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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 23, 2015 - 9:13 a.m.
Concord, New Hampshire

NHPUC OCT26'15 AM 9:37

RE: DG 15-353
LIBERTY UTILITIES (ENERGYNORTH NATURAL
GAS) CORP. d/b/a LIBERTY UTILITIES:
Winter 2015-2016 Cost of Gas.

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Stephen P. Frink, Asst. Dir./Gas & Water Div.
Al-Azad Iqbal, Gas & Water Division

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

ORIGINAL

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WITNESS PANEL: **FRANCISCO C. DaFONTE**
 MARY E. CASEY
 DAVID B. SIMEK
 STEVEN E. MULLEN

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1	Winter 2015-2016 Cost of Gas filing, including the Direct Testimony of Francisco C. DaFonte, the Direct Testimony of Mary E. Casey, the Direct Testimony of David B. Simek, Tariff Page Changes, and Schedules, including a Table of Contents and Summary (08-28-15) {Confidential & Proprietary}	6
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2	Winter 2015-2016 Cost of Gas filing, including the Direct Testimony of Francisco C. DaFonte, the Direct Testimony of Mary E. Casey, the Direct Testimony of David B. Simek, Tariff Page Changes, and Schedules, including a Table of Contents and Summary (08-28-15) <i>[REDACTED - for PUBLIC use]</i>	6
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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 **P R O C E E D I N G**

2 CHAIRMAN HONIGBERG: We're here this
3 morning in Docket DE 15-353, which is Liberty Utilities
4 (EnergyNorth Natural Gas) Corp.'s Winter Cost of Gas
5 filing. There's a number of other rate items that are in
6 this filing, which I won't detail.

7 Before we go any further, let's take
8 appearances.

9 MR. RITCHIE: Good morning,
10 Commissioners. My name is R. J. Ritchie. I'm here on
11 behalf of Liberty Utilities (EnergyNorth Natural Gas)
12 Corp. And, with me today are the Company's, actually,
13 four witnesses: Francisco C. DaFonte, Mary E. Casey,
14 David B. Simek, and Steven Mullen.

15 CHAIRMAN HONIGBERG: Good morning.

16 MS. CHAMBERLIN: Good morning. Susan
17 Chamberlin, Consumer Advocate. With me today is Jim
18 Brennan.

19 MR. SPEIDEL: Good morning, Chairman.
20 Alexander Speidel, representing the Staff of the
21 Commission. I have with me Steve Frink, the Assistant
22 Director of the Gas & Water Division; and Iqbal Al-Azad,
23 Utility Analyst, Gas & Water Division.

24 And, I thank the Commissioners for their

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 forbearance. I was engaged in some business travel, and
2 there was an unexpected delay on the road. So, I thank
3 you for your patience.

4 CHAIRMAN HONIGBERG: We couldn't start
5 without you, Mr. Speidel. It wouldn't be the same.

6 So, I think just the Company has
7 witnesses this morning, right?

8 MS. CHAMBERLIN: Correct.

9 CHAIRMAN HONIGBERG: Why don't we have
10 the witnesses take the stand, Mr. Ritchie. And, then you
11 can, while they're doing that, why don't you tell us what
12 exhibits we're going to be dealing with this morning.

13 (Whereupon **Francisco C. DaFonte**,
14 **Mary E. Casey**, **David B. Simek**, and
15 **Steven E. Mullen** were duly sworn by the
16 Court Reporter.)

17 CHAIRMAN HONIGBERG: Mr. Ritchie.

18 MR. RITCHIE: Thank you. Commissioners,
19 if I may, I propose to mark for identification as "Exhibit
20 1", in DG 15-353, the confidential version of the
21 August 28th, 2015 filing that was made with the
22 Commission. And, I would further propose that we mark for
23 identification as "Exhibit 2", in docket DG 15-353, the
24 Company's Winter Cost of Gas filing in redacted form, that

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 was also filed with the Commission on August 28th, 2015.

2 CHAIRMAN HONIGBERG: Good enough.

3 (The documents, as described, were
4 herewith marked as **Exhibit 1** and
5 **Exhibit 2**, respectively, for
6 identification.)

7 CHAIRMAN HONIGBERG: The witnesses have
8 been sworn in.

9 MR. RITCHIE: Thank you.

10 **FRANCISCO C. DaFONTE, SWORN**

11 **MARY E. CASEY, SWORN**

12 **DAVID B. SIMEK, SWORN**

13 **STEVEN E. MULLEN, SWORN**

14 **DIRECT EXAMINATION**

15 BY MR. RITCHIE:

16 Q. I'm going to start with Mr. Simek. Hi, Mr. -- good
17 morning, Mr. Simek.

18 A. (Simek) Good morning.

19 Q. Would you please state your full name for the record.

20 A. (Simek) David B. Simek.

21 Q. And, by whom are you employed?

22 A. (Simek) Liberty Utilities Services Corp.

23 Q. And, what is your position with the Company?

24 A. (Simek) I am a Utility Analyst.

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 Q. And, what do your duties include?

2 A. (Simek) Mainly, rate-related services for EnergyNorth,
3 including calculating the rates for the cost of gas.

4 Q. And, do you have before you a copy of what has been
5 marked as "Exhibits 1" and "2"?

6 A. (Simek) I do.

7 Q. And, this contains the Company's Winter Cost of Gas
8 filing and your testimony?

9 A. (Simek) It does.

10 Q. Was your testimony that's contained in these exhibits
11 prepared by you or under your direction?

12 A. (Simek) Yes.

13 Q. And, would you explain what your responsibility is for
14 these costs -- for this cost of gas filing.

15 A. (Simek) I was mainly responsible for calculating the
16 rates.

17 Q. Do you have any corrections to your testimony at this
18 time?

19 A. (Simek) I do not.

20 Q. And, if I were to ask you the questions today that are
21 contained in your testimony, would your answers be the
22 same?

23 A. (Simek) Yes.

24 CHAIRMAN HONIGBERG: Off the record for

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 just a second.

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

4 CHAIRMAN HONIGBERG: All right.

5 Mr. Ritchie, you may continue.

6 MR. RITCHIE: Thank you. Thank you, Mr.
7 Simek.

8 BY MR. RITCHIE:

9 Q. Mr. DaFonte, would you please state your full name for
10 the record.

11 A. (DaFonte) Francisco C. DaFonte.

12 Q. And, by whom are you employed?

13 A. (DaFonte) Liberty Utilities Services Corp.

14 Q. And, what is your position with the Company?

15 A. (DaFonte) I am the Vice President of Energy
16 Procurement.

17 Q. And, what do your duties include?

18 A. (DaFonte) My duties include overseeing the gas
19 purchases and portfolio design of the Company, as well
20 as the Retail Choice Program, and the demand
21 forecasting process.

22 Q. And, do you have before you a copy of what has been
23 marked as "Exhibits 1" and "2"?

24 A. (DaFonte) I do.

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 Q. And, this contains the Company's Winter Cost of Gas
2 filing and your testimony, is that correct?

3 A. (DaFonte) Yes, it does.

4 Q. Was your testimony that's contained in these exhibits
5 prepared by you or under your direction?

6 A. (DaFonte) Yes, it was.

7 Q. And, would you explain what your responsibility is for
8 these filings.

9 A. (DaFonte) My responsibility was to oversee the forecast
10 for the cost of gas, as well as determining the pricing
11 associated with the dispatch of the appropriate
12 resources to meet the demand forecast.

13 Q. And, do you have any corrections to your testimony at
14 this time?

15 A. (DaFonte) I do not.

16 Q. And, if I were to ask you the questions today that are
17 contained in your testimony, would your answers be the
18 same?

19 A. (DaFonte) Yes, they would.

20 Q. Thank you. Ms. Casey, would you please state your full
21 name for the record.

22 A. (Casey) Mary E. Casey.

23 Q. And, by whom are you employed?

24 A. (Casey) Liberty Utilities Service Corp.

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 Q. And, what is your position with the Company?

2 A. (Casey) I'm the Environmental Program Manager.

3 Q. And, what do your duties include?

4 A. (Casey) I'm responsible for the environmental
5 compliance of day-to-day operations and the management
6 of the site investigation/remediations for the sites
7 that are contaminated relative to MGP waste.

8 Q. And, do you have before you a copy of what has been
9 marked as "Exhibits 1" and "2" in this docket?

10 A. (Casey) I do.

11 Q. And, this contains the Company's Winter Cost of Gas
12 filing and your testimony, is that correct?

13 A. (Casey) That's correct.

14 Q. Was your testimony that's contained in these exhibits
15 prepared by you or under your direction?

16 A. (Casey) Yes.

17 Q. Would you explain what your responsibility is for these
18 filings.

19 A. (Casey) I contract, oversee the work of the
20 manufactured gas plant site investigations and
21 remediation. I approve all invoices. And, I compiled
22 all this information for the filing.

23 Q. And, do you have any corrections to your testimony at
24 this time?

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 A. (Casey) I do not.

2 Q. If I were to ask you the questions today that are
3 contained in your testimony, would your answers be the
4 same?

5 A. (Casey) They would be.

6 Q. Thank you. And, lastly, Mr. Mullen, would you please
7 state your full name for the record.

8 A. (Mullen) My name is Steven Mullen.

9 Q. And, by whom are you employed?

10 A. (Mullen) Liberty Utilities Service Corp.

11 Q. And, what is your position with the Company?

12 A. (Mullen) I am the Manager of Rates and Regulatory.

13 Q. And, what do your duties include?

14 A. (Mullen) Rate and regulatory services for Liberty
15 Utilities (EnergyNorth Natural Gas) Corp. and Liberty
16 Utilities (Granite State Electric) Corp.

17 Q. And, do you have before you a copy of what has been
18 marked as "Exhibits 1" and "2" in this docket?

19 A. (Mullen) Yes, I do.

20 Q. And, this contains the Company's Winter Cost of Gas
21 filing, is that correct?

22 A. (Mullen) Yes.

23 Q. You did not actually file prefiled testimony in this
24 docket, is that correct?

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 A. (Mullen) That is correct.

2 Q. Would you explain briefly what your responsibility was
3 for these filings.

4 A. (Mullen) I reviewed the filing, in terms of especially
5 Mr. Simek's contributions to the filing. And, I'm here
6 today because it's my understanding that Staff will
7 have some questions about the status of a Special
8 Contract the Company has with iNATGAS Corp., in terms
9 of the status of that project and how it impacts this
10 filing. So, I'm here to address those questions.

11 MR. RITCHIE: Thank you, Mr. Mullen.

12 And, with that, the witnesses are available for
13 cross-examination.

14 CHAIRMAN HONIGBERG: Ms. Chamberlin.

15 MS. CHAMBERLIN: Okay. Thank you.

16 **CROSS-EXAMINATION**

17 BY MS. CHAMBERLIN:

18 Q. Compared to last winter's cost of gas, is this up?
19 Down? What's the difference?

20 A. (Simek) The rates for residential customers are down
21 27.2 percent.

22 Q. And, what would you say the major driver of that is?

23 A. (Simek) Commodity prices.

24 Q. And, my understanding is that the allocations for the

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 Concord Lateral are changing, is that correct? And, if
2 it is, could you explain why that is?

3 A. (DaFonte) I can try to address that. In terms of the
4 allocations of the Concord Lateral capacity, they are
5 not necessarily changing. What we've done, and we
6 actually did this last year, is we've reclassified what
7 used to be considered "peaking supply", which was
8 essentially Dracut capacity that our predecessor,
9 National Grid, considered to be "peaking supplies".
10 What we have done, starting last winter, was reclassify
11 that to be "pipeline capacity". So that, when we
12 assign that to retail marketers, they have the ability
13 to go and use that capacity in any manner that they
14 choose. So, they can use it for peaking, they can use
15 it for baseload, they can do what they want with it.
16 It was much more difficult for us to try to determine a
17 peaking price prior to the beginning of the month,
18 since there were so much volatility in the market, we
19 would not have any idea as to when we would need to
20 call on the peaking, and what the price would be when
21 we did call on it. So, from that perspective, it took
22 a lot of the risk off of the sales customers and gave
23 the retail marketers more control over their own
24 capacity.

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 Q. And, for retail customers, does that allocation have
2 a -- does it make the peaking costs increase?
3 Decrease? Stay the same? How does it flow through to
4 the retail level?

5 A. (DaFonte) What it does is it just reduces the amount of
6 peaking in the portfolio. So, today, the peaking is
7 strictly limited to our propane resources and our LNG
8 resources, which are typically what is considered to be
9 "peaking", because of the nature in which they are
10 used.

11 Q. And, does that -- does that typically or would you
12 expect that to lower the peaking price, because you are
13 now using different resources for peaking?

14 A. (DaFonte) Well, it just so happens that the peaking
15 price is lower this year just because commodity prices
16 are down for LNG and for propane. So, it's pretty
17 consistent across the board. Pipeline purchases,
18 NYMEX, and so forth, are also down, and peaking prices
19 are down as well.

20 Q. So, you wouldn't say your reallocation of those, the
21 Concord Lateral asset, is lowering the price. You're
22 saying more that it's the commodity price that's
23 lowering the price?

24 A. (DaFonte) Yes. It's the commodity. That's correct.

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 Q. All right. Now, I heard from Mr. Mullen that he's
2 going to address iNATGAS costs. I just have a few
3 questions, and then I'll let Staff go into that. Is
4 iNATGAS in operation today?

5 A. (Mullen) It is not.

6 Q. And, is there a projected date for it to be in
7 operation?

8 A. (Mullen) Yes. Right now, it's looking like -- well, it
9 won't come on this winter. And, I can get into detail
10 about that. But, right now, it looks like whatever
11 remaining construction would take place early next
12 spring, after winter, and there would be about six or
13 eight weeks of construction there. So, we're looking
14 at probably around June 1st of next year when it would
15 start service.

16 Q. Now, when these design day forecasts were made, did
17 they include iNATGAS operations?

18 A. (DaFonte) Yes. The demand forecast, in the current
19 filing, includes anticipated usage by iNATGAS.

20 Q. So, what does that do to your forecast, the fact that
21 iNATGAS is not operating this period?

22 A. (DaFonte) It would reduce the demand forecast by
23 approximately 6.7 million therms.

24 Q. And, what does that do to the -- as it flows through to

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 other retail customers, to your price of gas?

2 A. (DaFonte) Well, we did a calculation to try to estimate
3 what that cost would be. And, it's approximately a two
4 cent reduction in the overall cost for residential
5 customers, and about one and a half cent per therm
6 reduction for C&I customers.

7 Q. And, just so that I'm following you correctly, are you
8 saying the fact that iNATGAS is not operating results
9 in the reduction?

10 A. (DaFonte) Yes. It just so happens that, because the
11 incremental resource to supply iNATGAS would be
12 purchases at Dracut, which are our highest cost
13 purchases, by reducing the volumes associated with
14 iNATGAS, we also reduce the purchases associated with
15 iNATGAS, or, you know, just incremental purchases in
16 general. And, so, you're lowering the unit cost of
17 commodity purchases.

18 MS. CHAMBERLIN: Okay. Thank you.
19 That's all I have.

20 CHAIRMAN HONIGBERG: Mr. Speidel.

21 MR. SPEIDEL: Thank you, Mr. Chairman.

22 BY MR. SPEIDEL:

23 Q. Continuing on the iNATGAS theme, for both EnergyNorth
24 and iNATGAS, what work has been completed and paid for?

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 And, what work remains to be done to complete the
2 project and commence service? And, what is the
3 timeline for each task?

4 A. (Mullen) To date, Liberty has completed site clearing,
5 grading, and base coat of asphalt for the entire
6 facility. We have also installed the gas service line,
7 meter, regulation and valves from take station to the
8 compressor location. We have also ordered and received
9 all compressors and the dryer, along with the electric
10 transformer. All are stored on the site right now.
11 We've also ordered and will receive delivery of the
12 compressor building, as well as all the canopies. And,
13 those should arrive on site within three to four weeks.

14 INATGAS has ordered and received the
15 majority of their required material and equipment,
16 other than short lead time items, such as electric
17 panels and signage.

18 Liberty will still need to complete
19 aboveground piping to the compressors, installation of
20 the compressor building and canopies, final asphalt
21 topcoat, concrete foundations, pads and piers, as well
22 as landscaping and fencing.

23 INATGAS will need to install all
24 electrical, including the transformer, underground

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 electrical to all lights, buildings and canopies,
2 underground piping of CNG tubing to all dispensers,
3 installation of trailer and vehicle dispensers, fuel
4 management system, and as well as some fiberoptic and
5 cable installation.

6 The remaining work for Liberty is
7 estimated at about six to eight weeks. That work has
8 already been awarded and will commence as soon as
9 weather permits in 2016.

10 Similarly, iNATGAS's work is estimated
11 at about six to eight weeks, and will also begin
12 weather permitting in 2016.

13 Q. Do you have, Mr. Mullen, an overall cost estimate for
14 the project that would be allocated to the Company,
15 Liberty?

16 A. (Mullen) Yes. To date, our direct investment has been
17 approximately 2.95 million, and remaining direct cost
18 is about 750,000.

19 Q. And, these are investments that will or will not be
20 included in rate base?

21 A. (Mullen) We would certainly propose to put those in
22 rate base, yes. They are not as of yet.

23 Q. Okay. What are the costs that would be incurred by
24 iNATGAS for their portion of the project?

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 A. (Mullen) To date, they've purchased approximately
2 \$400,000 worth of their materials and equipment. And,
3 that's about 60 percent of the materials and equipment
4 that they need. They have also ordered and put
5 nonrefundable deposits down on another 30 percent,
6 which is approximately another 250,000, within that
7 equipment is currently either being manufactured or is
8 en route. And, then, there's another 10 percent for
9 some of the short lead time items that I talked about.

10 Q. Under the terms of the Special Contract, is there a
11 deadline for iNATGAS to complete construction of its
12 CNG station?

13 A. (Mullen) No, there is not.

14 Q. In addition to the personal guarantees of its owner,
15 iNATGAS funds are being held in escrow in the event of
16 a default. If iNATGAS does not build the CNG station,
17 at what point would iNATGAS be considered to be in
18 default of the contract?

19 A. (Mullen) Well, there's a couple of different agreements
20 here. There's a Lease Agreement and there's also a
21 Special Contract. If iNATGAS did not make a lease
22 payment, or, if they did not make payments as required
23 under the Special Contract, they could be in default,
24 subject to written notice provisions and all that that

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 are in each of the agreements.

2 Q. Could you elaborate on that please.

3 A. (Mullen) Okay. For the lease, if they do not make a
4 lease payment as required, I believe there are written
5 notice provisions that, if it's not received by a
6 certain date, then we send written notice, and there's
7 all the legal requirements that go with that.

8 Similarly, on the Special Contract,
9 there's a schedule for payments in there, once
10 commencement -- once service commences at the site.
11 And, there are similar terms about, you know, payments
12 being late and written notice provisions.

13 Q. So, would you happen to know those dates and timeframes
14 off the top of your head or no?

15 A. (Mullen) I can look them up.

16 Q. Thank you.

17 A. (Mullen) Rather than try and paraphrase, I will read
18 from the Lease Agreement, which is actually Section
19 19.1 of that Agreement. It says: "If the Tenant shall
20 default in the performance of any of its monetary
21 obligations under this Lease or under the Special
22 Contract, and if such default shall continue for five
23 days after written notice from Landlord to Tenant, or
24 if within fifteen days after written notice from

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 Landlord to Tenant specifying any other default or
2 defaults under this Lease or under the Special
3 Contract, Tenant has not commenced diligently to
4 correct such default and has not thereafter diligently
5 pursued such correction to completion or if Tenant's
6 leasehold interest shall be taken on execution or by
7 other process of law, attached or subjected to any
8 other involuntary encumbrance, then, and in any of such
9 cases, Landlord and its agents and servants may
10 lawfully, immediately or any time thereafter, and
11 without further notice or demand, and without prejudice
12 to any other remedies available to Landlord for
13 arrearages of rent or otherwise, either enter into and
14 upon the Premises or any part thereof, in the name of
15 the whole, and repossess the same as of Landlord's
16 former estate without the Tenant Improvements, or mail
17 a notice of termination addressed to Tenant at the
18 Premises, and upon such entry or mailing this Lease
19 shall terminate."

20 Then, there's a whole -- this paragraph
21 goes on and on. But, in terms of the --

22 CHAIRMAN HONIGBERG: Please don't read
23 any -- please don't read any more of that contract.

24 BY MR. SPEIDEL:

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 Q. That's all right. That's the key. We got the sense of
2 the default timeframe, which is it would be relatively
3 short. Now, --

4 A. (Mullen) That was one sentence.

5 Q. That was one sentence.

6 CHAIRMAN HONIGBERG: A lawyer made a lot
7 of money writing that sentence. So, don't make fun.

8 MR. SPEIDEL: Right.

9 BY MR. SPEIDEL:

10 Q. So, ultimately, when are the lease payments due from
11 iNATGAS to Liberty?

12 A. (Mullen) Lease payments commence upon a commencement
13 date, which is following the receipt of all regulatory
14 approvals. Regulatory approvals include not only
15 Commission's approval, but approvals by New Hampshire
16 Department of Environmental Services, as well as
17 certain permits and other requirements of the City of
18 Concord.

19 Q. So, have those been issued, all of them?

20 A. (Mullen) No, they have not.

21 Q. They have not. So, the estimated time for the issuance
22 of those permits, would that be contemporaneous with
23 the completion of construction next summer or --

24 A. (Mullen) My understanding is that I think the last

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 thing we're waiting for is one of the permits from the
2 City of Concord. And, that may be forthcoming in the
3 next couple of weeks.

4 Q. And, that's the last one?

5 A. (Mullen) To my knowledge, yes.

6 Q. Okay. Under the terms of the Special Contract with
7 iNATGAS, what is the earliest EnergyNorth is able to
8 commence billing iNATGAS under the must-take provision
9 for commodity?

10 A. (Mullen) The billing will commence under the Special
11 Contract following the service commencement date, which
12 is the installation of the meter and hook-up of the
13 customer to that meter, and the assignment of a
14 customer account. So, we would start billing under
15 that, the take-or-pay provision gets calculated after
16 the first year.

17 Q. Thank you. Switching gears. What is the total
18 anticipated capacity-exempt SENDOUT forecast for this
19 winter? And, what is that amount of capacity-exempt
20 load expected to switch to firm sales service this
21 winter? And, if you will, please compare with last
22 year's actuals.

23 A. (DaFonte) Sure. For this winter's cost of gas demand
24 forecast, we have estimated approximately 16.1 million

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[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 therms of capacity-exempt load. That compares to
2 17.7 million therms of capacity-exempt load in the
3 previous winter under normal conditions. Which is a
4 difference of about 1.6 million therms, or a reduction
5 of approximately 9 percent of capacity-exempt demand
6 load. That is a result of capacity-exempt customers
7 having returned to sales service, and either remaining
8 on sales service or subsequently moving back to
9 transportation service, but as a capacity-eligible
10 customer. Meaning that they now take assignment of
11 EnergyNorth's capacity portfolio in perpetuity.

12 We haven't really calculated an expected
13 reverse migration for this winter. We just -- we don't
14 have that kind of detail available to us. So, we just
15 assume that those capacity-exempt customers will remain
16 capacity-exempt. We have had one customer, since we've
17 made the filing, that has indicated that they will be
18 returning to sales service.

19 Q. Thank you. Please explain how the Company designates
20 its resources as "peaking" or "non-peaking".

21 A. (DaFonte) We take a very basic approach. If a resource
22 is a pipeline resource, then we consider it "pipeline".
23 If it's peaking, we designate it, either LNG or
24 propane, as "peaking". And, then, if it's an

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1 underground storage asset, then we put it into the
2 "storage" category. And, those are the three basic
3 categories that we have for classification.

4 Q. So, you base it on, in terms of the supply profile, the
5 physical profile of the supply, versus the terms
6 "peaking" or "non-peaking", is that correct?

7 A. (DaFonte) Correct.

8 Q. I see. Is that an industry standard or is it the
9 Company's own practice?

10 A. (DaFonte) I wouldn't say it's an "industry standard".
11 I think some companies will do it differently,
12 depending on how they use the portfolio. But, by and
13 large, I think the industry considers LNG and propane
14 to be the peaking resources, or, if it has contracted
15 for a city gate type of peaking resource, that would
16 also typically go into the "peaking" category.

17 Q. So, in terms of the menu of physical supply options,
18 how does that jibe with the Company's use of the
19 SENDOUT option vehicle, that is the computer program
20 that enables you to plan for your supply needs? Could
21 you just briefly explain how the Company uses SENDOUT
22 to select among the menu of physical supply options?

23 A. (DaFonte) Sure. The SENDOUT model is essentially an
24 optimization model, where it considers all of the

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1 resources in the portfolio and dispatches those
2 according to the economics. And, so, typically, what
3 you would find is that it would dispatch storage as
4 needed. It would dispatch pipeline first on a baseload
5 basis. So, it would look at how much baseload supply
6 is required, and that would be purchased through
7 pipeline. Then, incremental would be the storage, and
8 then, lastly, at the end of the dispatch chain, would
9 be your peaking.

10 However, if, for example, peaking
11 supplies are less than another resource, such as a
12 purchase at Dracut, for example, it would choose to
13 take the peaking supply before it purchases gas at
14 Dracut. So, it really truly looks at it on a dispatch
15 basis, and not necessarily just on the classification
16 of the resource itself.

17 Q. Thank you for that explanation. Is it typical that the
18 so-called Low Winter Use Ratio rate is higher than the
19 High Winter Use Ratio rate for the cost of gas? If
20 not, please explain why it's not typical, and why it is
21 the case for the 2015-16 cost of gas filing?

22 A. (DaFonte) Just to clarify, and for the Commission to
23 understand the Low Winter Use and High Winter Use. The
24 Low Winter Use we would classify as a "high load

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1 factor" type customer. So, these are customers that
2 generally take even levels of supply throughout the
3 year. Whereas, the High Winter customers are more
4 heat-sensitive. And, so, they will peak during the
5 colder periods. And, typically, those, what we
6 consider "low load factor" customers, that are more
7 heat-sensitive, are using more of the peaking supplies.
8 And, historically speaking, the peaking supplies have
9 been more expensive.

10 And, so, when we do the ratios, the
11 ratio is really based on the proportional cost
12 responsibility of the high load factor customer to the
13 low load factor customer, based on the overall cost to
14 serve that class, the C&I class.

15 CHAIRMAN HONIGBERG: Mr. DaFonte, would
16 you give us a couple of examples of the types of customers
17 you're describing in each category?

18 WITNESS DaFONTE: Sure. If you're
19 considering a process load customer, somebody that's
20 making widgets, they're making those widgets year-round,
21 and they're using natural gas to either fire a furnace to
22 create those widgets, or something else. And, a bakery
23 would be an example, where, you know, you have to use the
24 same amount of energy for making your bread and pastries

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1 throughout the year. And, so, they would pretty much be a
2 relatively flat-load customer.

3 On the other hand, if you have, you
4 know, sort of a factory where your -- the heating space,
5 you're going to have to heat that space more in the
6 winter, when it's colder outside, than you would in the
7 summer. Where, in that instance, the factory is not using
8 natural gas to create a product. It's simply, you know,
9 heating the building, for example. That would be a low
10 load factor commercial/industrial type customer.

11 CHAIRMAN HONIGBERG: Thank you. I
12 apologize for interrupting, Mr. Speidel.

13 MR. SPEIDEL: No. It's -- I'm sorry.
14 It's all right, Chairman. I think the Commission always
15 has a right to interject with Bench questioning. That's
16 fine.

17 CHAIRMAN HONIGBERG: Doesn't mean we
18 can't apologize when we do.

19 MR. SPEIDEL: Thank you. That's very
20 kind of you, sir.

21 BY MR. SPEIDEL:

22 Q. Ultimately, a Fixed Price Option, or "FPO" for short,
23 when were the Fixed Price Option enrollment letters
24 mailed and when does the enrollment period end?

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 A. (Simek) FPO letters were mailed on September 22nd, and
2 the enrollment period ends today.

3 Q. How has the response been to date to this solicitation
4 and what is the anticipated enrollment based on that
5 response?

6 A. (Simek) To date, we have 6,765 customers that have
7 enrolled in the FPO Program. And, we're anticipating
8 that that rate's going to go up. Again, it ends today.
9 And, last year, we had approximately 12,000 customers.
10 We do believe that the enrollment will be lower than it
11 was last year.

12 Q. And, does the Company expect that has something to do
13 with the lower commodity cost structure or --

14 A. (Simek) Yes.

15 Q. Okay. Thank you. Approximately what percentage of the
16 gas supplies in this forecast are hedged, pre-purchased
17 or are otherwise tied to a predetermined fixed price?

18 A. (DaFonte) We have approximately 13 percent of our
19 purchases hedged through a physical basis hedge or
20 through a financial hedge. That financial hedge is
21 very minimal. It is a hedge that is still in place as
22 a result of the predecessor to the current hedging
23 program. This will be the last winter that that --
24 that those hedges will be in place. And, going forward

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1 will simply be the basis hedge that will be in place.

2 In addition, we have approximately
3 33 percent of our requirements fulfilled by underground
4 storage. And, as of November 1st, that will be a fixed
5 price, where that will be a known price going into the
6 winter. And, so, in total that's approximately
7 46 percent of total expected purchases being hedged.

8 Q. Thank you. Schedule 7, which is Bates Page 92 on
9 Exhibit 1, calculates the average NYMEX futures prices
10 for the winter months that, based on a 15-day average,
11 used to forecast the commodity costs for the upcoming
12 winter. How do those prices compare to the most recent
13 NYMEX future prices for the winter months?

14 A. (Simek) The most recent NYMEX prices are down about
15 13 percent.

16 Q. If the Company were to use the most recent NYMEX
17 prices, how would that impact the cost of gas rate, if
18 adjusted?

19 A. (Simek) The cost of gas would go down about two and a
20 half to three cents.

21 Q. In the opinion of the Company, do the proposed maximum
22 cost of gas rates allow enough flexibility to absorb
23 this and other normal price fluctuations through
24 monthly rate adjustments without adjusting the rate at

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1 this time?

2 A. (Simek) Yes. Again, the rate would be going down at
3 this point, I believe, due to the NYMEX.

4 Q. And, the Company does that on a monthly basis during
5 the winter, is that correct?

6 A. (Simek) Correct.

7 Q. Okay. Thank you. I think Ms. Chamberlin went into
8 this a little bit in some of her pipeline-related
9 questions. Have there been any material changes in
10 this winter's supply plan compared to last winter?
11 And, if so, please explain.

12 A. (DaFonte) I would say there have not been any material
13 changes. What we discussed earlier is something that
14 we began last winter. So, it's really a carryover.

15 Q. Thank you. What were the total environmental
16 remediation costs incurred for the year ending
17 June 30th, 2015?

18 A. (Casey) The total costs were \$10,645,245.

19 Q. Thank you. And, finally, is EnergyNorth contemplating
20 yearly cost of gas filings, commencing with next
21 winter's cost of gas? If so, how is EnergyNorth
22 planning to proceed on this issue?

23 A. (Simek) Yes. We are looking to work with PUC Staff and
24 OCA to see if we can come up with a plan to possibly

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1 eliminate the summer cost of gas filing, and do an
2 annual filing for the winter that would have a separate
3 monthly adjustment mechanism for the summer than for
4 the winter.

5 Q. Would the winter and summer periods for these two
6 separate adjustment schemes be structured in the same
7 way, so that you would have November through April for
8 one and then May through October for the other?

9 A. (Simek) Yes.

10 MR. SPEIDEL: Thank you very much, Mr.
11 Simek.

12 WITNESS SIMEK: You're welcome.

13 MR. SPEIDEL: Thank you all for your
14 responses.

15 CHAIRMAN HONIGBERG: Commissioner Scott.

16 COMMISSIONER SCOTT: Thank you. And,
17 good morning.

18 WITNESS SIMEK: Good morning.

19 WITNESS DaFONTE: Good morning.

20 WITNESS MULLEN: Good morning.

21 WITNESS CASEY: Good morning.

22 BY COMMISSIONER SCOTT:

23 Q. I'll start with Mr. Mullen on the iNATGAS conversation.
24 Why the delay with iNATGAS?

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1 A. (Mullen) It's predominantly because iNATGAS is
2 developing a similar project in Worcester,
3 Massachusetts. And, they have devoted their resources
4 to get that on line before the winter. And, it's
5 currently scheduled to be on line in mid-November. So,
6 with them devoting resources to that, they won't be
7 able to finish what they need to do before the winter
8 hits here, in Concord. And, so, that's why it's pushed
9 off the finishing of that project until next spring.

10 Q. Understanding you're not iNATGAS, but that was
11 unanticipated then?

12 A. (Mullen) No. You know, I haven't been in discussions
13 with iNATGAS personally. But I think that, up until
14 recently, they thought that they could get both of the
15 projects done prior to the winter. But I think they
16 have some certain commitments down in -- for the
17 Worcester station. And, like I say, that's on line --
18 scheduled to be on line mid-November. And, with that,
19 they weren't able to get both of them done prior to the
20 winter period.

21 Q. So, it would be fair to say there's no "buyer's
22 remorse" going on, it's just this over project has
23 gotten in the way of moving ahead on the Concord
24 project?

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1 A. (Mullen) That's correct. And, we've -- I know that
2 other Company personnel have been in discussions with
3 iNATGAS frequently. And, we have no indication
4 whatsoever that things aren't going to go forward, and
5 they're, you know, trying to line up contracts with
6 people to use the facility. That's all still going
7 right along.

8 Q. Thank you. And, that was my next question, "what about
9 the potential customers?" So, that looks like they're
10 still in hand, won't be impacted by the delay?

11 A. (Mullen) Based on the discussions I've had, yes,
12 internally.

13 Q. Thank you. Mr. Simek, on Bates 30, you talk about
14 "lost and unaccounted for gas", and the difference
15 between the presumption under the settlement of, I
16 think, "1.28 percent", and you're now using "1.56
17 percent". I was just curious if you could characterize
18 that. Is that, you know, an acceptable level?

19 A. (Simek) From internal research, it looks like anything
20 under two and a half percent tends to be an industry
21 average. So, we feel that, since we're within that
22 range, that it's acceptable.

23 Q. And, along those lines, is there like periodic
24 engineering studies that look at the reasons for the

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1 gas loss?

2 A. (Simek) Yes. We go through and try to determine where
3 the largest gas loss is and address that first. This
4 was based on a conversation that I've had with the gas
5 folks over the past several months. But, again, if
6 we're within a pretty much acceptable range, then it's
7 not necessarily considered an issue.

8 Q. Thank you.

9 A. (Simek) You're welcome.

10 Q. And, I think I'll go to Ms. Casey. On your discussion
11 regarding the remediation from the manufactured gas
12 plants, I think a couple of the status reports, and I
13 understand this was submitted in August, give a
14 deadline saying -- deadline and completion date saying
15 "in September" these will be done. And, I assume
16 that's happened?

17 A. (Casey) Are you referring to the Liberty Hill Road,
18 Gilford --

19 Q. Explicitly, yes.

20 A. (Casey) -- disposal site? Yes. We finished the third
21 week of September. And, then, on September 30th, a
22 rain storm tore the site up a bit. So, we're doing a
23 little restoration.

24 Q. I guess that would fall under "Act of God", I guess.

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1 A. (Casey) It was fortunately covered by the contract
2 terms.

3 Q. So, that is done now or is that in work?

4 A. (Casey) Well, we'll have to seed again in the spring,
5 because we were past the perennial seed term. So, we
6 put in some winter rye last Friday, after we did
7 repairs. And, we'll be back in the spring to do
8 perennial seeding.

9 Q. Okay. On the Concord manufactured gas plant, the brick
10 gasholder, I was curious where you were on that?
11 Obviously, I've seen that in the press lately, it's a
12 local concern. I was curious where the utility was?

13 A. (Casey) Yes. There's been a lot of activity there. We
14 got our RAP approved, our Remedial Action Plan approved
15 by the DES. And, it includes comments, the approval
16 letter include comments that the holder itself acted as
17 a cap between -- a cap barrier between the public and
18 the contaminants. We did some repairs last year on the
19 Concord gasholder. And, there are still holes in the
20 roof. So, it's integrity isn't exactly what it should
21 be, as far as it being a part of the cap.

22 So, we're now gathering estimates for
23 various scenarios, including demolition of the holder
24 house, full restoration of the holder house, and a

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1 couple of repair scenarios in between. We'll be
2 releasing a statement including those numbers to --
3 we'll probably talk with City Council first, and give
4 them those numbers. I'm sure the press will be there,
5 because there's been a lot of media interest.

6 We recently, this week, held a meeting
7 on the site with the New Hampshire Preservation
8 Alliance. And, we gave them a full presentation of the
9 history and the fate, the potential fate of the holder,
10 and it's -- the room that it plays as part of the whole
11 remediation scenario.

12 Q. I'm sure you've been asked by those groups, if the
13 utility were to try to register that facility as, you
14 know, on the Historical Register, that type of -- give
15 it that type of designation, do you think there would
16 be any kind of external funds available for
17 restoration?

18 A. (Casey) It's already listed on, I forget which federal
19 list, because it's the only holder in the country that
20 still has its works intact, for whatever that's worth.
21 I mean, it's there, and it's degrading quickly now,
22 especially since the tree hit it. But we're hoping
23 that somebody might step up, once we come out with
24 these estimated costs and our statement. And, that

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1 should be very soon, probably before the end of the
2 year.

3 Q. And, is the utility actually looking for somebody to
4 help fund that or you said that you're "hoping somebody
5 may step up", that seems more passive than active?

6 A. (Casey) No. Because we are not in the business of
7 restoring historical buildings.

8 COMMISSIONER SCOTT: Okay. I think all
9 the other questions have been answered. I guess I'll ask
10 the Chair. I'm curious to get an update on the Kinder
11 Morgan Precedent Agreement, which would probably be Mr.
12 DaFonte. But I can defer, when we think that would be
13 good to hear?

14 CHAIRMAN HONIGBERG: Okay. We're here.
15 If you want to do it briefly, you can have a little
16 excursion into the Precedent Agreement land. Is that all
17 right with the other parties?

18 MS. CHAMBERLIN: Yes.

19 MR. SPEIDEL: Why not. Insofar as I
20 serve as legal advisor to the Commission, you should be
21 prepared that, if there's an issue involving that matter,
22 someone might point at this transcript and say "Aha, this
23 was some small amount of evidence developed." But, if you
24 understand that, please feel free to go ahead.

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1 CHAIRMAN HONIGBERG: I think
2 Commissioner Scott will be circumspect and limited in his
3 questioning. And, if he loses his way, Attorney Speidel,
4 I think one of the two of us will rein him in.

5 MR. SPEIDEL: Yes. I'll start coughing
6 and flapping my arms.

7 *[Laughter.]*

8 MR. RITCHIE: Chairman, would it be
9 possible to just do it off the record?

10 CHAIRMAN HONIGBERG: No, I don't think
11 so. I think, to understand what Attorney Speidel was just
12 alerting everyone to is a perception problem, that
13 actually might be made worse, if we started having
14 off-the-record conversations with executives about things
15 going on with a somewhat controversial issue.

16 But I think this is going to be limited.
17 I don't know -- Commissioner Scott did not prepare me for
18 this. So, I'm assuming that these questions are fairly
19 straightforward and will be limited in scope.

20 But I'm now not joking that, if Attorney
21 Speidel or Attorney Chamberlin or you, Mr. Ritchie, get
22 uncomfortable, speak up please.

23 MR. SPEIDEL: Yes. And, just to add one
24 little grain on the pro side of the scale, the Commission

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1 has historically used the cost of gas as a vehicle to kind
2 of check up on the overall operational posture of the
3 utilities in question, because oftentimes there's no rate
4 case pending, there's no specific special contract or some
5 other matter to look at. So, under 374:4, the Commission
6 has a convenient forum to ask on-the-record questions
7 about the operations of the utility. And, that's
8 perfectly fine.

9 CHAIRMAN HONIGBERG: And, I believe
10 earlier this week there was such a proceeding in which a
11 whole bunch of questions that were asked about the
12 workings of the utility that weren't necessarily directly
13 related to what had been filed.

14 MR. SPEIDEL: Precisely.

15 CHAIRMAN HONIGBERG: All right.

16 Commissioner Scott, with all of that said, make it good.

17 BY COMMISSIONER SCOTT:

18 Q. Well, maybe to start, maybe I can just make it easy.

19 Can you tell me, regarding what's on the public record
20 already, what the status is with the Precedent
21 Agreement?

22 A. (DaFonte) I'm not exactly sure what is on the public
23 record. So, I'll err on the side of conservatism here.
24 But my understanding is that most, if not all, of the

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1 precedent agreements for the Supply Path are completed,
2 with some minor changes related to certain dates of
3 certain conditions precedent in the agreement. And, --

4 (Witness Mullen conferring with

5 Witness DaFonte.)

6 **CONTINUED BY THE WITNESS:**

7 A. (DaFonte) No, Supply Path. I assume that we're -- we
8 are talking about the Supply Path? Right. And, so,
9 for EnergyNorth, we are in that -- just final stages of
10 making sure that the dates have been updated, again,
11 based on timing for filings and board approvals and
12 things of that nature, that have to be taken care of
13 within the PA itself.

14 BY COMMISSIONER SCOTT:

15 Q. So, is it fair to say, despite the fact that the order
16 we issued was after your requested date, there's been
17 no major issues arising from that?

18 A. (DaFonte) No. No issues. We did submit, in accordance
19 with the Settlement Agreement, the Amendment Number 2
20 to the PA, as well as Amendment Number 3, which, again,
21 is just changing the date of the pipeline's ability to
22 terminate the Agreement as a result of insufficient
23 volumes. But I believe the pipeline has already come
24 out publicly and stated that they had sufficient

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1 volumes to move forward with the project. But that's
2 the Market Path. What I was talking about earlier was
3 the Supply Path, just to make sure there's a
4 distinction there.

5 COMMISSIONER SCOTT: Thank you.

6 CHAIRMAN HONIGBERG: Commissioner
7 Bailey.

8 COMMISSIONER BAILEY: Thank you.

9 BY COMMISSIONER BAILEY:

10 Q. Mr. Simek, you had a discussion with Attorney Speidel
11 about the NYMEX forecast, and the fact that it's gone
12 down 13 percent, and that the cost of gas would be
13 reduced by a couple of cents a therm.

14 A. (Simek) That's correct.

15 Q. But I didn't understand, or I didn't hear maybe, what
16 you said the effect of that would be. Do you change
17 these rates during the winter period?

18 A. (Simek) Yes. Excuse me. We update the rates monthly.
19 So, our first monthly adjustment, which would go into
20 effect December 1st, we would go ahead and take into
21 account the current market forecasts and any other
22 adjustments that we're aware of.

23 Q. So, how does that happen? The rates change every
24 month?

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1 A. (Simek) Correct. The cost of gas rates change every
2 month. We do a filing each month, it's part of the
3 precedent that comes out of this hearing, that we have
4 the ability to adjust the rates each month.

5 Q. Okay.

6 A. (Mullen) And, if I could just add to that. There's a
7 provision in our tariff that allows us to adjust the
8 cost of gas rate up to 25 percent higher than what was
9 originally filed, or we can reduce it, we can reduce
10 it, and there's no downside limit on that.

11 Q. Okay. And, then, at some point, there's a
12 reconciliation period for what you actually paid for
13 the gas to what you charged, and that gets all worked
14 out anyway?

15 A. (Simek) Correct.

16 Q. Okay.

17 A. (Simek) The prior period reconciliation, the prior
18 winter period, the results of that reconciliation are
19 included in these dollars for going forward for this
20 winter.

21 Q. Okay. All right. Thanks. When the Settlement
22 Agreement was in effect that capped the lost and
23 unaccounted for gas to "1.28 percent", were you able to
24 achieve that? Or, did you actually exceed it, but not

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1 by more than two and a half percent, but you just
2 didn't get reimbursed for it?

3 A. (Simek) We were able to achieve it, because we went
4 back and confirmed that the way that the 1.28 percent
5 was calculated wasn't calculated correctly. So, when
6 we took out some of the assets that didn't actually
7 belong, then the calculation was under the
8 1.28 percent. But, as far as what we did for the
9 rates, we still kept it capped at the 1.28, up until
10 that Settlement Agreement had expired.

11 Q. So, now that the Settlement Agreement has expired, does
12 that just permit you to lose more gas up to two and a
13 half percent, and then get reimbursed for that loss?
14 Or, is there some incentive for you to limit the loss?

15 A. (Simek) I'm not aware of an incentive to move forward.
16 As far as just for the Company as a whole, we monitor
17 it, and we do take steps to keep it under control.
18 Again, that two and a half percent, there's no hard
19 coded number there. That was just some internal
20 research that I had done to look outside to other
21 utilities and see what was considered "acceptable", and
22 it was "two and a half percent or lower". We're really
23 not even close to that range. So, we, at this point,
24 just continue to do our normal operations and continue

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1 to monitor, and make adjustments when necessary -- or,
2 corrections or fixes, I should say.

3 Q. Do you know what the financial result is for
4 ratepayers, when you have the difference between
5 1.28 percent and 1.56 percent, like how much more are
6 ratepayers paying?

7 A. (Simek) I don't have that exact number. I believe last
8 year we had a similar number, where we went with the
9 1.28, but we were around the 1.5 in the calculation.
10 And, it was about a \$13,000 impact.

11 Q. So, you just weren't allowed to recover the \$13,000
12 that was above the 1.28?

13 A. (Simek) Correct.

14 Q. Okay. Thank you. Regarding the notice to customers
15 that you sent on the Fixed Price offer, did you send a
16 copy of that notice to our Director of Consumer
17 Affairs?

18 A. (Simek) I believe the Company did. I wasn't the one
19 responsible for it. So, I'm just not sure.

20 Q. Okay. Do you know, Mr. Mullen?

21 A. (Mullen) I pretty much have the same answer as Mr.
22 Simek. I believe that we did. And, that's usually
23 part of our standard practice. But I wasn't personally
24 involved with that, so, I can't say for sure.

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1 Q. Okay. I don't have any reason to believe you didn't.
2 I'm just asking all the companies to make sure that,
3 whenever they send a communication to customers, that
4 they send a copy to our Director of Consumer Affairs.

5 A. (Mullen) I do know our customer services/billing people
6 are in frequent communications with the Department --
7 with the Consumer Affairs Division. And, I believe
8 that would be part of, you know, any periodic
9 communications that they have with them. But, again, I
10 think, when we send the letters out, part of our
11 protocol is that a copy goes here to the Commission.

12 Q. Okay. Great. Thank you. And, Ms. Casey, Commissioner
13 Scott didn't ask you one of the questions that I was
14 going to ask you, and that's with respect to the
15 remediation project on the east side of I-93, that you,
16 on Page -- Bates Page 19 discuss. And, you said that
17 you "expected to review the design in the third quarter
18 of 2015 with the City of Concord". Can you give us an
19 update on that?

20 A. (Casey) Yes. The design still has not been finalized.
21 We're looking at various options for handling storm
22 water that comes across the highway, with perhaps the
23 installation of a storm water handling unit on the west
24 side of the highway. So, there are access issues there

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1 that the design engineers are working out.

2 I hope that, before the end of this
3 year, we'll see a final design, so that we can get
4 moving on planning a remediation for, I'm thinking,
5 2017.

6 Q. Okay. And, the design is something that you're doing,
7 but you have to get it approved with DES, is that --

8 A. (Casey) That's correct, and the City of Concord as
9 well.

10 Q. So, when you say "get the design finalized", does that
11 mean you have the DES approvals and the City of Concord
12 approvals, or you're working on a design to present it
13 to them?

14 A. (Casey) Yes, both -- the latter. We're working on a
15 design to present it to them.

16 Q. Okay.

17 A. (Casey) We feel that there's probably not going to be
18 any problem getting it approved by the DES. It would
19 be the City of Concord, and, again, access issues with
20 private property owners.

21 COMMISSIONER BAILEY: Okay. All right.
22 Thank you. I think that's all I had.

23 (Short pause.)

24 COMMISSIONER BAILEY: Yes. Thank you.

[WITNESSES: DaFonte~Casey~Simek~Mullen]

1 BY CHAIRMAN HONIGBERG:

2 Q. Mr. DaFonte, I want to circle back to something
3 Ms. Chamberlin talked with you about, that I understand
4 is something you actually started last year having to
5 do with pricing on the Concord Lateral. I took from
6 what you said, and I may have misunderstood, that one
7 of the results of what you've done is to give more
8 price -- more control over pricing to the purchasers.
9 Is that a fair -- did I get that right?

10 A. (DaFonte) That's correct.

11 Q. It seems then that someone else must be assuming the
12 risk of price fluctuations. If the purchasers are no
13 longer seeing that risk, who is at risk if things
14 aren't as expected? And, I think Ms. Chamberlin -- the
15 implication of where Ms. Chamberlin I thought was going
16 was "are the ratepayers at risk?" In the event that
17 the other purchasers have more control, are the
18 ratepayers at risk if things go awry?

19 A. (DaFonte) Actually, we did it for that very reason, to
20 avoid any subsidies between retail choice customers and
21 sales customers. The reason being that, when we
22 classified it as a "peaking" supply, per our tariff, we
23 have to provide a cost estimate to suppliers, to retail
24 suppliers, so that they can use that to estimate what

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1 the costs are going to be for them to serve their
2 customers. So, each month we would calculate that, and
3 it becomes what we call a "company-managed supply".
4 So, they never actually see it, they just order it,
5 essentially, through the Company, and then we charge
6 them based on what we estimated at the beginning of the
7 month. Now, during the month, that price could
8 fluctuate wildly. And, if the price ends up being much
9 more than what we quoted them, what we estimated the
10 price to be, then the sales customers bear the
11 difference. Now, of course, it could go the other way,
12 in which case the retail customers -- retail choice
13 customers would bear the difference. However, that's,
14 you know, probably factored into the price that was
15 quoted to those customers by their marketer.

16 And, so, what we wanted to do was try to
17 avoid any of those subsidies by saying "we're going to
18 call this "pipeline". You're going to get your piece
19 of it as a marketer. We'll retain our piece that we
20 need to serve our customers." And, so, we'll continue
21 to serve our customers the way we always have been
22 serving them, but we're not going to take any kind of
23 subsidies, and necessarily pass those through to sales
24 customers. It would be unfair. And, like I said, it

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1 can go both ways. But we felt it was better to avoid
2 it altogether and not have to get into that.

3 Q. Okay. Thank you. Mr. Mullen, should we be comfortable
4 with the situation with iNATGAS?

5 A. (Mullen) Yes. I mean, while there's a delay, it's
6 really not causing any financial consequences at this
7 point.

8 Q. The fact that they prioritized a project elsewhere over
9 the project that's here certainly is an interesting
10 development. Did we know that, if push came to shove,
11 they were going to push theirs forward and shove ours
12 behind?

13 A. (Mullen) Well, that one may have also been under
14 development prior to the Concord facility.

15 A. (DaFonte) Yes.

16 Q. Okay. I see Mr. DaFonte seems to agree with that, is
17 that correct?

18 A. (DaFonte) That's correct. That was under development
19 prior to the Concord facility being approved.

20 CHAIRMAN HONIGBERG: All right. I think
21 that's all I have.

22 All right. Mr. Ritchie, do you have any
23 further questions for your witnesses?

24 MR. RITCHIE: Just one question. And,

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1 it's for Mr. Mullen.

2 **REDIRECT EXAMINATION**

3 BY MR. RITCHIE:

4 Q. Mr. Mullen, with respect to -- or, you were asked
5 questions regarding some of the direct construction
6 costs associated with the iNATGAS facility. Do you
7 recall that?

8 A. (Mullen) Yes.

9 Q. And, just to be clear, the direct costs that are
10 associated with the construction of that facility, none
11 of those are included in this cost of gas filing, is
12 that correct?

13 A. (Mullen) That's correct.

14 MR. RITCHIE: And, that's all I have on
15 direct.

16 CHAIRMAN HONIGBERG: All right. If
17 there's nothing else for these witnesses, there's no
18 objection to striking ID on the exhibits, I assume? There
19 certainly won't be one from you, Mr. Ritchie. I don't
20 think you need to worry about that.

21 *[No verbal response]*

22 CHAIRMAN HONIGBERG: I see nothing from
23 the other side of the room. We'll have the witnesses just
24 stay where they are for now.

1 Is there anything else we need to do
2 before the parties sum up on this one?

3 *[No verbal response]*

4 CHAIRMAN HONIGBERG: All right.
5 Ms. Chamberlin.

6 MS. CHAMBERLIN: Thank you. The OCA
7 does not object to the rate going in as proposed.
8 Commodity prices are down. Residential customers will
9 experience a rate decrease from last winter. So, I would
10 accept it as filed.

11 CHAIRMAN HONIGBERG: Mr. Speidel.

12 MR. SPEIDEL: Thank you. Staff wishes
13 to express its support for approval of the 2015-2016
14 EnergyNorth Cost of Gas rates as filed, subject to
15 reconciliation. We also recommend approval of the LDAC
16 components that have been tendered as part of this filing.

17 Staff will continue to monitor the
18 iNATGAS picture and communicate with the Company regarding
19 that.

20 And, Staff expects that the Company
21 would adjust reconciliation schedules appropriately based
22 on actual use going forward, as is the usual practice.

23 On environmental remediation, we do
24 recommend approval of the costs as filed. And, we would

1 also, with regards to the gasholder, like to express
2 Staff's opinion that, traditionally, we only seek to have
3 included in recovered rates the costs of remediation of
4 the environmental contamination in question. That means
5 environmental remediation to industry standards, to the
6 standards required by the Department of Environmental
7 Services or other relevant authorities. And, any extras,
8 such as rehabilitation of a historical site, are not
9 appropriately included in rates, and would be at the
10 election of the Company for recovery from shareholders.
11 And, I think we heard today that the Company is not
12 interested in such a posture, and Staff is supportive of
13 that business decision by the Company.

14 And, therefore, to sum up, we do
15 approve -- I'm sorry, we recommend approval of this
16 filing. Thank you.

17 CHAIRMAN HONIGBERG: Mr. Ritchie.

18 MR. RITCHIE: Thank you, Chairman. The
19 Company respectfully requests that the Commission approve
20 the proposed rates, LDAC components, and remediation costs
21 in the Company's filing in DG 15-353, and in order for the
22 rates to take effect on November 1st, 2015. As supported
23 by the Company's prefiled testimony and the testimony
24 presented today at the hearing, the Company respectfully

1 submits that the proposed rates are just and reasonable.
2 They're based on an appropriate forecast of supply that
3 will be necessary this winter, and will result in lower
4 rates for customers.

5 And, the Company also would like to add
6 that it will -- it will gladly continue to share
7 information with Staff regarding the iNATGAS facility
8 going forward. Thank you.

9 CHAIRMAN HONIGBERG: All right. Thank
10 you all. We'll close the record on this proceeding, and
11 we'll get an order out as quickly as we can. And, we will
12 adjourn.

13 **(Whereupon the hearing was adjourned at**
14 **10:20 a.m.)**