NEW HAMPSHIRE GAS CORPORATION

Direct Testimony of Jennifer Boucher

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

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

Q. What is your position?

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

Q. Could you please briefly describe your educational and professional background?

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

Q. Please summarize your responsibilities.

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

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

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

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

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

COST OF GAS ADJUSTMENT

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

A. The proposed 35th revised Tariff Page 24 contains the calculation of the 2008 – 2009 Winter COG rate and summarizes the Company's forecast of propane sendout and propane costs. The estimated total cost of the forecasted propane sendout from November 1, 2008 through April 30, 2009 is $1,994,882.~~2,324,777.~~ The information presented on the tariff page is supported by Attachments A through E which will be described later in this testimony.

To derive the Total Anticipated Period Costs, the following adjustments have been made:

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

2) Interest of $4,203~~5,156~~ is added to the forecasted propane costs. Attachment C shows this forecasted interest calculation for the period May 2008 through April 2009. The interest calculation is based on the Wall Street Journal's posted prime rate.

The Non-FPO rate of $1.8139~~2.2208~~ per therm is forecasted by taking the Total Anticipated Period Costs of $1,994,882 less the expected revenues anticipated from the Fixed Price Option program of $504,180 (sales of 225,000 therms multiplied by the FPO price of 2.2408 = $504,180). The remaining Anticipated Period costs of $1,490,702 are then~~2,324,777~~ divided by the non-FPO forecasted firm sales of 821~~1,046~~,803 therms. The unit cost of gas sold for the Fixed Price Option Program ("FPO") rate was established at ~~of~~ $2.2408 per therm~~—is determined by adding a $0.02 premium to the Non-FPO cost of gas~~.

Q. Please describe Attachment A.

A. This attachment converts the produced gas costs to therms. The 1,133,110~~134,059~~ therms represent propane sendout as detailed on Attachment B and the $1.7388~~2.0251~~ per therm cost represents the average cost per therm for the winter season as detailed on line 72 of Attachment E.

Q. Please describe Attachment B.

A. Attachment B represents the combined (over)/under collection calculation for the 2008 – 2009 winter period based on the anticipated volumes, the cost of gas, and any applicable interest charges. As shown on line 5, total sendout is the weather normalized 2007-2008 winter period firm sendout, Company Use and anticipated new load. Firm sales volumes shown on line 22 are derived from the weather normalized 2007-2008 winter period firm sales plus expected incremental new growth. On line 16, the Company has also included the anticipated $0.02 per therm FPO premium revenues as a credit to propane costs.

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

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

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

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

Q. What is Attachment D?

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

Q. Please describe Attachment E.

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

FPO AND NON-FPO CUSTOMER PROGRAMS

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

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

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

A. Yes. As approved in Order No. 24,516, Docket DG 05-144, the Company has applied a $0.02 per therm premium to the COG rate to ~~derive~~ the FPO COG rate. The Company FPO enrollment period closed~~Based~~ on October 20, 2008 and based on~~average participation levels over~~ the subscription level~~past 5 years~~, the Company expects FPO volumes of approximately 225~~300~~,000 therms.

Q. Please describe the pre-purchased propane.

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

Q. How were spot market prices determined?

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

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

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

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

A. The winter 2008-2009 CGR of $2.2408 for customers participating in the FPO program is an increase of $0.7196 per therm from the winter 2006-2007 FPO CGR of $1.5212. To the average residential heat customer, this would be a $685.90 increase for the 2008-2009 winter COG period for the gas cost component of their bill only, or a 47.3% increase. If the Monthly Customer Charge and per therm Delivery Rates (including the Deferred Revenues Surcharge) are factored into the analysis, the average residential heat customer will see a $691.73~~77~~ increase in their total costs for the 2008-2009 winter COG period, or a 30.2% increase.

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

A. The Winter 2008-2009 CGR of $1.8139~~2.2208~~ for customers not participating in the FPO program is an increase of $0.0493~~4562~~ per therm from the average winter 2007-2008 CGR of $1.7646. To the average residential heat customer, this would be a $47.08~~434.89~~ increase for the 2008-2009 winter COG period for the gas cost component of their bill only, or a 2.8~~5.9~~% increase. If the Monthly Customer Charge and per therm Delivery Rates (including the Deferred Revenues Surcharge) are factored into the analysis, the customer will see a $52.94~~440.76~~ increase in their total costs for the 2008-2009 winter COG period, or an 2.1~~17.5~~% increase.

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

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

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

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

Q. Please describe Supplemental Schedule E.

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

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

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

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

A. Yes. At the end of the 2007-2008 Winter COG period, NGT charged a "fuel surcharge" rate of 34.5% from Selkirk, New York. NGT's current "fuel surcharge" is 27~~35~~.5%. The surcharge is calculated using the weekly average diesel gasoline prices, and contributes to the increased trucking fees.

MISCELLANEOUS

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

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

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

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

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

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

Q. Does this conclude your testimony?

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