas B. Getz, Presiding
12 Commissioner Graham J. Morrison

13 Connie Fillion, Clerk

14
15 **APPEARANCES:** **Reptg. New Hampshire Gas Corporation:**
16 Meabh Purcell, Esq. (Dewey & LeBoeuf)17 **Reptg. Residential Ratepayers:**
18 Kenneth E. Traum, Asst. Consumer Advocate
19 Office of Consumer Advocate20 **Reptg. PUC Staff:**
21 Matthew J. Fossum, Esq.
22 Edward N. Damon, Esq.23 Court Reporter: Steven E. Patnaude, LCR No. 52
24

ORIGINAL

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Petition for Rate Increase filing (03-31-09)	8
2	Direct Testimony of Stephen P. Frink in Support of Temporary Rates (04-20-09)	23

P R O C E E D I N G S

CHAIRMAN GETZ: Okay. Good afternoon.

And, we're back on the record again, this time in docket DG 09-038. On April 1, 2009, New Hampshire Gas Corporation made a distribution rate filing requesting permission to implement new permanent distribution rates, implement temporary rates, replace current tariff pages and mitigate the annual impact of the proposed increase by being allowed to implement the rate increase incrementally. The Company proposes permanent distribution rates that are designed to produce an increase of \$423,806 in annual revenues, representing a 42 percent increase compared to current rates. And, the Company also asked for a temporary rate increase designed to produce \$69,995 in additional annual revenues. An order suspending the tariffs and scheduling a prehearing conference and a temporary rate hearing was issued on April 2nd.

Let's take appearances please.

MS. PURCELL: Good afternoon, Commissioners. Meabh Purcell, Dewey & LeBoeuf, Boston, representing the New Hampshire Gas Corporation.

CHAIRMAN GETZ: Good afternoon.

CMSR. MORRISON: Good afternoon.

1 MR. TRAUM: Good afternoon, Mr.
2 Chairman, Commissioner. Ken Traum, representing the
3 Office of Consumer Advocate.

4 CHAIRMAN GETZ: Good afternoon.

5 CMSR. MORRISON: Good afternoon.

6 MR. FOSSUM: And, good afternoon.
7 Matthew Fossum, along with Edward Damon, Stephen Frink,
8 and Robert Wyatt, on behalf of Staff.

9 CHAIRMAN GETZ: Good afternoon.

10 CMSR. MORRISON: Good afternoon.

11 CHAIRMAN GETZ: Ms. Purcell, are you
12 ready to proceed?

13 MS. PURCELL: Yes, I am. I have the
14 return of service.

15 CHAIRMAN GETZ: Thank you.

16 MS. PURCELL: And, Ms. Zink will be
17 testifying on the temporary rates, but she would also like
18 to make an opening statement. So, she could either make
19 the statement from here or take the stand?

20 CHAIRMAN GETZ: Well, why don't we do it
21 all up at the stand.

22 (Whereupon **Karen L. Zink** was duly sworn
23 and cautioned by the Court Reporter.)

24 **KAREN L. ZINK, SWORN**

[WITNESS: Zink]

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24**DIRECT EXAMINATION**

BY MS. PURCELL:

Q. Good afternoon, Ms. Zink. Could you please state your full name and your business address for the record.

A. Karen Zink, 115 Cheshire Road, Pittsfield, Massachusetts 01201.

Q. Thank you. And, do you have a statement that you'd like to make before we commence your direct testimony?

A. Yes, I would. Thank you. Good afternoon, Commissioners. New Hampshire Gas Corporation has filed a base rate case to increase its total annual distribution revenues \$423,806. Although, on a percentage basis, this increase represents a 42.15 percent increase, coupled with lower gas prices, the change would result in a distribution rate decrease of 24 percent for a residential Non-FPO customer and a 34 percent decrease for a commercial -- for a commercial Non-FPO customer. New Hampshire Gas is also seeking authorization to implement temporary rates through a completion of this proceeding in the amount of \$69,995, which is consistent with its current level of deferred revenues for the most recent period, May 2008 through April 2009.

The primary reason for the proposed rate

[WITNESS: Zink]

1 case is that New Hampshire Gas's current rates are
2 insufficient to support its operations and maintenance
3 expenses and its own ongoing capital expenditures. A
4 revenue increase of \$423,806 would allow the Company to
5 earn a fair return and to continue to invest in capital
6 improvements that are necessary to operate a reliable
7 and safe distribution system.

8 As explained in my testimony, to
9 mitigate the impact on customers, the Company would be
10 willing to discuss a multiyear rate plan to spread the
11 proposed rate increase over a longer period. However,
12 regardless of the term over which the rate increase may
13 be distributed, the requested level of rates will not
14 be sufficient to allow the Company to achieve its
15 requested rate of return, due to inflation, capital
16 expenditures, and limited opportunity for growth.

17 New Hampshire Gas looks forward to
18 working with the Staff and the OCA on this matter and
19 to respond to discovery requests. In the meantime, the
20 Company respectfully requests that the Commission rule
21 on the Company's request for temporary rates as soon as
22 possible. Thank you.

23 Q. Ms. Zink, are you the same Karen L. Zink who submitted
24 a filing, including testimony on permanent rates and on

[WITNESS: Zink]

1 temporary rates, as part of a filing dated March 31st,
2 2009?

3 A. Yes, it is.

4 Q. I'd like to show you a copy of the document and ask
5 that you identify this.

6 A. This is the proposal that we made on March 31st, 2009
7 for a rate increase for New Hampshire Gas Corporation.

8 MS. PURCELL: Thank you. Commissioners,
9 I'd like to mark this as "New Hampshire Gas Exhibit 1".
10 It's the Company's "Petition for Rate Increase" filing,
11 consisting of a series of tabs labeled accordingly.

12 CHAIRMAN GETZ: Close enough.

13 MS. PURCELL: Yes.

14 CHAIRMAN GETZ: It will be so marked.

15 MS. PURCELL: Thank you.

16 (The document, as described, was
17 herewith marked as Exhibit 1 for
18 identification.)

19 BY MS. PURCELL:

20 Q. Ms. Zink, I'd like you to turn to the tab marked
21 "Temporary Rate Filing". Is this your prefiled direct
22 testimony in support of the temporary rates in this
23 case?

24 A. Yes, it is.

[WITNESS: Zink]

1 Q. Was this testimony prepared by you or under your
2 direction and supervision?

3 A. Yes, it was.

4 Q. And, do you have any corrections or changes you would
5 like to make at this time to your temporary rate
6 testimony?

7 A. I do. On Page 3 of the prefiled testimony, two
8 corrections need to be made, one on Line 1 and one on
9 Line 4. The Company had mistakenly requested that the
10 temporary rates take effect on May 1st, 2009 on a
11 service rendered basis. When, in fact, it meant to
12 make the request on a bills rendered basis, as the
13 Company has done for its CGA filings, in order to avoid
14 customer confusion, *etcetera*. So, we would request
15 that the word "service" be changed to "bills". And, on
16 the Line 4, the Company made a statement that "the
17 temporary rate factor of 0.0528 would be added to the
18 headblock for each rate class. When, in fact, we are
19 proposing that it be added to "all blocks for each rate
20 class". There would be no change to the customer
21 charge, but all of the blocks within a distribution
22 rate would be adjusted by the "0.0528", as presented on
23 the supporting schedule, Attachment C.

24 Q. Okay. So, just to be clear, the word change on Line 4

[WITNESS: Zink]

1 of Page 3 would be the words "0.0528 added to", strike
2 "the head" and insert "all", and pluralize "block"?

3 A. Correct.

4 Q. Okay. Thank you. Were there any other corrections or
5 changes?

6 A. No, there wasn't.

7 Q. And, if I were to ask you the questions in your
8 prefiled testimony today, would your answers be
9 substantially the same as those set forth therein?

10 A. Yes, they would be.

11 Q. And, you accept your prefiled testimony as your sworn
12 testimony in this proceeding?

13 A. Yes, I do.

14 Q. Thank you. Ms. Zink, would you please briefly
15 summarize the Company's request for temporary rates.

16 A. Sure. In the Company's last rate filing, the way that
17 the filing worked was that the Company was able to
18 reflect its rates as if they had been in effect the day
19 that the new rates went into effect. But, in order to
20 mitigate bill impacts to customers, if the recovery
21 amount of a deferred revenue is going to be greater
22 than \$100,000, the Company was to recover those
23 deferred revenues over a 36-month period. In fact, the
24 deferred revenue balance was greater than \$100,000, in

{DG 09-038} [Re: PHC/Temporary Rates] {04-21-09}

[WITNESS: Zink]

1 fact, it was closer to \$200,000. And, those deferred
2 revenues were recovered over a three year period, which
3 will end on April 30th. The most recent amount that
4 the Company would be recovering for deferred revenues
5 was the amount of \$69,995, as reflected on Attachment A
6 of my prefiled testimony. What the Company is
7 requesting is that the 69,995 that the customers are
8 already bearing in their bills be the amount of the
9 temporary rates, so that there will be a zero bill
10 impact to the customer, but will allow the Company to
11 continue to recover those revenues, so that not to
12 impact their O&M or their capital expenditures and just
13 their operations in general.

14 Q. Thank you. And, Ms. Zink, have you had an opportunity
15 to review the testimony submitted by Mr. Frink on
16 behalf of Staff in this proceeding?

17 A. Yes, I did. Just prior to this hearing today,
18 unfortunately. I was not in the office yesterday.
19 Massachusetts, many offices were closed for Patriots
20 Day. And, unfortunately, I could not read a PDF on my
21 Blackberry. But I did just read the testimony, and so
22 I am aware of what's in there.

23 Q. Okay. And, do you recall Staff has expressed a concern
24 with the estimated rate case expense of close to

[WITNESS: Zink]

1 \$100,000 that the Company has included in its filing.
2 Would you comment, briefly comment or respond to that
3 concern.

4 A. Sure. The \$100,000, the Company is hoping that it's
5 very conservative in it's estimate. This is the first
6 time that Berkshire Gas has worked directly with New
7 Hampshire Gas on behalf of a rate filing. We will have
8 allocated costs from Berkshire Gas employees, such as
9 myself, that do provide support for New Hampshire, as
10 well as legal fees, and other charges that were in
11 there. One other requirement we had was to update an
12 LNG study that had been done a number of years ago, and
13 we were estimating the cost for that. And, we know
14 there will be other expenditures, transcript costs,
15 copying costs, those kinds of things. We are very
16 hopeful that that is a conservative number. And, as
17 was stated in my testimony, that number will be fully
18 reconcilable. So, I would propose that, throughout the
19 course of discussions, we can update you with where
20 expenses are to date, so we can get an idea of where
21 we're going. But we always do the best we can to
22 mitigate costs to New Hampshire. We're very
23 understanding of the fact that they have a small
24 customer base to spread the costs over.

{DG 09-038} [Re: PHC/Temporary Rates] {04-21-09}

[WITNESS: Zink]

1 Q. Thank you. And, Ms. Zink, Staff has also recommended
2 that the 30 day requirement should be waived, in rule
3 1203.02(a), with respect to the customer notice. But
4 that the other notice requirements pursuant to the
5 rules should be complied with. Is New Hampshire Gas
6 agreeable to this recommendation?

7 A. Yes. We are fine with that request. And, we would
8 propose that we will either put a bill insert into the
9 next billing cycle or prepare a letter to send out
10 directly to customers, whichever is going to be less
11 costly and most efficient.

12 MS. PURCELL: Thank you. I have nothing
13 further at this time for Ms. Zink. Thank you.

14 CHAIRMAN GETZ: Thank you. Mr. Traum.

15 MR. TRAUM: Thank you, sir. First, I
16 guess I'd like to just make an opening statement, if
17 that's appropriate? Thank you. The OCA recognizes this
18 Company's unique situation, in terms of capacity
19 constraints and competitive pricing constraints. So, at
20 this time, we're viewing our participation as somewhat
21 limited. And, as we had stated in our letter of
22 participation, we're, at this point, planning to focus on
23 the Company's declining block rate structure, energy
24 efficiency programs, the Company's cost of capital, the

[WITNESS: Zink]

1 LNG facility, and depreciation. But things may crop up as
2 the case proceeds.

3 With that, I just have a couple of
4 questions for Ms. Zink.

5 **CROSS-EXAMINATION**

6 BY MR. TRAUM:

7 Q. First, with regards to the notice to customers, am I
8 correct that customers have had notice in the sense
9 that you have already run a publication in the local
10 newspaper?

11 A. That is correct.

12 Q. Thank you. Now, with regards to your change on the
13 first line of Page 3, where the temporary rates will
14 take effect on a "bills rendered" basis, does that
15 coincide with the expiration of the Deferred Revenue
16 Surcharge so that no customers will, in effect, be --
17 see a double impact on their bills?

18 A. That is correct. The Deferred Revenue Surcharge
19 expires on April 30th. And, these rates would go into
20 effect May 1st. So, essentially, they would be paying
21 the same.

22 Q. And, by "the same", right now your proposal is for an
23 equal cents per therm on the volumetric block?

24 A. Correct.

[WITNESS: Zink]

1 Q. And, was the Deferred Revenue Surcharge recovered in
2 the same fashion?

3 A. Essentially, it was as a -- it was a separate
4 volumetric charge on the bill. So, it was a per unit
5 charge, multiplied times whatever volumes the customer
6 would use. So, essentially, it's the same thing, it
7 just wasn't included in the distribution rates. It was
8 a separate surcharge.

9 MR. TRAUM: Okay. Thank you. That's
10 all I have.

11 CHAIRMAN GETZ: Mr. Fossum.

12 MR. FOSSUM: Thank you.

13 BY MR. FOSSUM:

14 Q. Staying with the notice issue for just a moment, is the
15 Company -- I'm sorry. Do you have an estimate, does
16 the Company have an estimate of what it would cost to
17 do a bill insert versus a mailing? Which, I mean, you
18 said you were amenable to either, but do you have an
19 estimate of what either would cost?

20 A. I don't have any with me at this moment. Certainly,
21 with a direct mail, it would be -- we could print a
22 letter out directly at our office, so it would be the
23 cost of printing and envelope and stamps, which I would
24 imagine is probably going to be more expensive than

[WITNESS: Zink]

1 just coming up with something that can be put into the
2 bills, it's a matter of getting it put into the bills,
3 and making sure it's the right size and it will fit in
4 there. Again, we will try to keep it as minimal a cost
5 as possible, if it's something that the Staff would
6 request that we do.

7 Q. Now, when the waiver was initially requested, I believe
8 there was a notification saying that foregoing that
9 notice would save about \$4,000. Where did the "4,000"
10 figure come from?

11 A. Again, we were looking at what would we, in fact, have
12 to provide as notice to customers. If you've got your
13 printing costs, you've got your mailing costs, you've
14 got the cost of the stamps, you've got, you know, a
15 thousand customers, are you going to have to put things
16 out on a website somewhere. Are there, again, being
17 very conservative, it could be much less than that, and
18 we would do everything we could to keep the costs down.
19 But we're trying not to have to incur any costs that we
20 feel are not absolutely necessary.

21 At the same time, I understand the
22 position of Mr. Frink. And, we would be fine with
23 including something, either as a bill insert or a
24 letter, whichever one is least costly.

[WITNESS: Zink]

1 Q. And, would the Company also be willing to work with the
2 Consumer Affairs Division to develop whatever ad or
3 notice would go out?

4 A. Absolutely.

5 Q. Thank you. Now, the Company has said that it's, and as
6 you pointed out in the change to your testimony, an
7 exception to the rule that generally requires billing
8 on a service rendered basis. And, on what basis are
9 you seeking that exemption?

10 A. Well, historically, New Hampshire Gas customers are
11 accustomed to rate changes on a bills rendered basis,
12 and a change in policy may result in customer
13 confusion. Also, the current billing system is not
14 designed to accommodate changes to billing on a service
15 rendered basis. And, that would necessitate modifying
16 or replacing the billing system at a substantial cost.
17 So, as we have done in all of our CGA filings, we would
18 be making the same request.

19 Q. Now, when you first -- when you were making your
20 opening statement, I believe it was, you had said that
21 the recent -- somewhat recent drop in commodity costs
22 would actually result in an overall decrease for
23 customers. The decrease, it's not a decrease, just to
24 be clear, it's not a decrease in the distribution rate,

{DG 09-038} [Re: PHC/Temporary Rates] {04-21-09}

[WITNESS: Zink]

1 but a decrease in the overall gas bill, the commodity
2 plus distribution rates?

3 A. That's correct. The distribution rates would be
4 increasing, but the cost of gas would be going down by
5 a greater amount. So, the overall bill would be a
6 decrease.

7 Q. All right. Thank you. Now, just a couple of last
8 things. In the merger settlement approved back in
9 2007, the Company had agreed to a couple of things,
10 maintain eight full-time employees at its operations
11 center in Keene, and average annual capital
12 expenditures of no less than 275,000. Did the Company
13 meet those commitments for 2008?

14 A. Yes. The Company did meet those commitments for 2008.

15 Q. And, specifically, in regard to the capital
16 expenditures, about what were the capital -- what was
17 the capital spending for 2008, if you happen to know?

18 A. I don't have it in front of me. I believe it was
19 greater than \$300,000 last year. But I would have to
20 get back to you on that.

21 Q. Now, under the proposal for the temporary rates, is the
22 Company going to be able to continue to meet those
23 requirements?

24 A. The Company has budgeted for 2009 to spend \$275,000 in

{DG 09-038} [Re: PHC/Temporary Rates] {04-21-09}

[WITNESS: Zink]

1 capital.

2 Q. Thank you. And, over the past year, what has -- has
3 the Company added customers or lost customers, stayed
4 about the same? About what's the customer load as
5 compared to last year?

6 A. There may be a slight increase, but there -- they have
7 minimal growth opportunities up there, partly because
8 of the competition, compared to alternative fuels,
9 which is why we're trying to work and we feel a long
10 term rate plan may be better for customers than
11 immediately increasing distribution rates. But they
12 have had some growth, but it's been minimal growth.

13 Q. And, has the Company undertaken any specific measures
14 to increase its customer base that you're aware of?

15 A. The Company is out there seeing what opportunities they
16 may have for conversions of customers from alternative
17 fuels or maybe a customer that's on an interruptible
18 rate that may be willing to go to a firm rate. But,
19 again, from a competitive standpoint, we have to look
20 at what type of customer would make sense in their mind
21 to switch to an alternate fuel that may be more
22 expensive than what they're already paying today. So,
23 again, we see limited opportunities from that
24 perspective. We do see some growth. We do definitely

[WITNESS: Zink]

1 have customers that contact the Company. And, as long
2 as they meet the rate of return that makes sense for
3 all customers, because you're not going to add a
4 customer that you're going to lose money on, you're
5 only going to add a customer that is going to provide a
6 benefit for the entire system. We will look at that,
7 but they're -- it's minimal. Keene itself is not a
8 large growth opportunity anyway, so --

9 Q. So, just to be clear that I understand what you're
10 saying is, basically, if somebody contacts the Company,
11 then you may add them, but there's no -- the Company's
12 not, as a general matter, reaching out to grow its
13 customer base?

14 A. We do not have a full-fledged marketing program, if you
15 will. That's correct.

16 MR. FOSSUM: Okay. Thank you. That's
17 all. That's all I have.

18 CHAIRMAN GETZ: Good afternoon,
19 Ms. Zink. Let me just make sure I understand some of the
20 moving parts.

21 BY CHAIRMAN GETZ:

22 Q. So, you're seeking to essentially replace the Deferred
23 Revenue Surcharge with the same magnitude of a
24 temporary increase in the distribution rates, is that

[WITNESS: Zink]

1 correct?

2 A. That is correct.

3 Q. And, the surcharge will terminate at the end of this
4 month. So, with a \$69,000, roughly, of temporary rate
5 increase, would that be about a 7 percent increase in
6 the distribution rate? Is my math correct on that?

7 A. One second.

8 Q. And, I was just looking at, if you're asking for a
9 42 percent increase in distribution revenues, and that
10 was \$423,000 --

11 A. There was a response in the Company's cost of gas
12 filing, DG 09-057, there was a data request that asked
13 what the impact would be for temporary rates. So, it
14 was NHPUC 1-6. And, on the attachment for that, which
15 shows what the Deferred Revenue Surcharge would have
16 been on the upper part of the schedule, and then it
17 would be zero in the lower part of the schedule, but
18 you would have new rates going into effect. It looks
19 there, the seasonal percentage change was 4.6 percent.
20 But that would just be for the summer period. We
21 didn't forecast going into the winter. So, probably
22 your assumption is correct. It would be somewhere
23 around there.

24 CHAIRMAN GETZ: All right. Anything

{DG 09-038} [Re: PHC/Temporary Rates] {04-21-09}

[WITNESS: Zink]

1 else, Ms. Purcell?

2 MS. PURCELL: I have nothing more for
3 Ms. Zink.

4 CHAIRMAN GETZ: Okay. Then, you're
5 excused. Thank you.

6 WITNESS ZINK: Thank you.

7 CHAIRMAN GETZ: Okay. Mr. Fossum.

8 MR. FOSSUM: I call Stephen Frink.

9 (Whereupon **Stephen P. Frink** was duly
10 sworn and cautioned by the Court
11 Reporter.)

12 **STEPHEN P. FRINK, SWORN**

13 **DIRECT EXAMINATION**

14 BY MR. FOSSUM:

15 Q. Good afternoon. Could you just state your name and
16 business and place of business for the record please.

17 A. My name is Stephen Frink. I'm the Assistant Director
18 of the Gas and Water Division here at the Public
19 Utilities Commission, at 21 South Fruit Street.

20 Q. And, you have filed prefiled testimony in this matter?

21 A. Yes, I did.

22 Q. And, you recognize this?

23 A. Yes, I do.

24 Q. Is that your prefiled testimony?

[WITNESS: Frink]

1 A. It is.

2 Q. And, do you have any changes, additions or alterations
3 to it at this time?

4 A. No, I don't.

5 MR. FOSSUM: I'd like to submit this
6 testimony as "Exhibit 2".

7 CHAIRMAN GETZ: It will be so marked.
8 (The document, as described, was
9 herewith marked as **Exhibit 2** for
10 identification.)

11 BY MR. FOSSUM:

12 Q. Could you just briefly summarize your testimony for us
13 please.

14 A. Yes. My testimony addresses three issues, the
15 temporary rates, the waiver of the filing requirements,
16 and the waiver of the notice requirement. And, it also
17 gives the Staff's initial position regarding the
18 Company's petition on permanent rates. Regarding the
19 temporary rates, the Commission supports the Company's
20 proposal. It's a bit of a misnomer to call it an
21 "increase", because what it does is it replaces the
22 Deferred Revenue Surcharge, which expires the day
23 before. So, in essence, the revenues remain flat and
24 customers will not see an impact.

{DG 09-038} [Re: PHC/Temporary Rates] {04-21-09}

[WITNESS: Frink]

1 As you heard from Ms. Zink, the Company
2 was able to meet its operating and investment goals
3 during the prior year. And, it is assumed, with the
4 revenues remaining at that level, they will be able to
5 meet the 2009 operating and investment requirements.

6 Also, temporary rates are reconcilable
7 with the permanent rates. So, if it turns out that the
8 Company does need more higher rates and a higher
9 revenue requirement, then they would have the
10 opportunity to get that revenue when the decision comes
11 out. At this point, we're not recommending a
12 reconciliation. It's a company's right. We've had
13 proceedings where the Company has forgone that right,
14 but that's something that will be decided as part of
15 the permanent rate case.

16 Regarding the filing of -- regarding the
17 request for a waiver of filing requirements, the Staff
18 recommends conditional approval. We don't want to see
19 them incur any unnecessary expenses, if some of those
20 wouldn't help in Staff's or the Commission's review.
21 There are others that may be helpful in that review or
22 critical to that review, that's where the conditioned
23 approval comes in. If Staff or the OCA or any
24 intervenors were to request, found that those

[WITNESS: Frink]

1 requirements were necessary to the review, then we
2 would ask to have that reopened and opportunity to get
3 those studies. But, again, we're going to try and
4 avoid that, but we do want to reserve that right.

5 As far as waiver of the notice
6 requirement, it seems to us that a bill insert could be
7 done at a minimal cost, and it would ensure all
8 customers would be on notice. Because this was an
9 expedited proceeding, due to the efforts to get the
10 temporary rates in place at the same time that the
11 Deferred Revenue Surcharge was going away, so there
12 wouldn't be a fluctuation in rates, there wasn't --
13 there was only a limited time for customers to
14 intervene. And, if a bill insert is included, then
15 it's likely that there could be customers that would
16 want to intervene or file comments. And, so, it was
17 Staff's recommendation, it's in my testimony, that, in
18 that bill insert, they provide some additional time for
19 intervention.

20 Regarding the Staff's initial position
21 on the proposed rate increase, it's Staff's position
22 that the return on equity of 11.25 and the overall rate
23 of return of 9.625 is too high. Both in what the
24 Commission has been granting to other New Hampshire

{DG 09-038} [Re: PHC/Temporary Rates] {04-21-09}

[WITNESS: Frink]

1 utilities, and particularly in light of New Hampshire
2 Gas's situation, where they're being regulated, in
3 large part, by the competition. And, the proposed rate
4 increase could price New Hampshire Gas out of the
5 market. And, in their last request for a rate increase
6 that was approved by the Commission, they were
7 certainly well aware of that. They didn't ask for --
8 they asked in their filing simply to be able to break
9 even. They requested a zero return. And, so, we're
10 not advocating a zero return, but something less than
11 what's been proposed.

12 There were very few adjustments made in
13 their permanent rate filing. Really, outside of
14 weather normalization, I don't know that there are any
15 adjustments. And, it could be a review of, once we get
16 to discovery and a thorough review of the books and
17 records, their situation may not be as desire as we
18 expect. So, we'll keep that in mind.

19 And, as far as the rate case expenses,
20 the estimate we heard is a conservative estimate. We
21 certainly hope so. With a \$100,000 estimate, and a
22 thousand customers, that's a heavy load to bear for
23 customers. And, we will, the Staff, and the Company
24 has said, we'll do all we can to keep those expenses

[WITNESS: Frink]

1 down. But we do have to be cognizant of the fact that
2 this is a substantial rate increase that's been
3 proposed, and there's a lot to be considered. And,
4 that completes my summary of my testimony.

5 Q. Just one question. Do you have an opinion on the
6 Company's request to continue with a bills rendered
7 billing system?

8 A. Yes. We have supported that waiver in this afternoon's
9 cost of gas proceeding, and we support it in this
10 temporary rate proceeding.

11 MR. FOSSUM: Thank you. That's all I
12 have.

13 CHAIRMAN GETZ: Mr. Traum.

14 MR. TRAUM: Thank you. Just because I
15 have to ask you a question, Mr. Frink.

16 **CROSS-EXAMINATION**

17 BY MR. TRAUM:

18 Q. Will Staff be conducting an audit of the rate filing,
19 of the test year?

20 A. Staff will be conducting a rate filing. We don't have
21 a proposed procedural schedule at this time. We have
22 discussed it with the Company. That schedule certainly
23 anticipates having a final audit report before
24 testimony of the Staff testimony and intervenor

[WITNESS: Frink]

1 testimony is to be filed.

2 MR. TRAUM: Thank you. That's all I
3 have.

4 CHAIRMAN GETZ: And, Ms. Purcell?

5 MS. PURCELL: I have nothing. Thank
6 you.

7 BY CHAIRMAN GETZ:

8 Q. Well, this may be a real inside baseball question.
9 And, the difference between "service rendered" and
10 "bills rendered" here, since, you know, it's what the,
11 prior to May 1, the sum of the distribution rate and
12 the surcharge, after, on May 1, that will be the same
13 amount. So, is all that's changing is what's going to
14 be -- there's going to be one less line on the bill on
15 May 1, but the effect on customers will be the same?

16 A. That's exactly right. That surcharge now will simply
17 be included in the delivery charge.

18 Q. So, you could do it either way?

19 A. You could do it either way.

20 CHAIRMAN GETZ: Okay. All right. Just
21 checking to see if I'm keeping up on this topic.

22 WITNESS FRINK: Good job.

23 CHAIRMAN GETZ: Any redirect?

24 MR. FOSSUM: No, sir.

[WITNESS: Frink]

1 CHAIRMAN GETZ: Then, if there's --

2 MS. PURCELL: I might have some redirect
3 for you, Mr. Getz, because --

4 CHAIRMAN GETZ: Well, let's get rid of
5 --

6 MS. PURCELL: If I could just clarify?

7 BY MS. PURCELL:

8 Q. Isn't it true that the billing system does not permit
9 them to do it? So, actually, they couldn't do it
10 either way. Would you agree with that?

11 A. I would agree. The billing system -- It's our
12 understanding that the billing system can't make the
13 necessary adjustment to do the service rendered. I
14 would also point out that the way the bills are read,
15 pretty much at the very end of the month, and so, in
16 essence, the -- well, actually, strike that. I won't
17 go into that. But the main point is the billing system
18 does not -- there would have to be a substantial
19 investment and change in the billing system to allow
20 them to make a service rendered charge.

21 MS. PURCELL: Thank you.

22 CHAIRMAN GETZ: Okay. Then, is there
23 anything further?

24 (No verbal response)

[WITNESS: Frink]

1 CHAIRMAN GETZ: Hearing nothing, --

2 MR. FOSSUM: Well, just one, one thing
3 very briefly about, and this is not for Mr. Frink, though,
4 --

5 CHAIRMAN GETZ: Okay. Well, then, let's
6 excuse Mr. Frink. Okay.

7 WITNESS FRINK: Thank you.

8 CHAIRMAN GETZ: Mr. Fossum.

9 MR. FOSSUM: Because this is a
10 combination prehearing conference/temporary rate thing, as
11 far as sort of prehearing conference related issue, as was
12 mentioned, we don't have a procedural schedule yet, but
13 we're looking to devise one fairly quickly. And, it is
14 not clear yet how that will be incorporated, if at all,
15 into the order on temporary rates, which would need to go
16 out within the next week or so to accommodate the request
17 from the Company. I think that was -- I just wanted to
18 bring that to the attention of the Commission.

19 CHAIRMAN GETZ: Ms. Purcell.

20 MS. PURCELL: Yes. I mean, just to
21 follow up on that. I think what Mr. Fossum is saying is
22 that we are requesting an order on temporary rates so
23 quickly that, because we have not provided you with a
24 draft procedural schedule or an agreed upon procedural

1 schedule, we would propose that we work quickly to get to
2 provide an agreed upon procedural schedule, and, if it's
3 early enough for you to wrap it into the order on
4 temporary rates, that will be great. But, if not, we
5 might end up with two orders, one a procedural order and
6 one an order on temporary rates.

7 CHAIRMAN GETZ: Okay. Well, let's take
8 care of a couple of other things then. Any objection to
9 striking the identifications and admitting the exhibits
10 into evidence?

11 (No verbal response)

12 CHAIRMAN GETZ: Hearing no objection,
13 they will be admitted into evidence. It sounds like we've
14 pretty much had our closings. But is there any other
15 procedural issues, other than the one that Mr. Fossum
16 raised?

17 (No verbal response)

18 CHAIRMAN GETZ: Hearing nothing, then,
19 Mr. Traum.

20 MR. TRAUM: Certainly. On rate
21 continuity grounds, and based upon a preliminary review of
22 the filing, the OCA does not object to temporary rates as
23 requested. We do agree with Staff on the concept of a
24 bill stuffer. That's all. Thank you.

1 CHAIRMAN GETZ: Thank you. Mr. Fossum.

2 MR. FOSSUM: I believe Mr. Frink has
3 very well stated the initial positions of Staff. We
4 support the Company's request for temporary rates. And,
5 we'll hopefully get something out in the next bill to
6 notify the customers appropriately. And, look forward to
7 working with the Company on the larger issues in the
8 permanent rate case.

9 CHAIRMAN GETZ: Thank you. And,
10 Ms. Purcell.

11 MS. PURCELL: Thank you. The Company
12 appreciates the support of Staff and the OCA on the
13 temporary rates. And, we respectfully request approval to
14 take effect May 1st. And, since the level of temporary
15 rates of 69,995 is the amount that's already included in
16 bills, the temporary rates will have zero dollar impact on
17 customers.

18 The Company also requests approval of
19 its motion for waiver of the filing requirements, as
20 modified with respect to the customer notice requirements,
21 which the Company is agreeing to comply with.

22 CHAIRMAN GETZ: Okay.

23 MS. PURCELL: Thank you.

24 CHAIRMAN GETZ: All right. Then, we'll

1 close this hearing and take the matter under advisement.

2 Thank you, everyone.

3 (Whereupon the hearing ended at 3:16

4 p.m.)

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24