

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 08-117

In the Matter of:
New Hampshire Gas Corp.
Winter 2008/09 Cost of Gas

Direct Testimony

of

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

October 23, 2008

**New Hampshire Public Utilities Commission
New Hampshire Gas Corp.
Winter 2008/09 Cost of Gas
DG 08-117**

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

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

Q. Please summarize your educational and professional experience.

A. Please see Attachment RJW-1.

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

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

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

A. The purpose of my testimony is to support the proposed COG filing, and to present Staff's view of a policy issue related to how regulated gas utilities in New Hampshire are allowed to adjust their cost of gas rates on a monthly basis within a +/- 20 percent bandwidth of approved rates.

Q. What is the policy at issue here?

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

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

A. Yes. Each cost of gas order requires the regulated gas utilities to provide the Commission with a monthly calculation of the projected over- or under-collection for the period, and if

1 necessary, the resulting revised cost of gas (COG) rate, five business days prior to the first
2 day of the subsequent month. Without further Commission action, the COG rates can be
3 adjusted upward or downward within a +/- 20 percent bandwidth of the approved COG
4 rate. The goals of the monthly adjustments are to minimize over/under collections and
5 minimize associated carrying costs from one period to the next. In addition, monthly
6 adjustments better match gas costs with gas cost revenues in the period, more accurately
7 reflect market prices in order to send proper price signals which allow customers to react
8 accordingly by possibly reducing consumption or pricing alternative energy sources, and
9 reduce inter-generational subsidies as customers leave the system and new customers come
10 on the system.

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

12 **A.** Yes, it has served as a useful tool in minimizing seasonal over and under recoveries, but it
13 could be modified to be even more effective.

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

15 **A.** The mechanism limits changes to within 20% of the approved COG rate without further
16 Commission action. During the 2008 summer period New Hampshire Gas Corp. (NHGC)
17 projected an under-collection required a rate increase above 20% of the approved COG
18 rate to eliminate, necessitating a revised COG filing. After the Commission noticed the
19 filing, held a hearing and issued an order approving NHGC's revised COG, propane prices
20 plummeted to the point where NHGC needed to decrease rates below the minimum
21 allowed to eliminate the projected over-collection. Because of the limited time remaining
22 in the summer season, NHGC lowered the rate to the minimum allowed without further
23 Commission action, but was unable to reduce rates to the full extent necessary to eliminate

1 the projected over-collection.

2 Last summer demonstrates the volatility of the propane markets and the need for a
3 more flexible and efficient policy to accomplish the goals that gave rise to monthly
4 adjustments.

5 **Q. How should the monthly adjustment mechanism be modified?**

6 **A.** The existing mechanism should continue to allow monthly adjustments within 20% of the
7 approved rate without further Commission action, but also allow for monthly adjustments
8 beyond 20% with Commission approval through either a secretarial letter or Commission
9 order.

10 **Q. Please explain the mechanics of the proposed modification.**

11 **A.** NHGC would file its required monthly report due five business days before the effective
12 date of the proposed adjustment and, if beyond 20%, would request Commission approval.

13 The request would be docketed and Staff and the parties would have the opportunity to
14 file comments and recommendations with the Commission. The Commission could then
15 rule on the request or require a hearing. It would no longer be necessary to file a
16 completely revised cost of gas filing. Instead, the Company would file a letter similar to
17 the regular monthly letters it has been filing with summary information supporting the
18 proposed change in the COG rate. However, if the proposed adjusted COG rate was
19 outside the 20% bandwidth, the Company would not be authorized to implement
20 the rate until it receives an authorizing letter from the Commission. The Commission will
21 decide if a hearing is needed. Once outside the bandwidth, the Company could further
22 change the rate to move closer to the originally approved COG rate for that period, but not
23 further away, without any additional Commission action.

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

2 **A.** The modification ensures limited changes in rates without further action by the
3 Commission but allows for more substantive changes on a timely basis when merited
4 without necessarily requiring a full blown proceeding and hearing. In cases where a
5 revised COG filing can be avoided, it would reduce administrative costs while increasing
6 administrative efficiency and ease.

7 In addition, the proposed modification would require Commission action for any
8 monthly increase beyond 20% of the approved rate. For example, if NHGC were to
9 increase the rate 22% and in the following month requested an increase to 24%, the change
10 would require Commission approval. Under the current policy, if NHGC filed a revised
11 COG to increase the rate 22% and the Commission approved the increase, NHGC would
12 then be free to increase the following month's rate up to 42% beyond the initial rate
13 without any further Commission action. Furthermore, the proposed modification would
14 allow the NHGC to drop its rate up to 20% below the originally approved COG rate,
15 whereas under the current policy rates can only be dropped 20% below the revised COG
16 rate. Under the proposed policy modification, during the 2008 summer period NHGC
17 would have been able to increase the rate without a revised COG filing and hearing and
18 would have been able to lower rates to the extent necessary to have eliminated the
19 projected over collection.

20 **Q. What happens if the Commission does not act on a requested increase?**

21 **A.** The Company would only be able to increase the rate to the maximum allowed, within
22 20% of the approved rate. If the requested change was substantial enough and/or the
23 Commission desired more information, it could elect to open a hearing and notice the

1 public.

2 **Q. Is there an increased risk a utility could ‘game’ the system as a result of the**
3 **recommended change?**

4 **A.** There is no increased risk. The COG is fully reconcilable and actual costs and revenues
5 reviewed in a formal proceeding.

6 **Q. What is the Staff’s position regarding the rates proposed in the Company’s cost of**
7 **gas filing?**

8 **A.** Staff has completed its review of the cost of gas forecast for the upcoming winter period
9 and recommends approval of the proposed rates in the revised filing. The demand forecast
10 is consistent with those filed by the Company for previous winter periods and approved by
11 the Commission. Staff has reviewed and audited the 2007-08 cost of gas reconciliation
12 and found the costs to be reasonable and accurately reported. Gas costs used to develop
13 the rates in this filing will be fully reconciled with proper adjustments being made as
14 needed.

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

16 **A.** Yes, it does.

Robert J. Wyatt

Educational Background

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

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

Professional Experience

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

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

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

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

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

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