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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

February 14, 2008 - 10:13 a.m.  
Concord, New Hampshire

RE: DG 07-101  
ENERGYNORTH NATURAL GAS d/b/a  
KEYSPAN ENERGY DELIVERY NEW ENGLAND:  
Petition for Approval of a Firm  
Transportation Agreement with  
Tennessee Gas Pipeline Company.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Graham J. Morrison  
Commissioner Clifton C. Below

Connie Fillion, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas d/b/a  
KeySpan Energy Delivery New England:  
Sarah B. Knowlton, Esq. (McLane, Graf...)  
Thomas O'Neill, Esq.

Reptg. Residential Ratepayers:  
Kenneth E. Traum, Asst. Consumer Advocate  
Stephen Eckberg  
Office of Consumer Advocate

Reptg. PUC Staff:  
Edward N. Damon, Esq.

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



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## E X H I B I T S

3

EXHIBIT NO.                      D E S C R I P T I O N                      PAGE NO.

4

1                      Direct Testimony of Elizabeth D. Arangio                      7

5

2                      Direct Testimony of Theodore E. Poe, Jr.                      7

6

3                      Direct Testimony of John S. Stavrakas                      7

7

4                      Direct Testimony of Paul M. DeRosa                      7

8

5                      Surrebuttal Testimony of Elizabeth Arangio                      7

9

6                      Settlement Agreement re: DG 07-101                      7

10

7                      ENGI/KeySpan response to OCA  
Discover Request OCA 1-5                      36

11

8                      Testimony of John B. Adger, Jr. and  
Yavuz Arik                      45

12

13

9                      Document entitled "Presentation to  
Commissioners" and ENGI/KeySpan response  
to Staff Data Request Staff 1-18 and  
Staff 2-21                      47

14

15

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{DG 07-101} (02-14-08)

## 1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in docket DG 07-101. On  
4 September 14, 2007, KeySpan Energy filed a petition for  
5 approval of a firm transportation agreement with Tennessee  
6 Gas Pipeline Company to provide EnergyNorth additional  
7 capacity on the Concord Lateral. Under the agreement,  
8 Tennessee would construct the facilities necessary to  
9 render firm transportation service. Service to commence  
10 on the latter of November 1, 2009 or the date on which  
11 Tennessee is able to render service to KeySpan for a  
12 primary term of 20 years.

13 In a separate docket, DG 06-105, Staff  
14 filed testimony stating that it did not believe the  
15 expansion of the Concord Lateral would be a least cost  
16 option. Staff and KeySpan subsequently agreed that it  
17 would be appropriate for the Commission to review the  
18 KeySpan analysis and make a prudence determination prior  
19 to irrevocably committing to the proposed pipeline  
20 project.

21 An order of notice was issued on  
22 October 9, and a prehearing conference was held on  
23 November 8, followed by a secretarial letter approving a  
24 procedural schedule that, subject to subsequent revisions,

{DG 07-101} (02-14-08)

1 culminates in the hearing this morning. And, we have a  
2 Settlement Agreement that was filed between Staff and the  
3 Company on February 8.

4 Can we take appearances please.

5 MS. KNOWLTON: Good morning,  
6 Commissioners. Sarah Knowlton, with the law firm of  
7 McLane, Graf, Raulerson & Middleton, on behalf of  
8 EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy  
9 Delivery New England. Here with me today from the Company  
10 is Thomas O'Neill, the Company's counsel. Behind me is  
11 Elizabeth Arangio, Theodore Poe, John Stavarakas, Nancy  
12 Culliford, and Paul DeRosa.

13 CHAIRMAN GETZ: Good morning, everyone.

14 CMSR. MORRISON: Good morning.

15 CMSR. BELOW: Good morning.

16 MR. TRAUM: Good morning, Mr. Chairman,  
17 Commissioners. Representing the Office of Consumer  
18 Advocate, Kenneth Traum. And, with me today is Steve  
19 Eckberg.

20 CHAIRMAN GETZ: Good morning.

21 CMSR. MORRISON: Good morning.

22 CMSR. BELOW: Good morning.

23 MR. DAMON: Good morning, Commissioners.  
24 Edward Damon, for the Staff. And, with me this morning

{DG 07-101} (02-14-08)

1 are John Adger, a consultant with Liberty Consulting  
2 Group, Stephen Frink and Robert Wyatt.

3 CMSR. BELOW: Good morning.

4 CMSR. MORRISON: Good morning.

5 CHAIRMAN GETZ: Good morning. Is the  
6 intent to proceed with a panel this morning?

7 MS. KNOWLTON: Yes. What the Company  
8 would propose is a panel of Ms. Arangio and Mr. Poe. Mr.  
9 Stavrakas and Mr. DeRosa are here, and I would ask -- what  
10 my proposal would be is that their testimony be marked for  
11 identification and admitted. My understanding is that  
12 there's no cross-examination at least from the Staff and  
13 the OCA as to those witnesses. I would, obviously, defer  
14 to the Commissioners, if they had questions for those  
15 witnesses. But I had not intended to put Mr. Stavrakas or  
16 Mr. DeRosa on the stand.

17 CHAIRMAN GETZ: Okay.

18 MS. KNOWLTON: There is also a few  
19 procedural issues.

20 CHAIRMAN GETZ: Well, but the panel will  
21 not include -- is Staff going to appear separately?

22 MR. DAMON: Yes. Mr. Adger, we would  
23 propose, would take the stand after the Company witnesses  
24 take the stand.

1 CHAIRMAN GETZ: Okay. And, then --  
2 well, if you could address other procedural matters.

3 MS. KNOWLTON: Sure. So, what I would  
4 propose is marking the following documents for  
5 identification purposes: Ms. Arangio's prefiled Direct  
6 Testimony as "Exhibit 1"; Mr. Poe's prefiled Direct  
7 Testimony as "Exhibit 2"; Mr. Stavrakas's prefiled Direct  
8 Testimony as "Exhibit 3"; Mr. DeRosa's prefiled Direct  
9 Testimony as "Exhibit 4"; Ms. Arangio's Surrebuttal  
10 Testimony as "Exhibit 5"; and the Settlement Agreement,  
11 which was submitted to the Commission last Friday, as  
12 "Exhibit 6".

13 CHAIRMAN GETZ: Okay. They will be so  
14 marked.

15 (The documents, as described, were  
16 herewith marked as Exhibits 1 through 6,  
17 respectively, for identification.)

18 MS. KNOWLTON: The Company also has  
19 pending a Motion for Protective Order and Confidential  
20 Treatment that was filed with the Commission yesterday,  
21 and addresses a number of data responses that were  
22 provided by the Company, which predominantly included  
23 confidential pricing information, whether obtained from  
24 suppliers or from third party services that require that

1 the Company maintain the confidence of the material. And,  
2 also, exhibits to Ms. Arangio's Surrebuttal Testimony,  
3 Attachment EDA-2 through 8, that contain market  
4 information from third party consultants. So, I would ask  
5 that the Commission, you know, consider and take that  
6 motion under advisement.

7 MR. DAMON: Yes. May I just speak to  
8 the motion briefly? I would ask the Company to provide a  
9 little bit more information on the record regarding their  
10 request for confidentiality of a couple of the items,  
11 which the pricing and information, we understand that,  
12 that's a very common request that the Company makes. But,  
13 if they could just put a little more on the record  
14 regarding the basis for making confidential the daily  
15 effective degree day data from Manchester, the Henry Hub  
16 pricing, and the monthly propane pricing for the past five  
17 years. And, maybe, then -- And, also, Platts Inside FERC  
18 monthly settlement prices. Just have them address that a  
19 little bit more, I think it would be helpful.

20 MS. KNOWLTON: The Company obtains that  
21 information from third parties, from various services.  
22 Platts is one of those services. And, the Company has a  
23 contractual obligation with that third party to maintain  
24 that information in confidence, which is the basis for



1 seeking confidential treatment.

2 CHAIRMAN GETZ: Is that -- Well,  
3 sometimes in those contractual arrangements there's an  
4 exception for confidentiality if the holder is, in this  
5 case, KeySpan, is required to provide it as part of a  
6 regulatory proceeding. Do you know if that's the case in  
7 any of these contracts?

8 MS. KNOWLTON: I don't know for each of  
9 the particular contracts. I do know that the Company has  
10 sought and received confidential treatment for this type  
11 of information in other dockets. Also, I would note, I  
12 mean, the Company has provided the information to the  
13 Staff and the OCA in this proceeding. Everybody has it.  
14 The parties to the proceeding have it. But, as to the  
15 specific contracts, I'm not aware whether those clauses  
16 are in there.

17 CHAIRMAN GETZ: Okay. I take it, Mr.  
18 Damon, your point was, if -- whether Staff would be able  
19 to take a position in support, would require some further  
20 understanding of the arguments why they should be -- why  
21 these particular items should be protected?

22 MR. DAMON: Yes. Well, this kind of  
23 information, I don't, off the top of my head, recall the  
24 Commission agreeing that this type of information should

1 be kept confidential. But I know the Commission wants to  
2 keep as much information as possible in the public domain.  
3 It's just that these, to me, seemed a little out of the  
4 ordinary, and particularly the Hub -- the Henry Hub  
5 pricing and the propane pricing information. As I think  
6 about it, the effective degree day data, I believe that  
7 may have been protected in a prior proceeding, because  
8 that is generated specifically for the Company, I believe.  
9 But, at any rate, --

10 CHAIRMAN GETZ: Well, with respect to  
11 all these issues, I guess I would suggest that the Company  
12 and Staff, and if the OCA is interested, to deal with this  
13 off line, and then make a recommendation in writing about  
14 -- what the position is and whether we should accord these  
15 pieces of information confidential treatment or not.

16 MR. DAMON: Yes.

17 MS. KNOWLTON: And, I mean, I think this  
18 is implicit in what I said previously, but the Company  
19 purchases this data. I mean, it's pursuant to a contract,  
20 and it's something that the Company pays for from private  
21 -- various private services. But we will confer with  
22 Staff and OCA after the proceeding. We did circulate a  
23 draft of our motion prior to filing it. So, we'd be glad  
24 to have that conversation with Staff and OCA and respond

[WITNESS PANEL: ARANGIO|POE]

1 to the Commission further.

2 CHAIRMAN GETZ: Okay. Thank you. Are  
3 you prepared to proceed with your panel?

4 MS. KNOWLTON: Yes, I am. The Company  
5 calls Elizabeth Arangio and Theodore Poe please.

6 (Whereupon Elizabeth D. Arangio and  
7 Theodore E. Poe, Jr. was duly sworn and  
8 cautioned by the Court Reporter.)

9 ELIZABETH D. ARANGIO, SWORN

10 THEODORE E. POE, JR., SWORN

11 DIRECT EXAMINATION

12 BY MS. KNOWLTON:

13 Q. I'll start with you, Mr. Poe. Would you please state  
14 your full name for the record.

15 A. (Poe) My name is Theodore Poe, Jr.

16 Q. And, by whom are you employed?

17 A. (Poe) I'm employed by the Company, KeySpan.

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

19 A. (Poe) Manager of Energy Planning.

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

22 A. (Arangio) Yes. My name is Elizabeth Arangio.

23 Q. And, what position do you hold with the Company?

24 A. (Arangio) I am the Director of Gas Supply Planning.

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

- 1 Q. And, how long have you held that position?
- 2 A. (Arangio) I've been in this position for over five  
3 years.
- 4 Q. Ms. Arangio, did you -- I'll show you a document that's  
5 been marked for identification as "Exhibit 1". This is  
6 your direct prefiled testimony in this case. Are you  
7 familiar with this document?
- 8 A. (Arangio) Yes, I am.
- 9 Q. And, was this prepared by you or under your direction  
10 and control?
- 11 A. (Arangio) Yes, it was.
- 12 Q. And, is the testimony that's contained in Exhibit 1  
13 true and correct to the best of your knowledge and  
14 belief?
- 15 A. (Arangio) Yes, it is.
- 16 Q. If I were to ask you these questions today, would your  
17 answers be the same as set forth in your testimony?
- 18 A. (Arangio) Yes, they would.
- 19 Q. Mr. Poe, I'll show you a document that's been marked  
20 for identification as "Exhibit 2". This is your  
21 prefiled direct testimony in this case. Are you  
22 familiar with this document?
- 23 A. (Poe) Yes, I am.
- 24 Q. Was this prepared by you or under your direction and

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

- 1 control?
- 2 A. (Poe) Yes, it was.
- 3 Q. Okay. And, is the testimony contained in Exhibit 2
- 4 true and correct to the best of your knowledge and
- 5 belief?
- 6 A. (Poe) Yes, it is.
- 7 Q. And, if I were to ask you these questions today, would
- 8 your answers by the same?
- 9 A. (Poe) Yes, ma'am.
- 10 Q. Thank you. And, I'm going to skip forward,
- 11 Ms. Arangio, to Exhibit 5, which is surrebuttal
- 12 testimony that you filed in this docket. Are you
- 13 familiar with that testimony?
- 14 A. (Arangio) Yes, I am.
- 15 Q. And, was that surrebuttal testimony prepared by you or
- 16 under your direction and control?
- 17 A. (Arangio) Yes, it was.
- 18 Q. And, to the best of your knowledge, is it true and
- 19 correct?
- 20 A. (Arangio) Yes, it is.
- 21 Q. If I were to ask you those questions today, would your
- 22 answers be the same?
- 23 A. (Arangio) Yes, they would.
- 24 Q. Thank you. And, Mr. Poe, I'm going to start with you

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 please. And, I'm going to ask that you summarize your  
2 testimony that's contained in Exhibit 2 please, just  
3 generally, the issues that your testimony is intended  
4 to address.

5 A. (Poe) With regard to my testimony, I discuss the  
6 portfolio objectives that the Company has recognition  
7 of its growing load and need for incremental capacity,  
8 and the alternatives that the Company evaluated in  
9 coming to the conclusion that expansion of the Concord  
10 Lateral was the least cost option.

11 Q. Okay. Can you maybe back up for a minute, and can you  
12 explain generally, you know, why the Company is here  
13 today, that it had identified a need for additional  
14 capacity?

15 A. (Poe) Certainly. As part of the Company's annual  
16 planning process, the Company monitors the need for two  
17 types of capacity. One is sufficient single day  
18 capacity to address the peak day needs. And, then, the  
19 second would be seasonal capacity, the amount of supply  
20 of gas that we would need to address the needs of the  
21 customers. Through its annual planning process, we've  
22 been monitoring and observing that, as the customer  
23 base grows and needs continue to grow, our existing  
24 portfolio is going to be running short. And, so that

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 we need to address having adequate capacity for the  
2 customers, both in terms of peak day and peak season.

3 Q. And, how do you define "peak day"?

4 A. (Poe) "Peak day" would be the one coldest day that we  
5 plan for in our planning process.

6 Q. And, what is "peak season"?

7 A. (Poe) "Peak season" would be the coldest winter season  
8 that we're addressing.

9 Q. And, what was the particulars -- so, the Company here  
10 was focused on peak day and peak season?

11 A. (Poe) The Company is here for both issues, yes.  
12 Because, as the customer base grows, we have both a  
13 peak day need and a seasonal need.

14 Q. Okay. And, did you identify any options to address  
15 those two needs?

16 A. (Poe) Within my analysis, I had gone to both the Supply  
17 Planning Group, as well as our Engineering Group and  
18 our Energy Efficiency Group, and evaluated a number of  
19 different alternatives that could be proposed.

20 Q. And, what are those alternatives?

21 A. (Poe) That would be the Concord Lateral expansion for  
22 the pipeline side, development of a new LNG facility or  
23 a new propane facility, or expansion of the Company's  
24 energy efficiency programs.

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

- 1 Q. And, can you define more specifically what the need is,  
2 in terms of what -- is there an incremental need?
- 3 A. (Poe) Yes, there's an incremental need both on peak day  
4 and throughout the peak season.
- 5 Q. Okay. And, what did you do to analyze those four  
6 options that you just identified?
- 7 A. (Poe) Akin to what we do typically in our planning  
8 process, I developed a linear programming model, which  
9 then could be given all the cost data for the existing  
10 portfolio, plus the alternatives that we have proposed,  
11 and evaluate which of the alternative or alternatives  
12 would be the least cost solution to address the  
13 customers' needs.
- 14 Q. And, what did your analysis demonstrate?
- 15 A. (Poe) The conclusion was that the Concord Lateral was  
16 the least cost option under a range of conditions.
- 17 Q. What were those? Can you generally describe those  
18 range of conditions that the model considered?
- 19 A. (Poe) Sure. Since we're talking both natural gas, plus  
20 another fuel type, propane, it looked at a variety of  
21 different pricing levels, in terms of the natural gas  
22 and the propane prices simultaneously.
- 23 Q. Where did you get that pricing information?
- 24 A. (Poe) That was from the Department of Energy Annual

{DG 07-101} (02-14-08)



[WITNESS PANEL: ARANGIO|POE]

1 Energy Outlook.

2 Q. And, what -- So, again, if you -- perhaps you've  
3 already stated this, but restate what the conclusion of  
4 the analysis was.

5 A. (Poe) The conclusion was that, over a range of prices  
6 and a range of demand, the Concord Lateral expansion  
7 was the least cost incremental solution for the  
8 customers' needs.

9 Q. Okay. Ms. Arangio, I'll ask you to jump in at this  
10 point. Can you explain then, based on that analysis,  
11 what did the Company consider with regard to the  
12 Concord Lateral option?

13 A. (Arangio) The Company considered the Concord Lateral  
14 option as the most prudent contract to enter into to  
15 serve the upcoming peak season and peak day need that  
16 we have going forward.

17 Q. Who would that contract be with?

18 A. (Arangio) I'm sorry, that contract is with Tennessee  
19 Gas Pipeline.

20 Q. And, what would, specifically, would Tennessee do to  
21 provide those services to meet that need of the  
22 Company?

23 A. (Arangio) Sure. In order to provide the service, which  
24 is an incremental 30,000 MMBtu a day of service, they

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

- 1 would be installing additional compression on the  
2 Concord Lateral. And, what we agreed to, in order to  
3 provide the service, is, as I think stated previously,  
4 for a term of 20 years.
- 5 Q. And, where is that compressor going to be added?
- 6 A. (Arangio) It's going to be added, I believe, in and  
7 around Nashua. And, the contract will provide for  
8 service for the Company to pick up the gas supplies at  
9 Dracut, Massachusetts, and deliver them to the  
10 Company's city gates, at a negotiated, agreed upon rate  
11 for the term of the contract.
- 12 Q. Okay. Did the Company enter into any form of agreement  
13 with Tennessee with regard to this project?
- 14 A. (Arangio) Yes, it did. The Company signed a Precedent  
15 Agreement with Tennessee.
- 16 Q. And, is that agreement attached to your testimony?
- 17 A. (Arangio) Yes, it is.
- 18 Q. Can you identify where that is please?
- 19 A. (Arangio) Sure. It's actually attached to my -- my  
20 Company surrebuttal.
- 21 Q. Okay. I believe, actually, it's attached to your  
22 direct filed testimony, --
- 23 A. (Arangio) Oh, I apologize. That's correct.
- 24 Q. -- EDA-1.

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 A. (Arangio) I apologize, yes.

2 Q. Do you have that before you?

3 A. (Arangio) Yes.

4 Q. I would note that it's also attached to the Settlement  
5 Agreement, which has been marked as "Exhibit 6". But,  
6 if you could take a look at that precedent agreement  
7 please.

8 (Brief off-the-record discussion ensued  
9 regarding static noise coming from the  
10 microphones.)

11 MS. KNOWLTON: Are we okay?

12 CHAIRMAN GETZ: Could be.

13 MS. KNOWLTON: Proceed carefully.

14 BY MS. KNOWLTON:

15 Q. Ms. Arangio, I'm looking at Exhibit EDA-1, Page 21 to  
16 your prefiled testimony, which has been marked as  
17 "Exhibit 1". Do you have that before you?

18 A. (Arangio) Yes, I do.

19 Q. And, is that the Precedent Agreement that you just  
20 referenced?

21 A. (Arangio) Yes, it is.

22 Q. And, could you walk through what the material terms of  
23 this agreement are?

24 A. (Arangio) Sure. This agreement provides the details of

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

- 1 the service that Tennessee will provide to the Company.  
2 In summary, again, it's incremental volumes from the  
3 receipt point of Dracut, Massachusetts, to the  
4 Company's city gates, for 30,000 MMBtus a day, at a  
5 negotiated fixed rate, a per unit rate of 40 cents, for  
6 the term of 20 years.
- 7 Q. And, when did the Company enter into this agreement?
- 8 A. (Arangio) The Company signed this agreement on the 29th  
9 of August, 2007.
- 10 Q. Okay. Does the agreement contain any provisions  
11 regarding regulatory approvals that the Company needs  
12 to seek?
- 13 A. (Arangio) Yes, it does, actually. In Section 13, on  
14 Page 5 of the Precedent Agreement, it requires the  
15 Company to notify Tennessee whether or not it will be  
16 going forward before the date of March 1st, 2008 with  
17 the Precedent Agreement and being taking -- and being  
18 taking service under the contract. So, the Company is  
19 required to get regulatory approvals before this date  
20 and notify Tennessee whether or not it's going to be  
21 going forward with this Precedent Agreement.
- 22 Q. And, if the Company were to get a regulatory approval  
23 as part of this proceeding, what would be the next step  
24 under this agreement?

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

- 1 A. (Arangio) The Company -- Actually, in fact, the Company  
2 does not have to notify Tennessee if it wishes to go  
3 forward. The contract will, in effect, just go  
4 forward. The requirement would be for the Company, if  
5 it does not receive regulatory approval before March  
6 31st, to notify Tennessee in writing that it will be  
7 terminating this agreement.
- 8 Q. And, may I -- I think you said "March 31st". Did you  
9 mean "March 1st, 2008"?
- 10 A. (Arangio) I'm sorry. I meant "March 1st". I  
11 apologize. Yes.
- 12 Q. So, what -- I notice that the Precedent Agreement has  
13 two attachments to it, Exhibits A and B. Can you  
14 explain for the Commission what is Exhibit A?
- 15 A. (Arangio) Sure. Exhibit A starts on Page 31. And,  
16 that is a sample Gas Transportation Agreement. And,  
17 the Gas Transportation Agreement that the Company would  
18 sign, where it would take service as described in the  
19 Precedent Agreement, will be in a form very similar to  
20 this agreement. Obviously, the dates and volumes and  
21 price will have to be incorporated. And, then, in  
22 Exhibit B is the negotiated rate letter. So, that  
23 provides the negotiated rate at which the Company will  
24 be paying Tennessee for the service. And, in fact, the

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 Company is obligated to provide, you know, going  
2 forward, is obligated to execute the Exhibit A, which  
3 would be the Gas Transportation Agreement, ten days  
4 after Tennessee receives all of its authorizations.  
5 It's FERC approval and any other authorizations it  
6 requires.

7 Q. And, how long do you anticipate that process would take  
8 on Tennessee's side?

9 A. (Arangio) That will -- I believe that they just filed  
10 their -- made their filing with FERC at the beginning  
11 of this week. And, they expect that to go through,  
12 let's see, they would expect to be receiving FERC  
13 approval in early '09. And, then, would do -- build  
14 construction and commence construction in Spring/Summer  
15 of '09, for service -- in service the start of  
16 November 1st, 2009.

17 Q. And, this is the contract that is the subject of the  
18 Settlement Agreement that's been filed with the  
19 Commission and is the subject of this proceeding, is  
20 that right?

21 A. (Arangio) Yes, it is.

22 Q. Are you familiar with testimony that was filed by Staff  
23 Witnesses Adger and Arik in this case?

24 A. (Arangio) Yes, I am.

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 Q. You've reviewed that testimony?

2 A. (Arangio) I have.

3 Q. And, did you file surrebuttal testimony in response to  
4 that Staff testimony?

5 A. (Arangio) Yes, I did.

6 Q. Can you identify what the purpose of your surrebuttal  
7 testimony is please?

8 A. (Arangio) Sure. Excuse me. In the Staff testimony,  
9 they identified, they reviewed all of our analysis and  
10 agreed that the Concord Lateral agreement was something  
11 that the Company should enter into, providing that the  
12 Company could make the showing that the assumed price  
13 that we had incorporated into our analysis was a price  
14 at which the Company could purchase gas supplies in the  
15 future. And, they felt that we could make that  
16 showing. So, in fact, my surrebuttal was a summary of  
17 some informal discussions that we had with some of our  
18 suppliers at the Dracut, Massachusetts point that are  
19 active at that point and in the marketplace.

20 So, what we did was we went -- we asked  
21 four of the current suppliers that we work with to  
22 provide us some indicative pricing for the gas year  
23 beginning November of '09, and what we would be able to  
24 purchase gas supplies for, in a very general sense, for

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 the winter period, as well as for gas on a call option,  
2 so we would need it when we needed it on a peak day.  
3 And, we solicited responses from, again, four  
4 suppliers. Three of those folks felt comfortable  
5 providing us some indicative pricing, which is attached  
6 to my surrebuttal testimony.

7 Q. And, what did that -- what did that reveal?

8 A. (Arangio) That revealed that the Company, in fact, the  
9 assumptions that we had made on the pricing, that the,  
10 excuse me, that the three folks that we spoke with, one  
11 of the folks we were able to get a quote using the or  
12 at or near the same assumptions that the price company  
13 made for pricing. And, then, two other prices that we  
14 would also be able to buy gas at.

15 Q. So, is it fair to say that one of the three responded  
16 with pricing that was at or below the 2.30 level?

17 A. (Arangio) Yes, it is.

18 Q. And, is it your belief that the Company -- that it's  
19 reasonable for the Company to believe that, you know,  
20 sitting here today, could procure at that, at or below  
21 that 2.30 price level?

22 A. (Arangio) Yes. And, I think it's important to note,  
23 they provided two pricing levels. And, the at or below  
24 the 2.30 was first a winter pricing, and then they also

{DG 07-101} (02-14-08)



[WITNESS PANEL: ARANGIO|POE]

1 provided pricing for a peak day -- peak day pricing  
2 that we could purchase the gas supplies for. And,  
3 those estimates were, again, less than what the Staff  
4 testimony had provided.

5 And, in addition to the indicative  
6 pricing, I've also included, as part of my surrebuttal  
7 testimony, a number of studies and reports by  
8 consultants that the Company works with, showing future  
9 indications of the gas supply outlook, at a very high  
10 level, a macro level -- a macro, global level, as well  
11 as indicative pricing in the Northeast region.

12 Q. Without -- Those attachments that are marked as "EDA-2"  
13 through "EDA-8" to your surrebuttal testimony, those  
14 have been -- the Company has sought confidential  
15 treatment of those documents. Without going into the  
16 confidential aspects of those documents, can you  
17 identify who those consultants are that you rely upon?

18 A. (Arangio) Yes. The studies that we've submitted, as  
19 part of my surrebuttal testimony, are studies by CERA,  
20 Goldman Sachs, Wood Mackenzie, and PA Consulting out of  
21 California.

22 Q. So, is it your position that, based on the studies of  
23 those consultants, as well as the indicative pricing  
24 that you got from the three suppliers, that the

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 assumptions that the Company has made are reasonable?

2 A. (Arangio) Yes.

3 Q. Would you recommend that the Company enter into a  
4 contract now to purchase supply for that 2009/2010  
5 heating season?

6 A. (Arangio) No, I wouldn't. And, the reason for that is  
7 simply because you can see the range of prices that  
8 were provided to the Company by the three folks that  
9 provided the pricing. And, in those pricing, the  
10 marketer or the supplier would have to certainly factor  
11 in any risk associated with the timing of locking in  
12 gas supplies today, in early '08, for flow in November  
13 of 2009, and all of the market dynamics that could  
14 change between now and then. Certainly, the  
15 expectation is, and in the marketplace, and you can  
16 certainly see that even in forward pricing, is that the  
17 Northeast will see an introduction of new gas supplies,  
18 whether it's by displacement, the Rockies gas supplies  
19 coming a little bit further out. But, starting in '08,  
20 the Repsol Canaport LNG Project is expected to come on  
21 line at the end of this year, and the Distrigas Suez  
22 Neptune Project is expected to also come on line. So,  
23 the introduction of those new gas supplies into the  
24 Northeast market will certainly have a significant

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 effect. And, the marketplace still needs some time to  
2 react to that and see what effect that will have. So,  
3 the closer to -- closer in time to the gas flow of when  
4 we'll be taking that gas we'd like to purchase that.  
5 So, going into the '09 winter season, the summer before  
6 that is when we would be soliciting for those gas  
7 supplies.

8 Q. After providing that information in your surrebuttal  
9 testimony, did the Company enter into a Settlement  
10 Agreement with Staff in this docket?

11 A. (Arangio) Yes, it did.

12 Q. And, is that the document that's been marked for  
13 identification as "Exhibit 6"?

14 A. (Arangio) Yes, it is.

15 Q. Did you participate in this Settlement Agreement?

16 A. (Arangio) Yes, I did.

17 Q. May I provide you with a copy of it?

18 A. (Arangio) No, I have it right here. I just need to  
19 flip to it.

20 Q. I can give you a copy here.

21 A. (Arangio) Sorry. So as not to delay. Thank you.

22 Q. Is that the Settlement Agreement that you participated  
23 in, Ms. Arangio?

24 A. (Arangio) Yes, it is.

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

- 1 Q. Okay. And, I would ask that you turn -- well, first,  
2 let's start with the background section in the  
3 Settlement Agreement. Could you, if you would just  
4 take a look at that please, starting on Page 1.
- 5 A. (Arangio) Yes.
- 6 Q. And, that background discussion extends to Page 5. Is  
7 that a general discussion of essentially the testimony  
8 that you and Mr. Poe have given, the background that  
9 led up to this contract?
- 10 A. (Arangio) Yes, it is.
- 11 Q. If you would turn to Page 5, II. Do you have that  
12 before you?
- 13 A. (Arangio) Yes, I do.
- 14 Q. And, Paragraph A, "The TGP Agreement", would you  
15 explain your understanding of this provision, what the  
16 Staff and the Company have agreed to?
- 17 A. (Arangio) Yes. My understanding is that the Company  
18 and the Staff agree that entering into the Tennessee  
19 Agreement is in the public interest, and it will be the  
20 best alternative of the alternatives that the Company  
21 looked at for meeting its need going forward.
- 22 Q. And, the Company and the Staff, pursuant to this  
23 provision, agree that the TGP Agreement, which is  
24 attached to the Settlement, should be approved by the

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 Commission?

2 A. (Arangio) That's correct.

3 Q. If you could take a look at Paragraph B, "Planning  
4 Conference", would you explain what the Staff and the  
5 Company have agreed to here.

6 A. (Arangio) Yes. As I mentioned, we were -- we would be  
7 looking at purchasing the gas supply to flow on the  
8 Tennessee capacity going into the November winter  
9 season, so to start in November '09. So, what the  
10 Company, the Staff and the OCA here have agreed to --  
11 well, excuse me, that the Company and Staff have agreed  
12 to, that the three parties would participate in a  
13 planning conference, we say "in and around July", which  
14 would be the time that we would be taking a look at  
15 what we would be looking to purchase going into that  
16 winter season. So, all of our incremental gas supply  
17 needs that aren't under contract before that we would  
18 be looking at going out to the marketplace, putting  
19 together any RFPs that we would need to, and working  
20 with the parties on the broad scope of alternatives  
21 that we would be looking at to fill the capacity, and  
22 how the Company would put together and what the Company  
23 would put in its RFP for gas supply for that, to meet  
24 that upcoming winter need.

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 Q. And, that need is for the 2009/2010 heating season,  
2 correct?

3 A. (Arangio) Yes, it is.

4 Q. Okay. And, did the Company, if you would look on the  
5 bottom of Page 5, carrying over to the top of Page 6,  
6 can you explain your understanding regarding the  
7 Company's obligations about the prudence of gas  
8 purchases to meet that need?

9 A. (Arangio) Oh, yes. That the Company would still be  
10 obligated to, as it goes out to enter into its gas  
11 supplies beginning in that '09/10 season, that the  
12 Company would still be under a requirement certainly to  
13 prudently purchase its gas supplies. So, that would be  
14 an obligation that the Company would still be under  
15 going forward at that time.

16 MS. KNOWLTON: I have no further  
17 questions for Ms. Arangio or Mr. Poe.

18 CHAIRMAN GETZ: Thank you. Mr. Damon?

19 MR. DAMON: I have no questions.

20 CHAIRMAN GETZ: Mr. Traum.

21 MR. TRAUM: Thank you, sir. I have a  
22 number of questions, a lot of them are more or less  
23 background. But I'll be probably directing them at a  
24 specific witness, but, if the other panelist wants to add

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 something, please feel free to.

2 CROSS-EXAMINATION

3 BY MR. TRAUM:

4 Q. I guess I'll start with Ms. Arangio and your discussion  
5 about the Precedent Agreement. And, when I look at the  
6 Precedent Agreement, it refers to Laconia as being the  
7 delivery point. Will all the gas be going to Laconia  
8 or will it actually be going to various city gates up  
9 and down the Merrimack River Valley?

10 A. (Arangio) The purpose of having the primary receipt  
11 point and primary delivery point on a contract is that  
12 will require then Tennessee to be able to transport  
13 that gas from one point, that point, Dracut, beginning  
14 at Dracut, all the way up to Laconia. And, Laconia is  
15 the furthest point on the Concord Lateral. So,  
16 physically, the gas may be taken at points before  
17 Laconia, but the obligation of Tennessee is, should the  
18 Company need all that gas at the end of the Lateral at  
19 some point, that the Company could, in fact, take that  
20 gas all the way to the end of the point.

21 Q. Okay. And, when you say "Laconia", it's actually  
22 physically located in Concord, on Broken Bridge Road?

23 A. (Arangio) That's correct.

24 Q. And, is any FERC approval or actions necessary?

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

- 1 A. (Arangio) Yes. Actually, Tennessee is seeking FERC  
2 approval for this contract and for the services it  
3 needs to put in place to provide this contractual  
4 arrangement to the Company.
- 5 Q. And, do you expect that to be perfunctory or could that  
6 cause a delay in this?
- 7 A. (Arangio) We have been told by Tennessee that they  
8 expect that to be perfunctory. They have made that  
9 filing and do have the expectation that it will go  
10 according to roughly the schedule of having it approved  
11 by probably a year from now.
- 12 Q. And, the prices that you now expect to have to pay with  
13 regards to the Lateral, are they the same prices that  
14 Mr. Poe used in his analysis?
- 15 A. (Arangio) Yes, they are. And, it's a negotiated fixed  
16 rate. So, if there are any increases in costs, that  
17 fixed rate is what the Company will pay. They will not  
18 have to incur any additional cost.
- 19 Q. Now, your surrebuttal testimony was to make the showing  
20 that Staff had requested in their testimony, and part  
21 of that showing was that the cost of firm peaking  
22 supplies would not result in a weighted average cost  
23 for those supplies of more than \$12 over the Henry Hub  
24 price. Now, you confused me a little bit in your

{DG 07-101} (02-14-08)



[WITNESS PANEL: ARANGIO|POE]

- 1 direct, because you talked about "230". And, could you  
2 just reconcile the \$12 and the 230?
- 3 A. (Arangio) I'm sorry. If I said "230", I meant to say  
4 "\$2.30".
- 5 Q. So, you've shown that it's going to be closer to \$2.30  
6 over the Henry Hub price?
- 7 A. (Arangio) That's correct.
- 8 Q. Okay. Mr. Poe, I'd like to look at your analysis of  
9 the different alternatives. So, if you could turn to  
10 your testimony, I believe it's Exhibit 2, TEP-5, Page  
11 23, is the pricing for the Lateral alternative. Do you  
12 have that page?
- 13 A. (Poe) Yes, I do.
- 14 Q. And, the way I understand that, you're saying that the  
15 -- what I'll call the "fixed price" for the Concord  
16 Lateral is \$4,380,000?
- 17 A. (Poe) Yes, sir, on an annual basis.
- 18 Q. And, as far as customers are concerned, they'll have to  
19 pay that, plus whatever the commodity cost of gas is?
- 20 A. (Poe) That is correct, yes.
- 21 Q. And, then -- So, now, by comparison, if we go back to  
22 Page 20, you've got three other alternatives listed  
23 there. The first is the new LNG facility, and that has  
24 an annual cost of \$8,135,000?

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

- 1 A. (Poe) I'm just looking on the page to see where you --  
2 oh, I see. Yes.
- 3 Q. And, again, from a customer viewpoint, it would be  
4 8,100,000, plus the commodity cost of gas?
- 5 A. (Poe) That's correct.
- 6 Q. Okay. And, would you expect the commodity cost of gas  
7 for an LNG facility to be at least as great as the  
8 commodity cost of gas just coming through your  
9 pipeline?
- 10 A. (Poe) I would say it would be somewhat on par. But the  
11 theory between, let's see, we're looking at Resource  
12 Alternative 1, which was the LNG facility without  
13 liquefaction. That liquid would have to be purchased  
14 during the summertime, during the off peak, and  
15 transported to the Company's facility. So, while the  
16 customers may benefit from an off-peak pricing, at the  
17 same time they have to also then incur transportation  
18 charge via truck. So, the prices would be on par. I  
19 can't say specifically what it would be.
- 20 Q. But you've included the trucking costs of 2.5 million  
21 in the 8,100,000?
- 22 A. (Poe) In my original study, yes, I did. That was a  
23 fixed charge.
- 24 Q. Okay. Now, in terms of looking at this alternative,

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 could you address what would be some of the drawbacks  
2 of this alternative, whether they be siting or just  
3 trucking or whatever, you know, things other than  
4 costs?

5 A. (Poe) Things other than that cost would -- presumably,  
6 the number one thing would just be having to truck the  
7 liquid. It would require, since it's a 300,000  
8 decatherm facility, roughly 300 trucks traveling up to  
9 New Hampshire every off-peak season. There shouldn't  
10 be any difficulty in doing that, but it's just added  
11 loads of LNG liquid traveling on the highways.

12 Q. Your -- The next alternative on that page, the new LNG  
13 facility, has an annual cost of roughly \$11 million.  
14 And, again, there would be the commodity cost on top of  
15 that?

16 A. (Poe) That's correct. Under Resource 2, it was an LNG  
17 facility with liquefaction, hence the higher annual  
18 cost. It would liquefy pipeline gas during the  
19 off-peak season for use during the peak season.

20 Q. Now, would that one, in particular, potentially cause  
21 all kinds of siting problems in New Hampshire?

22 A. (Poe) I'm not an expert, so I couldn't tell you what  
23 siting issues there would be. Obviously, there would  
24 be siting issues. We would have to deal with them were

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 we to go forward with either LNG facility.

2 Q. And, the third alternative on the page, the new propane  
3 facility, is an annual cost of 6.4 million, again, plus  
4 the commodity cost?

5 A. (Poe) Correct.

6 Q. So, those are all, based on your analysis, certainly  
7 greater than the 4.3 million of the Concord Lateral  
8 analysis?

9 A. (Poe) Correct.

10 Q. Okay. Now, if you turn to Page 22 please. Page 22 is  
11 the Alternative 4, the demand-side management  
12 alternative. And, I'm just going to ask you to expand  
13 upon why this alternative was not chosen. And, along  
14 that line, I'm just going to hand out a data request  
15 that the OCA had sent you early on in this process. It  
16 may refresh your memory some, to help explain.

17 MR. TRAUM: And, I'd ask that this be  
18 marked as whatever the next exhibit number might be.

19 CHAIRMAN GETZ: It will be marked for  
20 identification as "Exhibit Number 7".

21 (The document, as described, was  
22 herewith marked as Exhibit 7 for  
23 identification.)

24 BY MR. TRAUM:

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 Q. So, again, I guess I'll just ask if you would expand  
2 upon why the demand-side management alternative was not  
3 the chosen alternative?

4 A. (Poe) Certainly. First of all, let's address DSM or  
5 conservation in general. There are effectively three  
6 forms of demand-side management occurring within the  
7 service territory. One is the long-term improvement in  
8 energy efficiency among our customers in buying new  
9 appliances that require less energy than the appliances  
10 that they would be replacing. The second is more  
11 short-term price response, where a customer may choose  
12 not to consume as much gas currently, because of the  
13 high prices, but could revert back to previous behavior  
14 if the prices were to go down. So, we have a long-term  
15 trend that indicates that the general use per customer  
16 is declining. Now, at the same time, we have a  
17 customer base that's growing. And, when you combine  
18 the two together, we have a small, roughly one and a  
19 half per percent per annum, increase in the overall  
20 requirements of gas in our service territory.

21 The third form of DSM measures are the  
22 Company's energy efficiency programs. And, the Company  
23 refers to them as "market transformation programs",  
24 because, on top of the existing conservation measures

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 that are out in the market, the Company is spending  
2 additional funds to try to encourage the market to  
3 adopt additional measures. Measures that have not been  
4 well received in the marketplace yet. And, so, this  
5 third form, the energy efficiency programs, are what  
6 are discussed in Exhibit TEP-4, Page 22. Such measures  
7 are higher efficiency furnaces than customers may  
8 choose, Energy Star windows, Energy Star appliances,  
9 outreach programs and education programs to both  
10 customers and installers.

11 While the Company's current programs do  
12 benefit by reducing the overall seasonal requirements  
13 for gas over and above what's projected just from the  
14 natural customer demand, the growing peak day need is  
15 one of the other factors that the Company has to  
16 address. While, as I said earlier, the Company looks  
17 at both the peak day need and the peak season need, and  
18 DSM measures serve well in addressing a seasonal need,  
19 it's the peak day need that the Company has to consider  
20 as well. The growing amount of capacity that it needs  
21 to meet its design day. And, if you consider the  
22 amount of contribution that the existing DSM programs  
23 make on peak day reduction, and then try to extrapolate  
24 that to achieve an offset to the growing peak day need

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 that we forecast, the amount of dollars that would be  
2 required and also the participation rate are  
3 extraordinary. So, in looking at the annual amount,  
4 which I believe I had specified at almost \$8 million  
5 per year in this data response, that higher level was  
6 not considered, was one of the more expensive ones, and  
7 the Concord Lateral solution was deemed to be the most  
8 least cost reliable solution for the customers.

9 Q. Okay. And, it's 7.8 million per Exhibit 7?

10 A. (Poe) Yes, there it is, 7.8 million.

11 Q. And, again, just so I understand the comparison, you're  
12 comparing the 7.8 million with the Lateral cost of  
13 4.3 million, plus the commodity cost, is that correct?

14 A. (Poe) Yes, that's correct.

15 Q. And, roughly, what would the commodity cost of gas be,  
16 so there would be an apples-to-apples comparison?

17 A. (Poe) See, that's hard to say, because you're -- you've  
18 got to consider how much gas is being contributed  
19 there, and I don't have an actual figure for that.

20 And, what we also have to realize, there are also other  
21 factors that become involved in that. One of the  
22 benefits that the Concord Lateral brings is control of  
23 the supply resource. While the energy efficiency  
24 programs are something that the Company is encouraging

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 within the marketplace, as well as the typical  
2 conservation measures that consumers are pursuing, when  
3 it comes to meeting the peak day needs, the reliability  
4 and the guaranteed delivery of a Concord Lateral  
5 doesn't meet the performance standards that the DSM  
6 measures might bring.

7 MR. TRAUM: That's all the questions I  
8 have. Thank you.

9 BY CHAIRMAN GETZ:

10 Q. I want to follow up somewhat on the last question from  
11 Mr. Traum. And, this kind of goes back to what --  
12 looking at Mr. Poe's testimony on Page 8, and  
13 Ms. Arangio's testimony, the original testimony,  
14 Exhibit 1, on Page 16, and then at Mr. Stavrakas's  
15 testimony on Page 3, they all discuss alternatives in  
16 just slightly different ways. And, it seems to go back  
17 to kind of a preliminary screening test, which may go  
18 to Mr. Poe's answer about DSM to Mr. Traum. And,  
19 beginning on Line 15 of Mr. Stavrakas's testimony, it  
20 says "No other options exist that could provide the  
21 level of resources required to meet customer demand  
22 over the next 10 years, nor that would interconnect  
23 directly with the Company's New Hampshire distribution  
24 system on a safe and reliable basis." And, I was

{DG 07-101} (02-14-08)



[WITNESS PANEL: ARANGIO|POE]

1 taking your answer particularly on DSM, Mr. Poe, to be  
2 basically saying that the DSM doesn't meet what, you  
3 know, arguably is a four-part screening test that, with  
4 respect to DSM, that it wouldn't be reliable. Is that,  
5 you know, basically the substance of your response in  
6 why DSM wasn't selected?

7 A. (Poe) That's one of the factors. It's somewhat less  
8 under the Company's control. And, while the Company  
9 promotes DSM, it doesn't have the same level of  
10 guaranteed service. But, in addition, to meet the  
11 growing peak day needs, and referring back to the  
12 response that I had given the OCA, OCA 1-5, we would  
13 need tremendous levels of participation in these DSM  
14 programs that are within the Company's energy  
15 efficiency program, such that we would need roughly  
16 20 percent of the customer base every year to be able  
17 to join in. And, the costs that I am assuming are  
18 assuming that it extrapolates linearly. Right now we  
19 have 15,000 customers participating, and it costs X  
20 amount of dollars.

21 To get the next level of customers to  
22 participate, I don't know whether we can simply say  
23 "twice that much we'll get twice as many customers to  
24 participate and twice as much savings." Whereas, with

{DG 07-101} (02-14-08)

[WITNESS PANEL: ARANGIO|POE]

1 the Concord Lateral, there's much more surety on what  
2 you're going to be receiving for the money that's being  
3 paid.

4 Q. And, I have a more general question about I'm going to  
5 call this "test", this preliminary screening, from Mr.  
6 Stavrakas's testimony. I don't know if either of you  
7 can answer the question or if we'll need to turn to Mr.  
8 Stavrakas. But, basically, does this testimony on Page  
9 3 suggest that there were other alternatives that did  
10 not meet the criteria and that were dismissed and that  
11 are not part of the record or at least it's not obvious  
12 from the testimony? Were there other options that  
13 didn't meet the basic test that were dismissed  
14 beforehand?

15 A. (Arangio) I can answer that question. There were other  
16 pipeline options considered, per se. We had  
17 discussions with the two other pipelines that serve the  
18 Northeast, Maritimes Northeast and PNGTS Pipeline.

19 Q. And, that's mentioned on your testimony, at Page 16?

20 A. (Arangio) Yes. So, in addition, other than those  
21 discussions, which clearly, when we discussed at a very  
22 high level the potential cost for those and what  
23 services they may or may not be able to provide, it was  
24 indicative from our initial discussions that those

[WITNESS PANEL: ARANGIO|POE]

1 weren't going to be options. So, those were the other  
2 -- the only other potential options considered. So,  
3 it's not to say that there were any others that we  
4 dismissed, those were just the discussions that we  
5 continuously have. So, it's the pipeline, the  
6 on-systems, and DSM.

7 Q. So, that's the full universe of options that were even  
8 considered?

9 A. (Arangio) That's correct.

10 CHAIRMAN GETZ: Okay. All right. Are  
11 there any other questions for the witnesses? Redirect?

12 MS. KNOWLTON: I have no further  
13 questions.

14 CHAIRMAN GETZ: Okay. Then, the  
15 witnesses are excused. Thank you.

16 WITNESS ARANGIO: Thank you.

17 CHAIRMAN GETZ: Mr. Damon.

18 (Whereupon John B. Adger, Jr. was duly  
19 sworn and cautioned by the Court  
20 Reporter.)

21 JOHN B. ADGER, JR., SWORN

22 DIRECT EXAMINATION

23 BY MR. DAMON:

24 Q. For the record, would you please state your name and

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 business address.

2 A. John Adger. My business address is P.O. Box 1237  
3 Quentin, Pennsylvania 17083.

4 Q. And, by whom are you employed?

5 A. The Liberty Consulting Group.

6 Q. And, would you please state what your mission was or  
7 your role in this docket is?

8 A. Yes. We were engaged by the Staff to assist in their  
9 evaluation of the Company's proposals for the Concord  
10 Lateral.

11 Q. Let me show you a document, which I have compiled as  
12 your prefiled testimony, and I've also taken the  
13 liberty of attaching the exhibits to it, which, when  
14 they were filed with the Commission came in the next  
15 day, but I put them altogether in one place. And, I  
16 ask you if you can identify that document?

17 A. Yes, this is our prepared testimony.

18 MR. DAMON: Okay. I'd ask that this be  
19 marked for identification as "Exhibit 8".

20 CHAIRMAN GETZ: So marked.

21 (The document, as described, was  
22 herewith marked as Exhibit 8 for  
23 identification.)

24 BY MR. DAMON:

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 Q. Do you wish to make any changes or corrections to that  
2 exhibit?

3 A. Yes. I'd like to make one change on Page 20. If you  
4 look at the Line 2, and, in fact, the first three  
5 lines, there's the sentence that says "If the Company's  
6 peak continues to grow at the rate indicated in the  
7 materials filed in this proceeding, the Company will  
8 require additional peaking capacity", and then it says  
9 "six years after this expansion of the Concord Lateral  
10 goes into service". I would strike the words "six  
11 years after this expansion of the Concord Lateral goes  
12 into service" and insert the words "as early as the  
13 Winter of 2011/12".

14 Q. Now, you've come prepared here today to explain and  
15 summarize your testimony and your recommendations.  
16 And, in that connection, you have prepared some written  
17 materials as well. And, I would ask you if you could  
18 identify these written materials that you wish to use  
19 to explain your testimony and your recommendations.

20 A. Yes. I pulled together out of our testimony and data  
21 responses in this proceeding some of the highlights of  
22 the materials that were filed and analyzed. And, I  
23 thought it would be of interest to the Commissioners,  
24 so I've pulled together those in a set of slides.

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 MR. DAMON: And, just for the record,  
2 let me identify. He's got a stapled packet of materials  
3 entitled "Presentation to Commissioners", and he has two  
4 data responses, one to 1-18 and one to 2-21. And, I'd ask  
5 that this be marked for identification is "Exhibit 9".

6 MS. KNOWLTON: I'd like to state an  
7 objection with regard to a few pages in this "Presentation  
8 to Commissioners". You know, obviously, we're here today  
9 coming together jointly presenting a settlement. We  
10 haven't seen this document before today. The Company  
11 doesn't have any objection to Pages 1 through 12 of this,  
12 from our quick look at it this morning.

13 CHAIRMAN GETZ: Well, let me see the  
14 document, so I can have a better context --

15 MR. DAMON: I might suggest that it  
16 would be maybe clearer to take this conversation up at the  
17 time we reach the pages that the Company is objecting to.

18 (Atty. Damon distributing documents.)

19 MS. KNOWLTON: I'm happy to proceed  
20 however the Chair would like.

21 CHAIRMAN GETZ: Well, I want to just see  
22 the document, and then I'd like to --

23 (Short pause.)

24 CHAIRMAN GETZ: Okay. So -- well, we'll

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 mark it for identification as "Exhibit 9". But that  
2 comprises 12 pages of summary bullet points, along with  
3 two data responses.

4 (The document, as described, was  
5 herewith marked as Exhibit 9 for  
6 identification.)

7 CHAIRMAN GETZ: And, let's get back then  
8 to your objection. You're not objecting to the data  
9 responses?

10 MS. KNOWLTON: No, I'm not. And, I  
11 would note that the presentation, at least the version  
12 that I have, goes through 15 pages. And, it's Pages 13,  
13 14, and 15 that I object to. And, the nature of the  
14 objection is just that we're here today on a settlement,  
15 on whether or not it's prudent for the Company to enter  
16 into the contract with Tennessee. It's a fairly discrete  
17 issue. These last three pages on Exhibit 9, in my view,  
18 go beyond the scope of this proceeding, as to the  
19 Company's planning for future needs beyond the need that  
20 the Concord Lateral is going to address. And, that --  
21 those are issues that are for another day, in another  
22 proceeding, that are not part of what was noticed in this  
23 case. And, so, that is the nature of our objection.

24 CHAIRMAN GETZ: So, basically, that

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 Pages 13, 14, and 15 are not relevant to the decision  
2 we're going to be making at this point in the docket?

3 MS. KNOWLTON: That's right. I mean, to  
4 the extent, for example, Page 15 talks about planning, you  
5 know, should begin now for the future. That's not what  
6 we're here today in this docket on. We're talking about  
7 how do we meet a particular incremental need, and is the  
8 contract with Tennessee the prudent and the least cost way  
9 to meet that particular need.

10 CHAIRMAN GETZ: Mr. Damon, do you have a  
11 response?

12 MR. DAMON: Yes, I would like to. First  
13 of all, the pages that the Company is objecting to  
14 actually are contained -- or they're not contained, per  
15 se, in the testimony, but they're certainly discussed in  
16 the testimony in the "Recommendations" section, on Pages  
17 19 and 20 of Mr. Adger's direct testimony. And, he does  
18 make the point on Page 19, for example, that "Questions  
19 regarding the Company's longer-term options for meeting  
20 its growing requirement for peak-period capacity remain to  
21 be addressed." And, then, on Page 20, he says "We  
22 recommend that the Company address these issues as part of  
23 its Integrated Resource Planning process."

24 On the point of the relevance to this

{DG 07-101} (02-14-08)



[WITNESS: ADGER]

1 docket, I think this information is useful information  
2 that presents a decision that the Commission has to make  
3 in this case in the context of the longer-term picture for  
4 least cost reliable gas supply considerations by the  
5 Company. So, yes. Does the Commission have to accept  
6 this information in order to rule on the petition and the  
7 Settlement Agreement? Well, you could perhaps give that  
8 the weight that you want. But I think it can't be -- I  
9 think there should be no disagreement that the information  
10 is of interest to your performance of your general duties  
11 to supervise this utility.

12 CHAIRMAN GETZ: Okay. Well, let's  
13 proceed this way at this point. Let's -- I believe that  
14 this is offered in support or an explanation of the  
15 Settlement Agreement, is that correct? Is to give us some  
16 --

17 MR. DAMON: Well, it's part of his  
18 testimony, his recommendations. And, he has a  
19 recommendation on this contract, and he has some  
20 recommendations about the future, which help to put the  
21 decision that you make in this docket in context. And, --

22 CHAIRMAN GETZ: Well, is the intention  
23 to walk through this document now?

24 MR. DAMON: Yes. This is a visual aid,

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 basically, to his testimony.

2 MS. KNOWLTON: May I note just one other  
3 aspect to the objection here. You know, we have a process  
4 here at the Commission where you file testimony. And, I  
5 just, you know, Mr. Adger's testimony speaks for itself,  
6 and, obviously, he can summarize that testimony, and we  
7 can cross-examine him on the testimony. But, to the  
8 extent that, you know, to me, this feels like a  
9 supplementation of his testimony. I mean, his testimony  
10 is there, he can, you know, capture the relevant points  
11 from it. You know, in my view, this goes beyond the scope  
12 of his testimony, and it's essentially, you know, new  
13 testimony here at the hearing. And, again, you know, I  
14 recognize that we're here together, coming together with  
15 Staff presenting a settlement to the Commission. And,  
16 it's not our intent to make this an adversarial process.  
17 But, to the extent that this raises issues that go to  
18 future dockets, future proceedings, yes, that information,  
19 in theory, is useful to the Commission, but not here today  
20 for the purpose that we sit. And, that really is the  
21 nature of our concern.

22 CHAIRMAN GETZ: Mr. Traum, you have  
23 something?

24 MR. TRAUM: Yes, sir. Mr. Chairman, to

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 potentially make it easier for you, I was planning to ask  
2 some questions about these latter recommendations. So  
3 that, if the last three pages of this handout were  
4 removed, Mr. Adger could basically walk through those when  
5 he answers my questions.

6 CHAIRMAN GETZ: And, you would get to  
7 those issues because they're already somewhat in his  
8 underlying testimony?

9 MR. TRAUM: That's correct. They have  
10 been teed up, I believe, in his recommendations.

11 CHAIRMAN GETZ: So, we may get there  
12 anyways.

13 MS. KNOWLTON: Well, I would note that  
14 the IRP is a contested docket that's before the Commission  
15 right now. And, I just -- you know, Mr. Adger may have  
16 put one or two sentences in his testimony that signals,  
17 you know, what the Staff's desires or intentions are with  
18 regard to the IRP. I guess, in theory, I could have moved  
19 to strike those sentences, which I didn't. You know, but  
20 I think we have the right to be here today and object to  
21 any examination that goes to issues that are contested and  
22 before the Commission or as to dockets that haven't been  
23 opened yet.

24 MR. DAMON: Just one last point. I

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 mean, his recommendations are for the future, not and  
2 really don't relate to the IRP that the Commission is  
3 presently considering and the adequacy of that one.

4 CHAIRMAN GETZ: All right. Well, I  
5 mean, it is an interesting issue here, in the fact that  
6 it's not just a settlement agreement, the two parties who  
7 have agreed in the settlement, and these last few pages  
8 may not be integral to the Settlement, but that doesn't  
9 mean that the Consumer Advocate can't inquire about the  
10 original testimony, to the extent they may oppose the  
11 settlement, though that's not what they indicated -- well,  
12 it's not indicated on their behalf when the Settlement  
13 Agreement was filed.

14 (Chairman and Commissioners conferring.)

15 CHAIRMAN GETZ: Well, we're going to  
16 proceed this way. I'm not sure how the presentation  
17 advances the proceeding. And, I think Mr. Adger can give  
18 an oral summary of his testimony and why he supports the  
19 Settlement Agreement. And, if Mr. Traum wants to ask  
20 questions about the underlying testimony, then he can do  
21 that. So, I would -- it's basically premature to make the  
22 final ruling that we typically do at the end of the  
23 testimony, but I would signal that my inclination is to  
24 admit the two data responses, but not the -- not to admit

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 this document that's entitled "Presentation to  
2 Commissioners", because I don't think it's really  
3 necessary to the proceeding.

4 MR. DAMON: Well, I think the Company's  
5 objection was only to the last three pages, not to the  
6 entire document.

7 CHAIRMAN GETZ: Well, I mean, all this  
8 information is in the document, isn't that correct?

9 MR. DAMON: I believe so.

10 CHAIRMAN GETZ: So, I would then turn to  
11 Mr. Adger's summary, is that where we are?

12 MR. DAMON: Yes. Thank you.

13 BY MR. DAMON:

14 Q. Mr. Adger, could you please explain and summarize your  
15 testimony and your recommendations.

16 A. Okay. If I might, could I refer to some of these  
17 materials in my explanation?

18 CHAIRMAN GETZ: You can look at them.

19 MR. DAMON: You can look at them.

20 WITNESS ADGER: Okay. Okay. All right.

21 Okay. Okay. I understand. All right.

22 MR. DAMON: And, you certainly can refer  
23 to the two that have been allowed.

24 WITNESS ADGER: Okay.

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 MR. DAMON: The two data responses.

2 WITNESS ADGER: Okay.

3 CHAIRMAN GETZ: Well, the question is,  
4 is this marked, and it's marked for identification, but  
5 indicated that most likely I'm not going to admit it into  
6 evidence as a full exhibit. So, if you want to just --

7 WITNESS ADGER: Okay.

8 CHAIRMAN GETZ: -- orally present your  
9 summary.

10 WITNESS ADGER: Okay.

11 BY THE WITNESS:

12 A. I would refer you to this response to Staff Data  
13 Request 1-18, this sheet that's got all these little  
14 numbers on it, dates and little numbers on it, because  
15 I think I wanted to emphasize that this is the  
16 requirement that the Concord Lateral effectively  
17 addresses. This is out of the Company's estimated  
18 requirements that was in its cost of gas filing, most  
19 recent cost of gas filing, which would have been made  
20 last summer for this winter. And, what this shows is  
21 the shortfall in available capacity that was already  
22 under contract prior to the addition of the Concord  
23 Lateral. And, what you see is the shortfall grows over  
24 the period as the load is estimated to grow.

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1                   But a point that I wanted to emphasize  
2                   is that this is a shortfall in capacity to address a  
3                   peak season, the requirements in a peak season. And,  
4                   so, these requirements would likely not occur most  
5                   years. The capacity has to be there, in case it  
6                   happens, but there's a low probability of these events,  
7                   of this capacity being used.

8                   We did have a design winter. These  
9                   conditions did occur in the Winter of 2002/2003, and  
10                  there was a design peak day on January 15th of 2004.  
11                  So, these do occur, but they're low probability. The  
12                  requirement does increase over time, and you can see  
13                  that by the Winter of 2011/2012, there is one day shown  
14                  in this list, February 9th of 2012, where the current  
15                  estimate is for capacity that's even more than the  
16                  Concord Lateral.

17                  Now, I said that the conditions do  
18                  occur. They last occurred, design winter in 2002/2003  
19                  and design day January 15th, 2004. And, I would refer  
20                  you now to Exhibit 8 attached to my testimony, which is  
21                  a plot of what's called "New England Natural Gas  
22                  Basis". And, what that is is the difference between --  
23                  Exhibit 8 to my testimony. Okay? This exhibit plots  
24                  the difference between the price at Dracut, Mass. and

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 the price at Henry Hub Louisiana, which is a key  
2 pricing point for gas in this country. That's where  
3 the NYMEX contract sells, is at the Henry Hub. And,  
4 what you see is that, when there is extreme weather,  
5 look at January of '04, which is at the far left side,  
6 you see that that difference in price between those  
7 points goes way, way up. And, in fact, on January 15th  
8 of '04, the price at Dracut was \$47 on that, and that  
9 was an average, a daily average price. Whereas, at the  
10 Henry Hub, it was \$7. But that large difference  
11 between the price at Dracut and the price at Henry Hub  
12 is reflecting the value of transportation between those  
13 two points when the weather is severe.

14 The other point that I would make about  
15 this exhibit is that it is only -- it is only in the  
16 years when you've got the extreme weather where that  
17 difference goes up so much. If you look at the bulk of  
18 the days on the exhibit, that difference is 50 to 60  
19 cents. But, when you've got the kind of weather  
20 conditions under which you would use the capacity that  
21 is -- that is proposed here, then that's when the price  
22 goes nuts.

23 Okay. Then, the solution to this  
24 problem of, you know, high consequences, but relatively

{DG 07-101} (02-14-08)



[WITNESS: ADGER]

1 infrequent occurrence, is peaking capacity, a low fixed  
2 cost, high variable cost. And, the Company has some  
3 peaking capacity. It has propane plants in three  
4 cities and LNG plants. And, those capacities are all  
5 listed in Mr. Stavrakas's testimony. That capacity,  
6 though, is already fully utilized before you get to  
7 this increment. This is over and above that which is  
8 available when they have -- with their existing plants.

9 Okay. So, the cost of expanding those  
10 existing on-system plants is quite high, though.  
11 Working with the Company's information and information  
12 from Yankee Gas has recently constructed one of these  
13 in Waterbury. We estimated a cost of as much as  
14 \$56 million to put one of these plants in at Concord.  
15 The Company had some estimates that were along this  
16 line. And, we've made some adjustments to those, based  
17 on the comparison to the Yankee facility in  
18 Connecticut. But, yes, you can see that, to have a  
19 plant that was comparable in sendout capacity to the  
20 Concord Lateral, you're talking about \$56 million or  
21 thereabouts. Smaller facilities might be even more  
22 costly, because there are economies of scale in certain  
23 costs as you make them bigger.

24 The Company's proposal was instead to

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 expand the Concord Lateral, rather than building  
2 another peaking facility. And, you have the testimony  
3 before you about that. And, that addition of capacity  
4 would take care of the shortage identified in this 1-18  
5 through 2010, the Winter of 2010 and 2011. And, there  
6 are some other attractive aspects of the Concord  
7 Lateral that are mentioned in their testimony. In  
8 particular, the availability of that capacity would  
9 allow them to make certain adjustments within the  
10 portfolio that might lower other costs and have the  
11 effect of offsetting some of the cost of the additional  
12 contract.

13 And, just to give you a sense of what  
14 the numbers were, we computed a levelized annual  
15 capacity cost for an on-system LNG facility, an  
16 on-system facility, and compared that with the  
17 similarly levelized annual cost of the Concord Lateral.  
18 We had to make some adjustments, you've heard the  
19 Company say \$4 million or \$4.4 million a year,  
20 something like that. In order to make the comparison  
21 apples-to-apples, we extended the contract to 40 years,  
22 because the depreciation period for an LNG facility  
23 would be 40 years, and then expressed the revenue  
24 requirement of the two on a comparable basis, on a

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1           levelized basis. And, there the annual cost of an  
2           on-system LNG facility, you're talking about six and a  
3           half million dollars, in the Concord Lateral expansion  
4           3.7 million. And, so, you've got a difference of  
5           2.8 million.

6                         The problem is that the Concord Lateral  
7           expansion will be buying the supplies to fill this peak  
8           period capacity only at a time when the price is very  
9           high. So, this 6.5 million versus 3.7 million, there  
10          are some extra gas costs associated with the lower  
11          priced one. The LNG facility would presumably be  
12          buying gas in the summer, when the price is low. The  
13          Concord Lateral, if it's used during a peak period,  
14          could well be buying gas when the price is really high.  
15          So, that 2.8 until is, in a sense, what's available to  
16          offset the extra gas cost if you have to buy it in the  
17          winter.

18                        We, in our analysis, in our assistance  
19          to the Staff, we tried to examine, "okay, if you're  
20          going to have extra costs for the Concord lateral,  
21          versus a higher annual cost for the on-system LNG  
22          alternative -- the on-system peaking alternatives, how  
23          could you trade those two things off? How could you --  
24          How could you get some comfort about which was more

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 cost-effective from the perspective of the customers?"  
2 And, the Company had developed this  
3 optimization model that Mr. Poe talked about to test  
4 the alternatives under its assumptions. And, what we  
5 did, my colleague and I made some adjustments to the  
6 assumptions and used that model to -- and basically  
7 reran it to try and get a grip on the trade-off between  
8 the extra capacity costs and the extra commodity costs.  
9 And, what we found was, certainly, for the relatively  
10 few days that the capacity might be required in the  
11 Winter of 2008/2009, the Concord Lateral was clearly a  
12 choice, because you have so few days in which you might  
13 have to pay a very high price. We also made -- did the  
14 test in the year 2011/12, and, again, we made some  
15 adjustments to the analysis, but we reran it. And,  
16 what we found was that, although the results are  
17 closer, the Concord Lateral still wins in 2011/2012, as  
18 long as the extra gas cost that would have to be paid  
19 under peak load conditions was about the same as or  
20 less than the extra gas cost that was paid in the  
21 January 15th, 2004. Remember, that was the peak day.  
22 And, it happens that, during that month, the Company  
23 had to go into the spot market for additional supplies,  
24 because some of the -- there was some exceptional

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 conditions on some of the other supplies. So, they had  
2 to go into the spot market and pay some extra gas costs  
3 in that month. So, we said "Okay, let's take the extra  
4 gas costs that were experienced in that month under  
5 those conditions and say "that's what the extra that  
6 would have to be paid at Dracut for the Concord Lateral  
7 under these conditions"." And, we found that, as long  
8 as you could do it for that or less than that, then the  
9 Concord Lateral was still the best alternative. And,  
10 indeed, and our testimony says, my testimony says that,  
11 if the Company can show that we can do this, then we  
12 think the Concord Lateral is the choice. And, indeed,  
13 she made some -- this was Ms. Arangio's surrebuttal  
14 testimony, which, in fact, had in it, they asked some  
15 suppliers that they normally work with for what we call  
16 "indicative pricing". And, the indicative pricing  
17 suggested that the prices would be in the range. And,  
18 then, she also supplied some studies for after next  
19 year and the year after, when the -- when the  
20 additional LNG projects that she mentioned would be in  
21 the market. And, then, there's also some additional  
22 pipeline supplies as well. So, the trend after next  
23 year is for some of these transportation constraints to  
24 be resolved. And, the influence of that kind of thing

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 on the price in New England, under peak load  
2 conditions, would be expected to be less. So, on the  
3 basis of that, we felt that we should recommend that  
4 the Commission approve the Concord Lateral. The  
5 showing has indeed been made, as far as we're  
6 concerned.

7 The Settlement Agreement does include a  
8 planning conference, in which the Company will review  
9 with OCA and Staff their approach to providing supply  
10 under those kinds of conditions, so they could -- the  
11 Staff and OCA can understand what the Company expects  
12 to do to ensure the most cost-effective access to  
13 supplies during that period.

14 Okay. Now, I'm to the last three  
15 points. Should I stop here? Let me stop here.

16 BY MR. DAMON:

17 Q. Okay. Why don't you continue on with your last three  
18 points. And, also, there is Staff 2-21, and I would  
19 ask you to address that, if you didn't in your  
20 testimony so far.

21 A. Okay. Okay. Point one is that, going back to 1-18  
22 again, if you look at the numbers for the years  
23 2011/12, that's the Winter of 2011/12, what you see is  
24 that, in that year, the estimated additional capacity

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 requirements, in the event of peak period conditions,  
2 is greater than the capacity of the Concord Lateral.  
3 So, what happens is that you have this problem again in  
4 three more years. And, I think that what the point  
5 that we would make is that, because planning for  
6 dealing with capacity, with need for additional  
7 capacity, takes a long time. The example that I gave  
8 was that the Yankee gas facility that was sited in  
9 Waterbury, it was initially proposed to the Connecticut  
10 Commission in the year 2001, and it has just now gone  
11 into service. So, you've got six and a half years, and  
12 they had a site. You know, the City of Waterbury  
13 wanted the thing there. So, if you're talking about an  
14 on-system facility, expanding an existing facility, you  
15 first have to find a community that is willing to have  
16 the facility located there, expanded there, but then  
17 you've got an extended period after that for  
18 engineering and approvals and construction. So, if you  
19 can foresee a requirement for additional capacity as  
20 soon as the years -- as soon as three years from now,  
21 the time to start planning for the next increment is  
22 now.

23 Oh, the one other exhibit that I -- that  
24 was mentioned that I have not yet referred to is the --

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 is the response to Staff Data Request 2-21. That's  
2 this graph that looks like this [indicating]. And,  
3 what this is is, this is a plot of the projected growth  
4 in the peak day. This is the peak season, 1-18 is the  
5 peak season, and 1-21 [2-21?] is the peak day, the  
6 projected growth in the peak day.

7 CHAIRMAN GETZ: Is there anything  
8 further, Mr. Damon?

9 BY MR. DAMON:

10 Q. You mentioned that there were three remaining points,  
11 and I believe you covered one, but maybe you covered  
12 all three.

13 A. I think I did. It was -- My first point was the same  
14 problem recurs in 2011. And, the second point was that  
15 all the choices involve long lead times. And, the  
16 third point was the planning should start now.

17 Q. Okay. Okay. Well, I know that you came here today  
18 prepared to speak from a written presentation, which  
19 the Commissioners may not allow as -- to be introduced  
20 as an exhibit in the proceeding. But I'll just ask you  
21 to go through that briefly, and just make sure that the  
22 points that you wanted to make in support of the  
23 Settlement and your analysis have been made. Because I  
24 don't think you were really speaking from that when you

{DG 07-101} (02-14-08)



[WITNESS: ADGER]

1 were talking to the Commissioners.

2 A. I think I've made the high points. Let me see what  
3 questions they have.

4 MR. DAMON: Thank you. No further  
5 questions.

6 CHAIRMAN GETZ: Ms. Knowlton.

7 CROSS-EXAMINATION

8 BY MS. KNOWLTON:

9 Q. Mr. Adger, is there a process for long-term planning by  
10 gas utilities?

11 A. I understand that the -- I understand that the Company  
12 has filed Integrated Resource Plans in New Hampshire.  
13 I don't know whether those are periodic or -- I don't  
14 know what the requirements are in New Hampshire.

15 MS. KNOWLTON: Okay. Thank you. No  
16 further questions for Mr. Adger.

17 CHAIRMAN GETZ: Mr. Traum.

18 MR. TRAUM: Thank you, sir. Good  
19 morning, Mr. Adger.

20 WITNESS ADGER: Good morning, Mr. Traum.

21 BY MR. TRAUM:

22 Q. On this Settlement Agreement, on Page 4 is a sentence  
23 that starts on Line 6: "Specifically, the Staff  
24 reviewed the Company's comparative analysis of the four

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

- 1 options and made adjustments to the analysis based on  
2 its experience." When it refers to "four options", and  
3 I guess I look at Mr. Poe's testimony there's really  
4 five options. So, I'm wondering if one of the options  
5 you looked at was the energy efficiency option?
- 6 A. No, it was not. We didn't have any data that would  
7 have allowed that to be put into the mix.
- 8 Q. So, you accept the Company's rationale for excluding it  
9 as an option at this point in time?
- 10 A. I don't have any basis for accepting or arguing with  
11 it. I just didn't have any data to use to put it into  
12 our comparative analysis in any way.
- 13 Q. And, I guess, turning to the analysis that you did  
14 conduct, in your recommendation you had said that, and  
15 I'll just paraphrase it, that the Company -- "if the  
16 Company could make a showing that the weighted average  
17 cost of supplies would be less than \$12 off the Henry  
18 Hub, then they have made the cost-effective showing."  
19 Is that basically correct?
- 20 A. Yes.
- 21 Q. And, the \$12 number was developed when you did a  
22 levelized annual cost for the Concord Lateral as though  
23 it were to be in effect for 40 years?
- 24 A. Yes.

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

- 1 Q. And, that analysis is shown on Exhibit 6 to the  
2 attachment to your testimony?
- 3 A. Yes.
- 4 Q. Okay. With regards to that exhibit, you use an  
5 inflation rate of a half of a percent. And, what is  
6 that inflation rate applied to?
- 7 A. That was -- let's see, Exhibit 6, which was the revenue  
8 requirement analysis for the Concord Lateral, the first  
9 20 years of that is not subject to inflation, as I  
10 remember, because that -- there's a contract in place  
11 that covers that. However, what we did for the second  
12 20 years was we assumed that that -- that that contract  
13 at a negotiated rate would be replaced with a contract  
14 at the normal -- Tennessee Gas Pipeline's normal Zone 6  
15 to Zone 6 rate, which is what this would be. And, we  
16 escalated that rate by half a percent per year, on the  
17 basis of our sense that that is approximately what the  
18 experience has been for escalation in pipeline rates.
- 19 Q. So, starting with year 21 through 40, there's a half a  
20 percent a year escalation. But, in order to develop  
21 the number for year 21, did you assume whatever today's  
22 tariffed rate was, then escalated a half a percent a  
23 year for 20 years to get to the year 21 number?
- 24 A. No, I think we -- I think we just took the current -- I

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 take that back. I think we did. We took the current  
2 Zone 6 to Zone 6 number, escalated it by half a percent  
3 per year, up through year 20, and, then starting with  
4 year 21, picked up from there, again escalating a half  
5 a percent per year.

6 Q. Why couldn't the Company get that kind of a rate for  
7 year 1, as opposed to having to go with this kind of a  
8 much higher priced contract?

9 A. Well, this was a negotiated rate. And, I think that  
10 question needs to be addressed to Ms. Arangio. I think  
11 I know what her answer is. But, I think, if you're  
12 going to ask me -- if you're going to ask the Company  
13 about a negotiated rate, you need to ask them.

14 Q. Okay. I guess what I'm asking is, why did there have  
15 to be a negotiated rate? Why couldn't they just get  
16 the tariffed rate?

17 A. Again, I think I know the answer, but what I know is  
18 based on what -- is Ms. Arangio's testimony. So, I  
19 would ask you to ask her that question.

20 Q. But you would basically agree with what is in her  
21 testimony?

22 A. She's the one who knows.

23 Q. Okay. If we could turn to the recommendations on  
24 Page 19 and 20 of your testimony. And, specifically,

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 the recommendations with regards to the latter part of  
2 that. And, the correction you made at the beginning of  
3 your direct is that the Company will require additional  
4 peaking capacity as early as the Winter of 2011/12.

5 And, then, you recommend that the Company, in effect,  
6 start looking to address those issues. Is that  
7 correct?

8 A. Yes.

9 Q. In terms of the way that you would go about looking at  
10 those issues, would one thing you would consider be  
11 whether a more aggressive DSM or energy efficiency  
12 program should be looked at as a part of a solution?

13 A. Yes. And, I think what I would add is that one of the  
14 things that today we don't know is the degree to which  
15 higher gas prices have already affected use per  
16 customer in a way that may reduce the forecasted  
17 requirement for additional capacity after the next  
18 couple of years. So, there, I think, are some  
19 potential demand response effects that will impact the  
20 estimated growth rates in both peak day and peak season  
21 requirements. And, then, to the extent that those  
22 responses can be further enhanced through DSM measures  
23 or whether there's DSM measures that would have the  
24 effect of further reducing the estimated capacity

{DG 07-101} (02-14-08)

[WITNESS: ADGER]

1 requirements, those should certainly be examined.

2 Q. Would another possible avenue to be examined be looking  
3 at whether some kind of interruptible rates and with  
4 special pricing incentives for customers to go off in  
5 peak times be another option to look at?

6 A. That would certainly be another option, yes.

7 Q. And, are there any others you have in mind?

8 A. I do not think of others at this time. The supply-side  
9 ones are the easy ones to think of, but the demand-side  
10 ones ought to be part of the analysis. And, certainly,  
11 both DSM programs and the possibility of additional  
12 supply interruptions to people for whom the value of  
13 the service is less than its cost, those should  
14 certainly be examined.

15 MR. TRAUM: Okay. Thank you. That's  
16 all I have.

17 CHAIRMAN GETZ: Thank you. Any  
18 redirect, Mr. Damon?

19 MR. DAMON: No.

20 CHAIRMAN GETZ: Then, the witness is  
21 excused. Thank you, Mr. Adger.

22 Are there any -- well, there's two items  
23 that I know that we need to deal with. Is the admission  
24 of the items marked for identification into testimony and

{DG 07-101} (02-14-08)

1 the other is opportunity for closing statements. Are  
2 there any other items that we need to address, before we  
3 move to those two issues?

4 MS. KNOWLTON: None that I'm aware of.

5 CHAIRMAN GETZ: Okay. Then, let's do it  
6 this way. Are there any, with respect to Exhibits 1  
7 through 8 marked for identification, is there any  
8 objection to striking identifications and admitting them  
9 as full exhibits?

10 (No verbal response)

11 CHAIRMAN GETZ: Hearing no objection, we  
12 will admit them as full exhibits. With respect to the  
13 documents that were marked for identification as "Exhibit  
14 Number 9", I think I've heard -- we've heard adequately  
15 the positions from all three parties. And, certainly,  
16 there's no concern about admitting the two data responses.  
17 And, then, with respect to this 15-page document, the  
18 so-called "Presentation to Commission" that my  
19 understanding is this was presented as a convenience to  
20 the Commission, and it does two things; it summarizes, in  
21 Pages 1 through 12, why Staff and Mr. Adger support the  
22 Settlement, and, in pages 13, 14, and 15, speak to  
23 prospective issues that were engaged as part of the  
24 original testimony. My understanding is there's no

1 objection to entering Pages 1 through 12, but there is an  
2 objection with respect to entering Pages 13, 14, and 15.  
3 I guess I'd, as a general matter, conclude that there's no  
4 harm to presenting any of the information on the 15 pages.  
5 At the same time, I'm not sure that it's necessary to  
6 admit these 15 pages, because it's clearly within the  
7 bounds of what Mr. Adger could have discussed orally with  
8 respect to why he supports the Settlement and summarizing  
9 some of his underlying positions. So, upon further  
10 review, I'm going to admit, in its entirety, Exhibit 9,  
11 including all 15 pages, and the two data responses.

12 And, I just would suggest, for future  
13 reference, that if Staff or any party wants to admit some  
14 document like this, that's a summary of what normally  
15 would be oral testimony, that discussion be held in  
16 advance with the other parties to make sure that  
17 everyone's on the same page, so that there isn't the  
18 situation that arose like today, where folks had to  
19 respond apparently off-the-cuff to a 15-page document.

20 Having said that, are there -- there's  
21 opportunity for closing statements. I would start with  
22 Mr. Traum, then go to Mr. Damon, and then the Petitioner.

23 MR. TRAUM: Thank you, sir. Although  
24 the OCA did not sign onto the Settlement, that action



1       should not be interpreted as we oppose it. In reality,  
2       due to resource constraints, namely, the FairPoint/Verizon  
3       proceeding and legislative commitments, we were not able  
4       to devote sufficient time to the docket to comfortably  
5       sign on to the Settlement.

6                        But, looking to the future, we'd like  
7       to, as you could probably tell from my cross-examination,  
8       we'd like to see more emphasis placed on the demand-side  
9       management and energy efficiency options as part of any  
10      solutions. Thank you.

11                      CHAIRMAN GETZ: Thank you. Mr. Damon.

12                      MR. DAMON: Thank you. For the reasons  
13      expressed by Mr. Adger, Staff fully supports the  
14      Settlement reached in this docket. And, Staff has worked  
15      very hard with the Company to make sure that all the facts  
16      got out in a timely fashion, and Staff does appreciate the  
17      cooperation that the Company has showed Staff in that  
18      respect. We were under quite severe time deadlines and  
19      they did respond.

20                      CHAIRMAN GETZ: Thank you.

21      Ms. Knowlton.

22                      MS. KNOWLTON: Thank you. We're here  
23      today because the Company identified an incremental need  
24      for city gate deliverability of gas to reliably serve its

1 customers. We heard the testimony of Mr. Poe that the  
2 Company conducted an in-depth analysis of the various  
3 options to meet that need, and determined, based on that  
4 analysis, that the expansion of the Concord Lateral was  
5 the most prudent and cost-effective means to meet that  
6 need.

7 As Mr. Damon indicated, the parties, not  
8 just the Staff, but also the OCA, participated in  
9 extensive discovery in this case. We had a number of  
10 rounds of discovery that were all very fast, and we  
11 appreciate everybody's cooperation in the timing of this  
12 docket, because I know it moved quite quickly. And,  
13 through that discovery, and also a number of technical  
14 sessions, the Company was able to explain its model, to  
15 provide information to the OCA and to Staff, and to work  
16 through a number of issues, and we appreciated that  
17 opportunity.

18 The Company took seriously the Staff's  
19 testimony and its concerns about market pricing  
20 information, and provided a lot of, you know, not only the  
21 indicative pricing, but a lot of data from its consultants  
22 about the market intelligence that the Company is getting.  
23 And, we were very pleased that, after, you know, all of  
24 the discovery and the review of the data, that the Staff

1       agreed that the Concord Lateral is the most prudent course  
2       of action here.

3                       As Ms. Arangio indicated in her  
4       testimony, we are in a relatively tight time frame here,  
5       in that, you know, the Company, if it's not going to  
6       proceed with this option, would need to notify Tennessee  
7       by the end of this month, in order to avoid costs. So, we  
8       would ask that, if at all possible, that the Commission  
9       issue an order in that time frame, so that we can meet  
10      that need to get back to Tennessee if we're not going to  
11      be able to proceed. But we do believe that proceeding is  
12      the best course of action here, and would ask that the  
13      Commission find the Settlement Agreement to be in the  
14      public interest and to approve it in its entirety. Thank  
15      you all for your time today.

16                      CHAIRMAN GETZ: Okay. Then, we will  
17      close the hearing and take the matter under advisement.  
18      Thank you, everyone.

19                      (Whereupon the hearing ended at 12:03  
20                      p.m.)

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