

NEW HAMPSHIRE GAS CORPORATION

Direct Testimony of Jennifer Boucher

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

2 A. My name is Jennifer Boucher. I am employed by The Berkshire Gas Company
3 ("Berkshire") and my business address is 115 Cheshire Rd., Pittsfield, MA 01201.

4
5 **Q. What is your position?**

6 A. I am the Manager of Regulatory Economics for Berkshire.

7
8 **Q. Could you please briefly describe your educational and professional
9 background?**

10 A. Yes. I graduated from the Massachusetts College of Liberal Arts in 1994 with a
11 Bachelor of Science degree in Business Administration and from Western New
12 England College in 1999 with a Masters of Business Administration. I joined
13 Berkshire in 1997 and have held several positions including Planning Analyst,
14 Administrator of Rates and Planning and Supervisor of Rates and Planning. I was
15 promoted to the Manager of Regulatory Economics in March 2006.

16
17 **Q. Please summarize your responsibilities.**

18 A. As the Manager of Regulatory Economics, my primary responsibility is to prepare
19 all of the external rate filings and reports to state regulatory agencies, including all
20 semi-annual and out-of-period factor filings, monthly reports and annual
21 reconciliations as related to the Cost of Gas Adjustment Clause ("CGAC") and
22 Local Distribution Adjustment Clause ("LDAC"). I also manage retail service
23 contracts with large customers and provide analysis on tariffs and pricing issues,
24 as well as operating revenue forecasts for the Company's annual operating
25 budget. Additionally, I am responsible for the oversight of gas supply, including
26 planning and dispatch to secure a reliable and least cost gas supply for the benefit
27 of customers. I also oversee the activities between the Company and third-party

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22 Local Distribution Adjustment Clause ("LDAC"). I also manage retail service
23 contracts with large customers and provide analysis on tariffs and pricing issues,
24 as well as operating revenue forecasts for the Company's annual operating
25 budget. Additionally, I am responsible for the oversight of gas supply, including
26 planning and dispatch to secure a reliable and least cost gas supply for the benefit
27 of customers. I also oversee the activities between the Company and third-party

1 marketers. Finally, I assist New Hampshire Gas Corporation ("NHGC" or the
2 "Company") with its regulatory filings.

3
4 **Q. Have you testified as a witness in any other proceedings involving either**
5 **company?**

6 A. I have experience as a witness in Massachusetts testifying before the
7 Massachusetts Department of Public Utilities ("MDPU"). I testified as a witness
8 in Berkshire's last base rate case (D.T.E. 01-56), in its most recent Forecast and
9 Supply Plan (D.T.E. 05-07) and for approval of a gas supply contract with Coral
10 Energy (D.T.E. 06-27). I testified before the New Hampshire Public Utilities
11 Commission on several occasions with regards to the seasonal Cost of Gas
12 ("COG") filings.

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

15 A. The purpose of my testimony is to explain the calculation of the Cost of Gas
16 Adjustment ("COG") to be billed from November 1, 2008 to April 30, 2009. My
17 testimony will also address the status of the collection of rate case costs and other
18 issues related to the winter period.

19
20 **COST OF GAS ADJUSTMENT**

21
22 **Q. Please explain the calculation of the Cost of Gas ("COG") Rate on the**
23 **proposed 35th revised Tariff Page 24.**

24 A. The proposed 35th revised Tariff Page 24 contains the calculation of the 2008 –
25 2009 Winter COG rate and summarizes the Company's forecast of propane
26 sendout and propane costs. The estimated total cost of the forecasted propane
27 sendout from November 1, 2008 through April 30, 2009 is \$1,994,882,232,777.
28 The information presented on the tariff page is supported by Attachments A
29 through E which will be described later in this testimony.

30
31 To derive the Total Anticipated Period Costs, the following adjustments have

1 been made:

2 1) The prior period under-collection of \$24,960 is added to the
3 forecasted propane costs. This calculation of the over-
4 collection is demonstrated on Attachment D.

5
6 2) Interest of ~~\$4,2035,156~~ is added to the forecasted propane costs.
7 Attachment C shows this forecasted interest calculation for the
8 period May 2008 through April 2009. The interest calculation
9 is based on the Wall Street Journal's posted prime rate.

10
11 The Non-FPO rate of ~~\$1.81392.2208~~ per therm is forecasted by taking the Total
12 Anticipated Period Costs of ~~\$1,994,882~~ less the expected revenues anticipated
13 from the Fixed Price Option program of \$504,180 (sales of 225,000 therms
14 multiplied by the FPO price of 2.2408 = \$504,180). The remaining Anticipated
15 Period costs of \$1,490,702 are then~~2,324,777~~ divided by the non-FPO forecasted
16 firm sales of ~~8214,046,803~~ therms. The unit cost of gas sold for the Fixed Price
17 Option Program ("FPO") rate was established at ~~of~~ \$2.2408 per therm—is
18 determined by adding a \$0.02 premium to the Non-FPO cost of gas.

19
20 **Q. Please describe Attachment A.**

21 A. This attachment converts the produced gas costs to therms. The ~~1,133,110~~~~134,059~~
22 therms represent propane sendout as detailed on Attachment B and the
23 ~~\$1.73882.0251~~ per therm cost represents the average cost per therm for the winter
24 season as detailed on line 72 of Attachment E.

25
26 **Q. Please describe Attachment B.**

27 A. Attachment B represents the combined (over)/under collection calculation for the
28 2008 – 2009 winter period based on the anticipated volumes, the cost of gas, and
29 any applicable interest charges. As shown on line 5, total sendout is the weather
30 normalized 2007-2008 winter period firm sendout, Company Use and anticipated
31 new load. Firm sales volumes shown on line 22 are derived from the weather

1 normalized 2007-2008 winter period firm sales plus expected incremental new
2 growth. On line 16, the Company has also included the anticipated \$0.02 per therm
3 FPO premium revenues as a credit to propane costs.
4
5

6 **Q. Are unaccounted-for gas volumes included in the filing?**

7 A. Unaccounted-for gas volumes are included in the firm sendout volumes on line 1
8 and are displayed on line 7 of Attachment B. The Company continues to
9 implement measures to improve losses on its system and is pleased to report that as
10 of June 30, 2008, the 12 month-to-date unaccounted-for percentage was 3.81% as
11 compared to 3.53% in 2006-2007 and 6.44% in 2005-2006.
12

13 **Q. How is Attachment C represented in the COG calculation?**

14 A. Attachment C represents the COG interest calculation through April 2009. This is
15 calculated utilizing the prior period over-collection plus interest, and amounts to
16 \$4,203~~5,156~~.
17

18 **Q. What is Attachment D?**

19 A. Attachment D is the actual (over)/under collection balance for the prior period
20 November 2007 through April 2008, including interest. The ending balance of
21 \$24,960 is included on line 1, column 1, of Attachment C. The Company attributes
22 this level of under-collection to higher than expected propane commodity costs
23 coupled with lower than expected billing sales in April 2008.
24

25 **Q. Please describe Attachment E.**

26 A. Attachment E projects the cost of propane in inventory through April 2009. This
27 attachment is important as the cost of propane sold includes pre-purchased propane,
28 spot market propane as well as propane withdrawn from storage.
29

30 **FPO AND NON-FPO CUSTOMER PROGRAMS**
31

1 **Q. Will NHGC offer a FPO program for the winter 2008-2009 COG period?**

2 A. Yes. NHGC will again offer the FPO program for the Winter 2008-2009 COG
3 period. This program allows customers to lock in their cost of gas and enrollment
4 in the program will be limited to 50% of the expected winter usage with
5 allotments made available for both commercial and residential customer classes.
6 Customers will be accepted into the program on a first-come, first-served basis.

7
8 **Q. Will there be a premium applied to the FPO cost of gas rate?**

9 A. Yes. As approved in Order No. 24,516, Docket DG 05-144, the Company has
10 applied a \$0.02 per therm premium to the COG rate to ~~derive the FPO COG rate.~~
11 The Company FPO enrollment period closed Based on October 20, 2008 and
12 based on average participation levels over the subscription level ~~past 5 years~~, the
13 Company expects FPO volumes of approximately 225300,000 therms.

14
15 **Q. Please describe the pre-purchased propane.**

16 A. The Company has again implemented its Propane Purchasing Stabilization Plan
17 (the "Plan") as approved in Order No. 24,617, docketed as DG 06-037.
18 Attachment B-2 provides a synopsis of the prices and gallons of propane
19 purchased with respect to the Plan. The weighted average price of the 700,000
20 gallons procured under the Plan is \$1.934 per gallon, or \$2.114 per therm. This
21 price can be seen on line 5 of Attachment B-1, and includes commodity, PERC
22 and transportation costs. The dates that the gallons were purchased is also listed
23 on Attachment B-2. After conferring with Staff regarding the September pre-
24 purchase volumes, the Company elected to make its final purchase on August 29,
25 2008 due to Hurricane Gustav. The Company was concerned with the high level
26 of recent hurricane activity, and the resulting volatility in commodity markets.

27
28 **Q. How were spot market prices determined?**

29 A. The spot market costs per gallon of propane shown on line 13 of Attachment B-1
30 are the New York Mercantile Exchange futures settlement prices as of October
31 20~~September 12~~, 2008, plus brokers', pipeline and transportation fees.

1

2 **Q. How will NHGC customers be notified of the availability of the FPO**
3 **program?**

4 A. In a letter to customers to be mailed in late September 2008, NHGC customers
5 were will be advised of the program and how they could may participate in it.

6

7 **Q. How will the winter 2008-2009 Cost of Gas Rate ("CGR") for residential**
8 **heating customers participating in the FPO program affect the average New**
9 **Hampshire Gas Corporation customer?**

10 A. The winter 2008-2009 CGR of \$2.2408 for customers participating in the FPO
11 program is an increase of \$0.7196 per therm from the winter 2006-2007 FPO
12 CGR of \$1.5212. To the average residential heat customer, this would be a
13 \$685.90 increase for the 2008-2009 winter COG period for the gas cost
14 component of their bill only, or a 47.3% increase. If the Monthly Customer
15 Charge and per therm Delivery Rates (including the Deferred Revenues
16 Surcharge) are factored into the analysis, the average residential heat customer
17 will see a \$691.7377 increase in their total costs for the 2008-2009 winter COG
18 period, or a 30.2% increase.

19

20 **Q. How will the winter 2008-2009 CGR for customers not participating in the**
21 **FPO program affect the average New Hampshire Gas Corporation**
22 **customer?**

23 A. The Winter 2008-2009 CGR of \$1.81392.2208 for customers not participating in
24 the FPO program is an increase of \$0.04934562 per therm from the average
25 winter 2007-2008 CGR of \$1.7646. To the average residential heat customer, this
26 would be a \$47.08434.89 increase for the 2008-2009 winter COG period for the
27 gas cost component of their bill only, or a 2.85.9% increase. If the Monthly
28 Customer Charge and per therm Delivery Rates (including the Deferred Revenues
29 Surcharge) are factored into the analysis, the customer will see a \$52.94440.76
30 increase in their total costs for the 2008-2009 winter COG period, or an 2.147.5%
31 increase.

1

2 **Q. What is the primary reason for the increase in the FPO per therm winter**
3 **COG?**

4 A. The primary reason for the increase is higher market prices of propane versus the
5 winter 2007-2008 period.

6

7 **Q. What is the primary reason for the increase in the Non-FPO per therm**
8 **winter COG?**

9 A. The primary reason for the increase is higher market prices of propane versus the
10 winter 2007-2008 period.

11

12 **Q. Please describe Supplemental Schedule E.**

13 | A. -Supplemental Schedule E provides a billing comparison between a typical FPO
14 customer and a non-FPO customer. For the Winter 2007-2008 period, a typical
15 FPO customer's winter billing amounted to approximately (\$232) less than a non-
16 FPO customer's winter billing. This is due to the fact that commodity prices
17 increased during the winter period.

18

19 **Q. Has there been any impact on pipeline or trucking fees on NHGC's cost of**
20 **gas?**

21 A. At the end of the 2007-2008 winter season, pipeline and trucking fees were
22 \$0.0858 per gallon and \$0.0558 per gallon "base rate" respectively. The
23 forecasted pipeline fee is \$0.0915 per gallon, an increase of 6.64%, and the
24 forecasted trucking fee increased 3.05% to \$0.0575 per gallon (exclusive of the
25 fuel surcharge).

26

27 **Q. Does Northern Gas Transport ("NGT") impose a fuel surcharge to their**
28 **trucking rates?**

29 A. Yes. At the end of the 2007-2008 Winter COG period, NGT charged a "fuel
30 surcharge" rate of 34.5% from Selkirk, New York. NGT's current "fuel

1 | surcharge” is 2735.5%. The surcharge is calculated using the weekly average
2 diesel gasoline prices, and contributes to the increased trucking fees.

3
4 **MISCELLANEOUS**

5
6 **Q. Will the Company meet its 7-day onsite storage requirements pursuant to PUC
7 506.03?**

8 A. Yes. As discussed in a letter submitted to the Commission on March 22, 2004, the
9 Company is meeting its 7-day onsite storage requirements through an arrangement
10 with Northern Gas Transport, Inc. and The Berkshire Gas Company. The storage
11 facilities provided by The Berkshire Gas Company are located in Greenfield,
12 Massachusetts.

13
14 **Q. Are there other adjustments to rates for the winter 2008-2009 Cost of Gas
15 period that should be considered?**

16 A. Yes. Throughout the period leading up to the implementation of maximum
17 delivery rates, Order 24,102 authorized the Company to defer on its books the
18 monthly difference between the amount of the actual rates being charged to
19 customers and the amount that would have been charged to customers under the
20 maximum rates. These “Deferred Revenues” amounted to \$192,417.69. The 36-
21 month collection period for these Deferred Revenues commenced May 1, 2006 as
22 approved in Order 24,617. Supplemental Schedule D provides the calculation of
23 this surcharge, which amounts to \$0.0532 per therm for the winter 2008-2009
24 COG period.

25
26 **Q. Is the Company requesting a waiver of N.H. Code Admin. Rule Puc 1203.05
27 which requires rate changes to be implemented on a service-rendered basis?**

28 A. Yes, the Company is requesting a waiver of N.H. Code Admin. Rule Puc 1203.05
29 as was granted in previous COG and delivery rate proceedings. First, NHGC
30 customers are accustomed to rate change on a bills-rendered basis and a change in
31 policy may result in customer confusion. In addition, the Company’s current

1 billing system is not designed to accommodate changes to billing on a service-
2 rendered basis and such a change would necessitate modifying or replacing the
3 billing system at a substantial cost to NHGC.

4

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

6 A. Yes, it does.

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1 marketers. Finally, I assist New Hampshire Gas Corporation (“NHGC” or the
2 “Company”) with its regulatory filings.

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3 forecasted propane costs. This calculation of the over-
4 collection is demonstrated on Attachment D.

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6 2) Interest of \$4,203 is added to the forecasted propane costs.
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8 period May 2008 through April 2009. The interest calculation
9 is based on the Wall Street Journal's posted prime rate.

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11 The Non-FPO rate of \$1.8139 per therm is forecasted by taking the Total
12 Anticipated Period Costs of \$1,994,882 less the expected revenues anticipated
13 from the Fixed Price Option program of \$504,180 (sales of 225,000 therms
14 multiplied by the FPO price of 2.2408 = \$504,180). The remaining Anticipated
15 Period costs of \$1,490,702 are then divided by the non-FPO forecasted firm sales
16 of 821,803 therms. The unit cost of gas sold for the Fixed Price Option Program
17 ("FPO") rate was established at \$2.2408 per therm.

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19 **Q. Please describe Attachment A.**

20 A. This attachment converts the produced gas costs to therms. The 1,133,110 therms
21 represent propane sendout as detailed on Attachment B and the \$1.7388 per therm
22 cost represents the average cost per therm for the winter season as detailed on line
23 72 of Attachment E.

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20 **FPO program affect the average New Hampshire Gas Corporation**
21 **customer?**

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23 FPO program is an increase of \$0.0493 per therm from the average winter 2007-
24 2008 CGR of \$1.7646. To the average residential heat customer, this would be a
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29 2008-2009 winter COG period, or an 2.1% increase.

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31 **Q. What is the primary reason for the increase in the FPO per therm winter**

1 **COG?**

2 A. The primary reason for the increase is higher market prices of propane versus the
3 winter 2007-2008 period.

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21 forecasted pipeline fee is \$0.0915 per gallon, an increase of 6.64%, and the
22 forecasted trucking fee increased 3.05% to \$0.0575 per gallon (exclusive of the
23 fuel surcharge).

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25 **Q. Does Northern Gas Transport ("NGT") impose a fuel surcharge to their**
26 **trucking rates?**

27 A. Yes. At the end of the 2007-2008 Winter COG period, NGT charged a "fuel
28 surcharge" rate of 34.5% from Selkirk, New York. NGT's current "fuel
29 surcharge" is 27.5%. The surcharge is calculated using the weekly average diesel
30 gasoline prices, and contributes to the increased trucking fees.

31

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3 **Q. Will the Company meet its 7-day onsite storage requirements pursuant to PUC**
4 **506.03?**

5 A. Yes. As discussed in a letter submitted to the Commission on March 22, 2004, the
6 Company is meeting its 7-day onsite storage requirements through an arrangement
7 with Northern Gas Transport, Inc. and The Berkshire Gas Company. The storage
8 facilities provided by The Berkshire Gas Company are located in Greenfield,
9 Massachusetts.

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11 **Q. Are there other adjustments to rates for the winter 2008-2009 Cost of Gas**
12 **period that should be considered?**

13 A. Yes. Throughout the period leading up to the implementation of maximum
14 delivery rates, Order 24,102 authorized the Company to defer on its books the
15 monthly difference between the amount of the actual rates being charged to
16 customers and the amount that would have been charged to customers under the
17 maximum rates. These "Deferred Revenues" amounted to \$192,417.69. The 36-
18 month collection period for these Deferred Revenues commenced May 1, 2006 as
19 approved in Order 24,617. Supplemental Schedule D provides the calculation of
20 this surcharge, which amounts to \$0.0532 per therm for the winter 2008-2009
21 COG period.

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23 **Q. Is the Company requesting a waiver of N.H. Code Admin. Rule Puc 1203.05**
24 **which requires rate changes to be implemented on a service-rendered basis?**

25 A. Yes, the Company is requesting a waiver of N.H. Code Admin. Rule Puc 1203.05
26 as was granted in previous COG and delivery rate proceedings. First, NHGC
27 customers are accustomed to rate change on a bills-rendered basis and a change in
28 policy may result in customer confusion. In addition, the Company's current
29 billing system is not designed to accommodate changes to billing on a service-
30 rendered basis and such a change would necessitate modifying or replacing the
31 billing system at a substantial cost to NHGC.

1

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

3 A. Yes, it does.

4