

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 09-052

In the Matter of:
Northern Utilities, Inc. (Unitil)
Summer 2009 Cost of Gas

Direct Testimony

of

Robert J. Wyatt
Utility Analyst IV – Gas & Water Division

April 9, 2009

1 **Q. Please state your name, occupation and business address.**

2 **A.** My name is Robert J. Wyatt. I am employed by the New Hampshire Public Utilities
3 Commission (Commission) as a Utility Analyst IV. My business address is 21 South Fruit
4 Street, Suite 10, Concord, New Hampshire 03301.

5 **Q. Please summarize your educational and professional experience.**

6 **A.** Please see Attachment RJW-1.

7 **Q. Have you testified as a Staff witness before this Commission in previous dockets?**

8 **A.** Yes I have, in cost of gas, cost of (steam) energy and other gas and steam related
9 proceedings.

10 **Q. What is the purpose of your testimony in this proceeding?**

11 **A.** The purpose of my testimony is to support the proposed COG filing, and to recommend a
12 change in current policy related to how regulated gas utilities in New Hampshire are
13 allowed to adjust their cost of gas rates on a monthly basis within a +/- 20 percent
14 bandwidth of approved rates.

15 **Q. What is the policy at issue here?**

16 **A.** The policy at issue is the Monthly Over/Under Cost of Gas Reconciliation/Adjustment
17 (monthly over/under).

18 **Q. Can you describe the monthly over/under policy?**

19 **A.** Yes. As I described in testimony in DG 08-115, the winter 2008/09 cost of gas docket,
20 each cost of gas order requires the regulated gas utilities to provide the Commission with a
21 monthly calculation of the projected over- or under-collection for the period, and if
22 necessary, the resulting revised cost of gas (COG) rate, five business days prior to the first
23 day of the coming month. Without further Commission action, the COG rates can be

1 adjusted upward or downward within a +/- 20 percent bandwidth of the approved COG
2 rate. The goals of the monthly adjustments are to minimize over/under collections and
3 minimize associated carrying costs from one period to the next. In addition, monthly
4 adjustments better match gas costs with gas cost revenues in the period, more accurately
5 reflect market prices in order to send proper price signals which allow customers to react
6 accordingly by possibly reducing consumption or pricing alternative energy sources, and
7 reduce inter-generational subsidies as customers either migrate to transportation service or
8 leave the system and new customers come on the system. See *EnergyNorth Natural Gas,*
9 *Inc.*, Order No. 22,890 (1998).

10 **Q. Is the monthly adjustment working as intended?**

11 A. Generally yes, it has served as a useful tool in minimizing seasonal over- and under-
12 recoveries, but it could be modified to be even more effective.

13 **Q. What limits the effectiveness of the mechanism?**

14 A. The current mechanism limits changes to within +/- 20% of the approved COG rate
15 without further Commission action. While this has been sufficient in the past, recent
16 fluctuations have limited the effectiveness of this mechanism. Natural gas price volatility
17 has increased significantly since the last modification to this policy. For example, on July
18 1, 2008, NYMEX futures prices were in the \$14 per MMBtu range. Eight months later,
19 prices have fallen to levels below \$4 per MMBtu.

20 As an example of the problems created by the recent volatility, during the 2008
21 summer period fluctuations (increases) in actual and projected natural gas costs resulted in
22 EnergyNorth projecting an under collection that could only be eliminated with a rate
23 increase above the 20% limit. EnergyNorth increased the initial COG rate to the maximum

1 allowed and also filed a mid-period revised COG consisting simply of a recitation of the
2 updated NYMEX prices to establish a new rate and associated +/- 20% bandwidth that
3 would entirely eliminate the projected under collection. Following a duly noticed hearing,
4 the Commission approved the proposed rate increase effective August 1, 2008. However,
5 subsequent to the filing, actual and projected gas costs dropped to such an extent that
6 reducing the newly approved COG rate by the maximum allowed 20% without further
7 Commission action was insufficient to eliminate a projected over collection. Because of
8 the limited time remaining in the summer period there was insufficient time to file and
9 process another revised COG.

10 Similarly, again using EnergyNorth as an example, the current winter period cost of
11 gas rate was reduced to the minimum for the last two months of the period (March-April)
12 due to a significant drop in natural gas commodity costs in recent months. Even with this
13 maximum 20% rate reduction, the Company is projecting a significant over-collection that
14 will carry forward to the following winter period cost of gas filing. If there were no lower
15 bandwidth limitation, the rate could have been reduced beyond a 20% reduction, thus
16 further reducing, if not eliminating the projected over-collection. The use of updated
17 NYMEX prices to determine appropriate COG rates has traditionally not been and is not
18 likely to be disputed. Thus there has been no significant benefit to the Commission or to
19 customers from a mid-period COG hearing, especially when commodity prices have
20 decreased.

21 **Q. Have Staff and the parties discussed modifications to the monthly rate adjustment**
22 **mechanism?**

23 **A.** Yes, as directed by the Commission in its order approving last winter's COG rates (re.

1 Order No. 24,912), the parties have met to further discuss and refine Staff's proposed
2 changes to the monthly rate adjustment mechanism.

3 **Q. Has Staff modified its proposal as a result of those discussions?**

4 **A.** Yes, in response to the OCA's concerns regarding public notice of rate changes Staff has
5 modified its proposed changes to the monthly rate adjustment mechanism. Staff
6 recommends the Commission establish a maximum monthly rate adjustment, or cap, at
7 25% above the approved rate, and eliminate the minimum rate limitation. Under Staff's
8 proposal, the Company may make monthly rate adjustments below the maximum rate
9 without further Commission action. A proposed rate increase above the approved
10 maximum would require a revised COG filing and Commission approval.

11 **Q. How does the proposed modification satisfy the Commission's statutory requirements
12 regarding rate changes?**

13 **A.** RSA 378:3, pertaining to rate changes, requires 30 days notice to the Commission and
14 public notice as required by the Commission, unless the Commission otherwise orders.
15 The Commission order approving the COG requires notice to the Commission at 5
16 business days prior to a rate change and the order serves as public notice that rates may
17 fluctuate monthly below the approved maximum.

18 RSA 378:5, pertaining to higher rates, states that the Commission may investigate
19 the reasonableness of proposed increases. The proposed modification ensures that any rate
20 increase above the approved maximum will require Commission action.

21 **Q. What are the advantages of the proposed modification?**

22 **A.** The modification allows for an additional 5% increase over the current policy limit when
23 merited, without requiring a full blown proceeding and hearing. This increased upper

1 bandwidth limit would have been sufficient to correct last summer's projected under-
2 collection without requiring the Company to file a revised cost of gas. There will be no
3 lower bandwidth restriction under the new policy, thus further reducing over-collections
4 and having current period COG rates more accurately reflect current market commodity
5 costs. In cases where a revised COG filing can be avoided, it would reduce administrative
6 costs while increasing administrative efficiency.

7 **Q. What is Staff's position regarding the rates proposed in the Company's 2009 summer**
8 **period cost of gas filing?**

9 **A.** Staff has completed its review of the cost of gas forecast for the upcoming summer period
10 and recommends approval of the proposed rates. The forecast is consistent with those filed
11 by the Company for previous summer periods and approved by the Commission. Costs
12 used to develop the rates in this filing will be fully reconciled with proper adjustments
13 being made as needed.

14 Staff has reviewed last summer's gas costs and found them to be reasonable. Audit
15 Staff has reviewed the 2008 summer period cost of gas reconciliation and found the costs
16 to be accurately reported and fully supported.

17 **Q. Does this conclude your testimony?**

18 **A.** Yes, it does.

Robert J. Wyatt

Educational Background

Mr. Wyatt graduated from the New Hampshire Technical Institute in 1985 with an Associate in Engineering degree majoring in Electronic Engineering Technology. He completed his Bachelor of Science degree requirements in 1990 majoring in Technical Management, at New Hampshire College, now known as Southern New Hampshire University. Mr. Wyatt was accepted into the New Hampshire College MBA graduate degree program in 1991 and he completed one graduate course in Information Sources and Research Methods.

Throughout his professional career, Mr. Wyatt has taken various professional development and computer software courses. In 2002 he completed professional development workshops for *Natural Gas Procurement and Hedging* and *The Basics, An Introductory Course on Rate Design* offered by the Center for Public Utilities at New Mexico State University. In 2004 Mr. Wyatt attended a two-day conference/workshop titled the *North American Natural Gas Supply Outlook* put together by EUCI (Electric Utility Consultants Inc.) in Denver. During the past ten years Mr. Wyatt has also attended several *The LDC Forum*, two-day conferences in Boston focusing on issues related to gas buyers and sellers. Mr. Wyatt regularly attends Northeast Gas Association Pre-Winter Briefings on the Northeast Natural Gas Supply System.

Professional Experience

In 1985, Mr. Wyatt accepted a supervisory position in the Customer Relations Department of EnergyNorth, Inc., holding company for EnergyNorth Natural Gas, Inc., a gas utility based in NH. During that time Mr. Wyatt was recognized for developing a tracking system that flagged large volume meter malfunctions before they became major revenue and customer relations problems. He was also involved with a conversion to a new customer information system. He became familiar with many aspects related to customer relations.

In 1988, Mr. Wyatt accepted a promotion into the Gas Supply Department of EnergyNorth, Inc. as the Gas Dispatch Supervisor. In this position Mr. Wyatt was responsible for the daily dispatch of all gas supply needed to meet customer demand. He also was responsible for maintaining gas supply inventories at all pipeline storage and peaking facilities. He supervised the gas supply function at the company owned production plants.

In 1989, Mr. Wyatt was promoted to Gas Supply Analyst and in 1994, to Senior Gas Supply Analyst at EnergyNorth, Inc. In these analyst positions, Mr. Wyatt was responsible for the development and maintenance of various daily, seasonal and longer term load forecasting and supply planning models. He also contributed to gas supply related regulatory reporting to the Federal Energy Regulatory Commission, the Department of Energy/Energy Information Agency, and the NH Public Utilities Commission. He was involved in short and long term supply planning, least cost supply planning/analysis and contract administration. He administered the wholesale gas interruptible sales and unbundled transportation programs. During this time Mr. Wyatt was also a member of the Northeast Gas Association and participated in many of their management development workshops.

In 2000, after KeySpan acquired EnergyNorth, Mr. Wyatt had to make a choice to either accept a position as a Gas Supply Analyst with newly formed KeySpan Energy Delivery New England, working in Boston, or accept a position as Industrial Buyer for Hitchiner Manufacturing Company, Inc., in Milford, NH. He chose to accept the position with Hitchiner and in 2001 was promoted to Purchasing and Energy Analyst. Mr. Wyatt was responsible for the procurement of all raw materials used in this high volume investment casting foundry. He also contracted for all natural gas used at this facility and developed a comprehensive energy consumption mapping study for the company, parts of which were incorporated into the company's strategic plan. Hitchiner was one of the largest single energy users in NH. He was a member of the company's energy conservation committee and also reported to senior management on current electric and/or natural gas related issues. Mr. Wyatt represented the company at monthly NH Business and Industry Association's Energy and Regulatory Affairs committee meetings.

In 2002, Mr. Wyatt accepted a position as Utility Analyst III and in 2009 he was promoted to Utility Analyst IV in the Gas & Water Division of the New Hampshire Public Utilities Commission. His primary duties at the NHPUC have been to review all cost of gas filings and to present Staff findings to the Commission at COG hearings. Mr. Wyatt has also been involved in steam utility cost of energy dockets and operations investigations. In 2006 Mr. Wyatt was lead analyst in an investigation of thermal billing practices of one regulated gas utility in New Hampshire and discovered a change in billing methodology and over-billing, resulting in a large refund back to ratepayers. He is also involved with many other gas and steam utility issues that are related to or require public utility regulation.

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Docket #: 09-052 Printed: April 09, 2009

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