

New Hampshire Gas Company

Direct Testimony of Karen L. Zink
(DG 09-038)

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

2 A. My name is Karen L. Zink. My business address is 115 Cheshire Road,
3 Pittsfield, Massachusetts 01201.

4 **Q. Are you the same Karen L. Zink who submitted other direct testimony in**
5 **this case?**

6 A. Yes. My educational background and qualifications are set forth in my
7 individual pre-filed direct testimony in support of the Company's permanent
8 rate filing.

9 **Q. What is the purpose of your testimony?**

10 A. My testimony explains the level of temporary rates sought by the Company,
11 the reasons for the request, and the impact on customers.

12 **Q. What is the amount of temporary rates being proposed by the Company?**

13 A. The Company is requesting temporary rates at a level consistent with its most
14 recent level of deferred revenues for the period May 2008 through April 2009,
15 or \$69,995. See Attachment A, line 46. In Order DG 02-003, the
16 Commission accepted a settlement agreement (the "Settlement") between
17 Staff and New Hampshire Gas Corporation ("NHGC"). In the Settlement,
18 the parties agreed in Section 6.0, Deferred Revenue, "that effective January 1,
19 2003, NHGC is authorized to defer on its books the monthly difference
20 between the amount which would be collected under the maximum rates of
21 \$288,887 annually and the actual revenue requirement being billed to

1 customers pursuant to paragraphs 4.0 and 5.0. Interest will not be accrued on
2 the deferred revenue balance. However, in no event shall the total deferred
3 revenue balance exceed \$200,000. Recovery of the deferred revenue may
4 begin the first cost of gas period following the completion of the maximum
5 delivery rate increase as set forth in paragraph 5.0 herein. Recovery of the
6 deferred revenue shall occur over an eighteen (18) month period if the
7 deferred revenue balance is less than \$100,000. If the deferred revenue
8 balance is greater than \$100,000 then recovery shall be over a thirty-six (36)
9 month period.”

10 As can be seen on Attachment A, the initial total deferred revenues to be
11 recovered were \$192,417 (line 1). Thus, the revenues were recovered over a
12 36-month period. That period will end on April 30, 2009. In order to avoid
13 any bill impact to customers, the Company proposes the current level of
14 deferred revenue be reflected as temporary rates, and then become part of the
15 permanent rates upon their effectiveness. The proposed per unit charge
16 (Attachment A, line 57) is the same for each rate class in order to insure no
17 bill impact to customers (currently the same per unit charge is applied to each
18 rate class). However, as can be seen on Attachment A, lines 54 and 55, the
19 percentage of weather normalized sales (Attachment B) attributable to each
20 rate class is 24% residential and 76% commercial. Thus, the commercial
21 customers will be responsible for 76% of the temporary rates, or \$53,190
22 (Attachment A, line 55)¹. The Company is requesting that temporary rates

¹ Residential customers account for 33% of distribution revenues in a normal year but will only absorb 24% of the temporary rate increase.

1 take effect on May 1, 2009 on a service-rendered basis, and that they be
2 applied to customers based on the rate design set forth as Attachment C. This
3 rate design is essentially the current delivery rate structure that is in place with
4 the temporary rate factor of \$.0528 added to the headblock for each rate class.

5 **Q. Why is the Company requesting temporary rates?**

6 A. The Company is seeking temporary and permanent rates for the same primary
7 reason. The Company's adjusted earnings in 2008 produced a rate of return at
8 significantly less than 1% and future years will produce operating losses
9 without rate relief. Also, the Company's operating income does not produce a
10 positive cash flow necessary to sustain required capital expenditures. This
11 issue is addressed in greater detail in the testimony regarding permanent rates.
12 In the Company's most recent annual return filed with the Commission, net
13 income in 2008 was only \$14,668 compared to equity of over \$3 million.
14 This demonstrates that the ROE is negligible. Since the level of temporary
15 rates requested is an amount that is already included in the current customer's
16 bills, this request will have \$0 bill impact on customers. At the same time, the
17 temporary rates will enable NHGC to retain the same level of revenues
18 currently reflected in operations.

19 **Q. Does this conclude your testimony on temporary rates?**

20 A. Yes it does.