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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 12, 2010 - 10:05 a.m.
Concord, New Hampshire

RE: DG 10-230
ENERGYNORTH NATURAL GAS, INC.
d/b/a National Grid NH:
Winter 2010-2011 Cost of Gas.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas, Inc.
d/b/a National Grid NH:
Steven V. Camerino, Esq. (McLane, Graf...)

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

Reptg. PUC Staff:
Alexander Speidel, Esq.
Stephen Frink, Asst. Dir./Gas & Water Div.
Robert Wyatt, Gas & Water Division

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

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I N D E X

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WITNESS: MICHELE V. LEONE

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Winter 2010-2011 Cost of Gas Filing (09-01-10) {CONFIDENTIAL & PROPRIETARY}	16
2	Winter 2010-2011 Cost of Gas Filing (09-01-10) [REDACTED - For public use]	16

P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning, everyone. We'll open the hearing in Docket DG 10-230. On September 1, 2010, National Grid filed its proposed cost of gas and Fixed Price Option rates for the winter period November 1, 2010 through April 30, 2011, and its Local Delivery Adjustment Clause Charge and certain supplier charges for the period November 1, 2010 through October 31, 2011. The proposed residential cost of gas rate is 82.2 cents per therm, an 11.96 per therm decrease compared to last winter. The proposed changes to the COG and LDAC charges are offset by increases in base distribution rates approved earlier in the year, are expected to decrease a typical residential heating customer's winter bill by approximately 4.4 percent, and similar changes are proposed to commercial and industrial rates.

We issued the order notice on September 8th setting the hearing for this morning. And, I'll note for the record that the affidavit of publication has been filed.

Can we take appearances please.

MR. CAMERINO: Good morning, Commissioners. Steve Camerino, from McLane, Graf,

{DG 10-230} {10-12-10}

1 Raulerson & Middleton, on behalf of EnergyNorth Natural
2 Gas, Inc., doing business as National Grid New Hampshire.

3 CHAIRMAN GETZ: Good morning.

4 MR. TRAUM: Good morning, Mr. Chairman
5 and Commissioners. Representing the Office of Consumer
6 Advocate, Kenneth Traum.

7 CHAIRMAN GETZ: Good morning.

8 MR. SPEIDEL: Good morning. Alex
9 Speidel representing the Staff of the Commission. I have
10 with me Bob Wyatt and Steve Frink of the Commission Staff
11 as well.

12 CHAIRMAN GETZ: Good morning.

13 MR. SPEIDEL: Good morning.

14 CHAIRMAN GETZ: Anything we need to
15 address before you proceed, Mr. Camerino?

16 MR. CAMERINO: I think the only thing
17 is, Attorney Speidel reminded me, we had some confidential
18 responses to data requests that I was thinking the subject
19 matter is the same as what was covered by the Motion for
20 Protective Order that the Company had filed, but that
21 motion refers to very specific pages of the filing. And,
22 so, if it's -- I apologize for not having submitted a
23 motion on the data requests, but it would be my intention,
24 in the next day or so, to just submit an additional motion

1 that indicates that we have these additional data
2 responses that have gas purchase price and similar
3 information for which the Company is seeking confidential
4 treatment. The confidentiality was asserted in the --
5 when the material was sent out, but there's no
6 accompanying motion at this point.

7 CHAIRMAN GETZ: Okay. Thank you.

8 CMSR. IGNATIUS: I do have a question
9 about the Motion for Confidentiality, Mr. Camerino. And,
10 I apologize if this is something that's been standard and
11 I just haven't noticed before. The request for protection
12 says that "At the conclusion of the proceedings, the
13 materials will be returned or destroyed in arrangements
14 mutually acceptable to the Company", or something like
15 that. The Commission retains copies of all of its
16 materials for its records, and would remain under
17 confidential treatment as long as that's necessary, and
18 over time, because it would be less necessary to protect.
19 But is it really your intention that "all materials be
20 returned or destroyed" or that there be a retained
21 official copy for the Commission to keep in its records?

22 MR. CAMERINO: That has been standard,
23 and you have standardly ignored that in your order. I
24 think we should remove that. It used to be the practice

1 that the Commission would actually call us at some point
2 and return confidential materials, and that hasn't been
3 the case for some time. And, I think that language just
4 needs to be updated. And, I don't believe any of your
5 orders approving the confidential treatment have ever
6 indicated that the Commission would do that.

7 CMSR. IGNATIUS: Perhaps, I know
8 Mr. Damon is here, perhaps at another time you could talk
9 about what the best way is to set up a good system that's
10 both manageable for us and what we need to retain, and
11 satisfies the concerns that you and other companies would
12 have about sensitive materials.

13 MR. CAMERINO: Sure. Thank you.

14 CMSR. IGNATIUS: Thank you.

15 CHAIRMAN GETZ: Anything further?

16 (No verbal response)

17 CHAIRMAN GETZ: Okay. Then, Mr.
18 Camerino, please proceed.

19 MR. CAMERINO: Thank you. The Company
20 calls Michele Leone.

21 (Whereupon **Michele V. Leone** was duly
22 sworn and cautioned by the Court
23 Reporter.)

24 **MICHELE V. LEONE, SWORN**

[WITNESS: Leone]

DIRECT EXAMINATION

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BY MR. CAMERINO:

Q. Ms. Leone, would you state your name and business address for the record please.

A. I'm Michele Leone. I work for National Grid, 40 Sylvan Road, Waltham, Massachusetts 02451.

Q. And, what is your position with National Grid?

A. I am the Manager of the New England Site Investigation and Remediation Program.

Q. And, just in general, what are your responsibilities in that regard?

A. I'm responsible for the management of investigation and remediation of manufactured gas plant sites that the Company has responsibility for in New Hampshire, as well as Massachusetts and Rhode Island.

Q. And, with its cost of gas filing, the Company submitted prefiled testimony with your name on it dated "September 1, 2010". Are you familiar with that testimony?

A. I am.

Q. Was it prepared by you or under your direction?

A. Yes.

Q. And, is it true and accurate to the best of your knowledge and belief?

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[WITNESS: Leone]

1 A. Yes.

2 Q. Okay. Do you have any updates you'd like to make to
3 that testimony since it was filed?

4 A. There's been an update on the Liberty Hill site, in
5 Gilford, New Hampshire.

6 Q. Could you just briefly summarize what has occurred with
7 regard to the Liberty Hill site?

8 A. Sure. On Friday, this past Friday afternoon, the New
9 Hampshire DES issued a preliminary decision on National
10 Grid's August 2009 Remedial Action Plan. It was a
11 negative determination, and they requested that or are
12 requiring that National Grid implement what we were
13 calling "Remedial Action Alternative Number 1", which
14 is to remove all of the contamination at the Liberty
15 Hill Road site.

16 Q. And, when you say the recommendation by DES is "to
17 remove all of the contamination", how does that compare
18 to what the Company had been recommending and
19 requesting be approved?

20 A. In our August 2009 Remedial Action Plan, the Company
21 recommended Remedial Alternative 5A, which included
22 removal of 80 percent of the contamination,
23 construction of a slurry wall around the remaining 20
24 percent of the contamination, with a low-flow pumping

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[WITNESS: Leone]

1 system to control groundwater flow within that cell.

2 And, then, there would also have been a cap constructed
3 over the containment cell.

4 Q. So, the DES report that was issued on Friday, what's
5 the status of that report, in terms of the Company's
6 obligation to now go forward and implement the option
7 that DES is ordering? And, what is the process from
8 here, in terms of that report?

9 A. Internally, National Grid is still reviewing the letter
10 that DES issued on Friday. Per the letter, DES is
11 planning to hold -- it's a preliminary decision, and
12 they're planning to hold a public meeting in
13 approximately 30 days. The date has yet to be set.
14 Following the public meeting, they will open a 30-day
15 comment period, in which they'll take comments from
16 National Grid and the public. And, at that point, they
17 will issue or they're indicating that they will issue a
18 final decision.

19 Q. And, does the -- has the Company, at this point, made
20 any public statements regarding the potential cost
21 impact of the additional -- the additional cost impact
22 of what the State is recommending?

23 A. Since the letter was issued, National Grid is still
24 reviewing the letter that was issued by DES. However,

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[WITNESS: Leone]

1 our August 2009 Remedial Action Plan does show a cost
2 estimate for the complete excavation/removal at
3 approximately \$17 million, versus the approximately
4 \$11 million to implement the remedy that National Grid
5 recommended.

6 MR. CAMERINO: Thank you. That
7 concludes my direct examination. I would add that, with
8 regard to both this witness and the Company's other two
9 witnesses, it was not our intention to have the witnesses
10 summarize what's in their prefiled written testimony, if
11 that's all right with the Commission?

12 CHAIRMAN GETZ: Thank you. Mr. Traum,
13 any questions for the witness?

14 MR. TRAUM: Just a couple, Ms. Leone.

15 **CROSS-EXAMINATION**

16 BY MR. TRAUM:

17 Q. For purposes of this filing and the LDAC rate for this
18 winter period, it's not impacted by Friday's DES
19 decision, is that correct?

20 A. Correct.

21 Q. And, once the Company does start incurring costs,
22 whether it's 17 million or whatever the amount is,
23 those costs will, per a prior settlement agreement, be
24 recovered over a seven year period without carrying

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[WITNESS: Leone]

1 costs?

2 A. That is my understanding.

3 MR. TRAUM: Thank you. That's all I
4 have.

5 CHAIRMAN GETZ: Thank you. Mr. Speidel.

6 MR. SPEIDEL: Yes. Thank you.

7 BY MR. SPEIDEL:

8 Q. Just by way of clarification, have there been any
9 significant changes to your knowledge in anticipated
10 environmental remediation costs, projections or
11 schedules from what was presented last year?

12 A. I think the most significant change is related to the
13 letter that was issued by DES. That would change the
14 costs that National Grid was expecting to incur on the
15 Liberty Hill site.

16 Q. Would you be able to quantify those changes, changes in
17 costs, or no?

18 A. As I had mentioned earlier, per our Remedial Action
19 Plan, we did estimate the alternative that we
20 recommended to cost approximately 10.9 million. And,
21 the RA-1, the complete removal, to cost approximately
22 17. However, when you do dig down, over 50 feet, to
23 remove essentially all contamination, the potential for
24 costs to increase during that kind of a project are

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[WITNESS: Leone]

1 significant. So, we will continue to evaluate the
2 potential costs associated with that removal, with that
3 particular remedy.

4 Q. Thank you. Would you be able to tell us how much the
5 Company spent on environmental remediation last year?
6 And, how much it expects in the aggregate to spend next
7 year?

8 A. We spent just under \$900,000 on investigation and
9 remediation costs in New Hampshire last year. And,
10 looking forward to next year, we are still evaluating,
11 obviously, the Liberty Hill letter that we received,
12 and we are awaiting for a response from DES on a
13 Remedial Action Plan that we submitted for Manchester.
14 So, we're not certain what our costs will be for the
15 next year, but we anticipate that it will be
16 approximately 2 to \$3 million.

17 Q. Thank you. Would you be able to list the other major
18 sites left to clean up, aside from Liberty Hill, and
19 the estimated cost for each completion of clean-up?

20 A. The other sites include Manchester, Concord, and
21 Nashua. We -- the Remedial Action Plan that we
22 submitted for Manchester recommended an alternative
23 that would cost approximately \$5 million to implement,
24 although DES has not given us approval to implement

{DG 10-230} {10-12-10}

[WITNESS: Leone]

1 that remedy. We do not have a remedial action work
2 plan submitted yet for Concord or for Nashua. So, I
3 don't have an estimate of what the costs to remediate
4 those sites would be.

5 MR. SPEIDEL: Thank you. No further
6 questions.

7 CHAIRMAN GETZ: Thank you.

8 BY CMSR. IGNATIUS:

9 Q. In following up to that, Ms. Leone, your testimony says
10 that "for Keene and Dover, there's very little to
11 report." Is that because it's at a preliminary stage
12 or because things are not that much that need cleaning
13 up? I've forgotten where we stand on that.

14 A. For Keene and Dover, those sites were remediated by
15 others, or are being remediated by others. So,
16 National Grid is not currently involved in those
17 projects.

18 Q. And, is it your expectation that they're pretty much
19 done? There isn't any more news to kind of come out on
20 those two?

21 A. I understand Dover to be complete. My understanding is
22 that the Keene site is currently being remediated by
23 PSNH. But I'm not aware of the activities that are
24 ongoing.

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[WITNESS: Leone]

1 CMSR. IGNATIUS: Thank you. Nothing
2 else.

3 CHAIRMAN GETZ: Anything further, Mr.
4 Camerino?

5 MR. CAMERINO: Nothing further. Thank
6 you.

7 CHAIRMAN GETZ: Then, the witness is
8 excused. Thank you.

9 MR. CAMERINO: If it's all right with
10 the Bench, Ms. Leone needs to head to Boston for a federal
11 trial. So, if we could excuse her, that would be great.

12 CHAIRMAN GETZ: Thank you.

13 MR. CAMERINO: Thank you. We haven't
14 discussed this, but I think it would be best if Mr. Poe
15 and Ms. Leary took the stand as a panel, and that might
16 expedite the cross-examination, if that's all right with
17 the other parties?

18 MR. TRAUM: That's acceptable to OCA.

19 MR. CAMERINO: And, the Bench?

20 CHAIRMAN GETZ: Please proceed. And, is
21 it your intention to mark the entire package --

22 MR. CAMERINO: Yes, it is.

23 CHAIRMAN GETZ: -- as a single exhibit?

24 MR. CAMERINO: Why don't we do that

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1 while they're taking the stand. I have given the Clerk
2 the confidential copy of the cost of gas filing as
3 "Exhibit Number 1" for identification, and the redacted
4 copy as "Exhibit 2" for identification, if we could mark
5 those.

6 CHAIRMAN GETZ: Okay. So marked.

7 (The documents, as described, were
8 herewith marked as **Exhibit 1** and
9 **Exhibit 2**, respectively, for
10 identification.)

11 (Whereupon **Ann E. Leary** and **Theodore**
12 **Poe, Jr.**, were duly sworn and cautioned
13 by the Court Reporter.)

14 **ANN E. LEARY, SWORN**

15 **THEODORE POE, JR., SWORN**

16 **DIRECT EXAMINATION**

17 BY MR. CAMERINO:

18 Q. Mr. Poe, would you state your name and business address
19 for the record please.

20 A. (Poe) Good morning. My name is Theodore Poe, Jr. My
21 business address is National Grid, 40 Sylvan Road,
22 Waltham, Massachusetts 02451.

23 Q. And, what is your position with National Grid and what
24 are your responsibilities in that regard?

[WITNESS PANEL: Leary~Poe]

1 A. (Poe) I am Lead Analyst, and responsible for natural
2 gas load forecasting.

3 Q. And, what is your role with regard to the filing with
4 the Commission today?

5 A. (Poe) I prepared the figures that represent the
6 customer requirements for natural gas resources that
7 support the cost of gas filing.

8 Q. And, the cost of gas filing includes testimony under
9 your name, dated "September 1, 2010". Are you familiar
10 with that testimony?

11 A. (Poe) Yes, I am.

12 Q. Was that prepared by you or under your direction?

13 A. (Poe) Yes, it was.

14 Q. And, is it true and accurate to the best of your
15 knowledge and belief?

16 A. (Poe) Yes, it is.

17 Q. Do you have any changes you would like to make today?

18 A. (Poe) No, I have none.

19 Q. Ms. Leary, would you state your name and business
20 address please.

21 A. (Leary) Yes. My name is Ann Leary. I work at National
22 Grid, 40 Sylvan Road, Waltham, Mass. 02451.

23 Q. And, what is your position with National Grid and what
24 are your responsibilities?

{DG 10-230} {10-12-10}

1 A. (Leary) I am Manager of Pricing for New England. I am
2 responsible for the various regulatory filings for both
3 Massachusetts and New Hampshire.

4 Q. And, do you have overall responsibility for preparing
5 the cost of gas filing made with the Commission in this
6 proceeding?

7 A. (Leary) Yes, I do.

8 Q. Okay. And, the prefiled testimony in the filing that
9 has your name and is dated "September 1", you're
10 familiar with that?

11 A. (Leary) Yes, I am.

12 Q. And, was that prepared by you or under your direction?

13 A. (Leary) Yes, it was.

14 Q. And, is it true and accurate to the best of your
15 knowledge and belief?

16 A. (Leary) Yes, it is, with one exception.

17 Q. Yep.

18 A. (Leary) On Page 11 of my testimony, on Line 6,
19 actually, the question says "Has the Company hedged any
20 of its winter period supplies pursuant to its" -- it
21 says "proposed", it should say "approved Natural Gas
22 Risk Management Plan."

23 Q. Thank you. With that correction, the filing is true
24 and accurate to the best of your knowledge and belief?

[WITNESS PANEL: Leary~Poe]

1 A. (Leary) Yes, it is.

2 MR. CAMERINO: Thank you. That
3 concludes my direct examination.

4 CHAIRMAN GETZ: Thank you. Mr. Traum.

5 MR. TRAUM: Thank you. And, good
6 morning, panelists. I just have a few questions. And,
7 I'll just direct them to the panel, and whomever wants to
8 answer, please do. And, if the other person wants to add
9 to the first respondent's response, please do.

10 WITNESS POE: Certainly.

11 **CROSS-EXAMINATION**

12 BY MR. TRAUM:

13 Q. I'll draw your attention to Schedule 9, that's also in
14 Tab 9 of the filing, Bates Page 56.

15 A. (Leary) Yes.

16 Q. And, this is the Variance Analysis of the Components of
17 the rate. And, I'm just going to go through and ask
18 you to explain why some of these changes in the cost of
19 gas. Starting with demand charges, where it's gone up
20 from roughly 9.48 cents per therm to a bit over 11.
21 Could you explain why that is the case?

22 A. (Leary) The demand charges went up because we had, in
23 this filing now, a full year represented, the demand
24 charges associated with the Concord Lateral. Last

{DG 10-230} {10-12-10}

1 year's filing did not have all the demand charges,
2 because it just began.

3 Q. And, it's my understanding that both PNGTS and
4 Tennessee Gas Pipeline have or will be receiving FERC
5 increases, at least subject to refund, very shortly.
6 Are those incorporated in these numbers?

7 A. (Poe) No, they are not. In this case, the PNGTS rate
8 case before FERC is in progress right now, so there are
9 no adjustments to the rates yet. And, the Tennessee
10 rate case is being discussed, but it has not been filed
11 yet. So, the rates that are used within here are the
12 currently effective rates.

13 Q. Okay. So, there are no rates subject to refund that
14 are included in these demand charges?

15 A. (Poe) Correct.

16 Q. Thank you. Now, the next line "Purchased Gas", that
17 roughly 9, 9 and a half cents per therm decrease, is
18 that primarily due to the NYMEX?

19 A. (Leary) The NYMEX, and also because of the hedging
20 program that we have. The average hedge cost in this
21 filing would be less than the average hedge cost in the
22 prior filing, because, as you know, the NYMEX over the
23 last few years has been going down.

24 Q. And, on the "Storage Gas", why the 4 cent increase?

[WITNESS PANEL: Leary~Poe]

1 A. (Leary) I don't know. I'd have to look into that in
2 more detail. I don't have that information in front me
3 today.

4 Q. Mr. Poe, do you have a response?

5 A. (Poe) No, I don't have any information right now.

6 MR. TRAUM: I guess I'd ask that that be
7 made a record response.

8 CHAIRMAN GETZ: Let's reserve Exhibit 3
9 for the answer with respect to the storage gas increase.

10 CMSR. BELOW: I have a clarifying
11 question that might help.

12 BY CMSR. BELOW:

13 Q. If you look at the volume of the proposed therm sendout
14 for storage gas, for the prior period versus the
15 proposed period, isn't it about more than twice of the
16 proposed sendout of storage gas, and wouldn't that
17 affect the cost, have an effect on the cost, overall
18 cost of gas?

19 A. (Leary) You're absolutely right. But I thought, and
20 maybe I was incorrect, I thought Ken was looking at the
21 per unit cost of gas, why the per unit cost changed.
22 So, I just would like to look into that in a little
23 more detail. He's looking at the effect on the cost of
24 the gas on a per unit basis.

{DG 10-230} {10-12-10}

1 Q. And, I guess I don't quite understand the table.
2 Because is that the effect on the overall cost or is
3 that the per unit cost?

4 A. (Leary) I think you're right. Actually, that's
5 representing how much of the total cost is represented
6 by the demand cost, the commodity, the storage. So, I
7 think maybe you're definitely right. Maybe the "5.22
8 cents" versus the "9.21" may not really be applicable
9 to a per unit cost. What that's showing you is that,
10 out of the total cost of 93 cents, versus 76 cents, it
11 has a larger role this year, in terms of the per unit
12 cost. But, if you look at, you're right, dividing one
13 by the other, they're perhaps very close, on a per unit
14 basis.

15 CMSR. BELOW: Thank you.

16 MR. TRAUM: With that response from the
17 witness, I can withdraw the record request.

18 CHAIRMAN GETZ: We could either do that
19 or have Commissioner Below submit the record request.

20 (Laughter.)

21 MR. TRAUM: If the Commissioner wants to
22 ask a follow-up, far be it for me to object.

23 CHAIRMAN GETZ: Okay. We will not hold
24 that exhibit for a record response.

1 BY MR. TRAUM:

2 Q. On "Produced Gas", why is the anticipated therm sendout
3 so much greater for this winter than last winter's
4 actuals?

5 A. (Poe) Line 22 of Schedule 9, the "Produced Gas", the
6 volume has gone up from 276,000, roughly, to
7 1.4 million, roughly. And, that represents the
8 Company's vaporization of either LNG or propane. This
9 winter, based on the forecast, the Company is using
10 both its LNG and propane during peak periods. And, is
11 that -- okay. Last winter, during the winter itself,
12 the Company did vaporize some, but it used other
13 sources of gas. The winter was not that severe, so we
14 did not have to use as much as is shown in the forecast
15 for this upcoming winter.

16 Q. So, what I take from that is part of the reason why
17 there was less produced gas last winter was because it
18 was a warmer-than-normal winter?

19 A. (Poe) Or, at least not as peaky. You didn't have the
20 severely cold days.

21 Q. When I look at the forecasted sales, CGA sales for this
22 winter, am I correct that, if I look at forecasted
23 sales, as opposed to weather-normalized sales for last
24 winter, there's roughly a 2.2 percent increase?

[WITNESS PANEL: Leary~Poe]

1 A. (Poe) Subject to check, yes. The number is around a
2 2 percent increase.

3 Q. And, just in general, what are the reasons you
4 anticipate that 2 percent increase?

5 A. (Poe) That's primarily driven by economic factors. You
6 have a large disparity in oil prices versus gas. We
7 are starting to see some economic turnaround. And, so,
8 the fundamental drivers for the economic forecast are
9 calling for higher amounts. Obviously, that is net of
10 an increase in energy efficiency penetrating the
11 market. So, you're seeing that.

12 Q. And, would there be any impact of customers either
13 migrating to competitive suppliers or returning from
14 competitive suppliers factoring into that 2 percent?

15 A. (Poe) You'd have to tell me what the source is of your
16 numbers, just so I can make sure I say the proper
17 answer to the proper question. So, where were you
18 observing the 2 percent growth?

19 Q. The -- Page 11 of your testimony.

20 A. (Poe) Uh-huh.

21 Q. Lines 8 through 13 I believe provides the forecasted
22 CGA sales for this winter of just under 86 million
23 therms.

24 A. (Poe) Okay.

{DG 10-230} {10-12-10}

1 Q. And, I believe there's also the weather-normalized
2 therm sales for last winter were roughly 84 million
3 therms?

4 A. (Poe) Right. In which case, you do see a change, if
5 there was any change in the migration between sales and
6 customer choice, that would be included in that as
7 well. So, you have a net overall effect of an increase
8 from 84 up to 85.9 million therms.

9 Q. And, are you forecasting any net migration one way or
10 another?

11 A. (Poe) I don't believe there's that much of a difference
12 between last winter and this winter.

13 MR. TRAUM: Thank you. That's all I
14 have.

15 WITNESS POE: Certainly.

16 CHAIRMAN GETZ: Mr. Speidel.

17 MR. SPEIDEL: Yes. Thank you. If it's
18 all right, I'd like to begin with questions for Ms. Leary.

19 WITNESS LEARY: Okay.

20 BY MR. SPEIDEL:

21 Q. Would you be able to summarize as to how the proposed
22 2010-2011 peak period cost of gas rate compares to last
23 year's seasonal average rate?

24 A. (Leary) Yes. The proposed peak 2010-2011 cost of gas

1 rate will be approximately 12 cents higher than the
2 average cost of gas rate that was in effect from
3 November 2009 through April of 2010.

4 Q. Thank you. Would you be able to summarize the rate
5 impact on a typical residential heating customer?

6 A. (Leary) Yes. A typical residential heating customer
7 will experience overall approximately a 4 percent in --
8 4 percent decrease. This is a result of two things.
9 Number one, we did have a base rate increase resulting
10 from our temporary rate case -- temporary rates in the
11 rate case, and also as a result of the implementation
12 of our second year of our Cast Iron/Bare Steel Program.
13 So, as a result, the base rates will go up
14 approximately, for a typical residential heating
15 customer, approximately \$37 over the peak period. This
16 will be offset, however, by a decrease in the cost of
17 gas of approximately \$89, resulting in a net increase
18 of about -- net decrease of approximately \$53, or a
19 4.4 percent decrease.

20 Q. Thank you. Has the Company sent out its Fixed Price
21 Option enrollment letter for this peak period?

22 A. (Leary) Yes, it has.

23 Q. Has there been much interest in the program for this
24 year?

1 A. (Leary) As of last Friday, we had just shy of 10,000
2 customers enrolled in our program.

3 Q. Would you be able to summarize briefly last year's
4 Fixed Price Option participation and the results of the
5 program?

6 A. (Leary) Yes. Last year -- one second please. Last
7 year, we had a total participation on our FPO rates of
8 10,723 customers. In terms of participation, this
9 represented about approximately 11 percent.

10 Q. Thank you. May you reconfirm how the current NYMEX
11 natural gas futures prices compare to those used to
12 determine the cost of gas rates at present?

13 A. (Leary) Okay. We did take a look at the current NYMEX
14 strip, looking at a 15-day average. We looked at this
15 in the middle of the last week, as of October 5th.
16 And, the prices are going down from the NYMEX. They
17 went down approximately 40 to 50 cents on average over
18 the winter period. However, because we have hedged,
19 you know, like almost over 60 percent of our gas
20 supply, in terms of the impact to the cost of gas, it
21 would have resulted in less -- in between a one to two
22 cent decrease in the cost of gas. So, at this point in
23 time, we did not update this filing. It will be
24 reflected when we do our trigger filings in the month

1 of November, if this trend continues with these prices.

2 Q. Thank you. Could you reconfirm as to what percentage
3 of the gas supplies in this forecast are hedged,
4 pre-purchased, or otherwise tied to a predetermined
5 fixed price?

6 A. (Leary) Approximately 63 percent.

7 Q. Thank you. How does this year's demand forecast
8 compare to last year's? And, provide explanation
9 please.

10 A. (Poe) I think that's more my question. As I was saying
11 earlier with Mr. Traum, we have an overall 0.6 percent
12 decrease for the November through April period, this
13 upcoming peak period, as compared to the forecast for
14 the last peak period. However, if you look at the
15 normalized actuals for last winter, the forecast is now
16 up. Normalized last winter was 84 million therms for
17 November through April, and now we're forecasting an
18 85.9 million therm period in normal year November
19 through April.

20 Q. Thank you. And, Ms. Leary, how does the proposed LDAC
21 rate compare to last year's?

22 A. (Leary) The proposed LDAC rate is approximately 2.3
23 cents higher this winter as opposed to last winter.

24 Q. What LDAC components will expire at the end of October?

1 A. (Leary) There is two components right now that will
2 expire. One will be the credit we had for the rate
3 case, rate case expense/temporary rate true-up from our
4 prior rate case, Docket DG 08-009. Also, we had, in
5 last year's filing, as a result of the merger, the
6 National Grid/EnergyNorth merger back in 2006, we had a
7 one-time -- there was an ability of a one time for the
8 Company to earn an incentive based on meeting certain
9 -- certain service quality measures. That, too, will
10 expire at the end.

11 However, since these two programs will
12 expire at this point, though, there may be, at the end
13 of the period, a over- or undercollection for this
14 current year. And, depending on what the Company has
15 proposed and had discussed with Staff that it would
16 like to do, is to take any of that over or under
17 collected for those two programs and to roll it into
18 the true-up of the rate case expense in the current
19 filing, and, you know, include that in next year's
20 filing.

21 Q. Thank you. Are there any new LDAC components starting
22 November the 1st of this year?

23 A. (Leary) No.

24 Q. Thank you. Has the reconciliation of last year's cost

1 of gas results been audited by the PUC Audit Staff?

2 A. (Leary) Yes, they have.

3 Q. Were there any issues related to the audit of last
4 year's cost of gas?

5 A. (Leary) No, there were not.

6 Q. Thank you. Has the Company provided the PUC Audit
7 Staff with the supporting documentation for
8 environmental remediation costs and litigation
9 expenses?

10 A. (Leary) Yes, they have.

11 Q. Has the Audit Staff completed its audit of those
12 environmental remediation and litigation costs and
13 expenses?

14 A. (Leary) Not to my knowledge.

15 Q. How has that situation been addressed in the past?

16 A. (Leary) In the past, we have generally left that issue
17 open. Generally, in the past, they have tentatively
18 approved our LDAC, which may have included a surcharge
19 for the remediation sites. And, if there's any changes
20 that have to be made, they will be reflected in the
21 following year's filing.

22 Q. Thank you. I would imagine, is the Company amenable to
23 application of the same treatment in this proceeding?

24 A. (Leary) Yes, it is.

1 Q. Thank you. Thank you, Ms. Leary. Mr. Poe, did
2 EnergyNorth experience any operational problems or
3 supply disruptions during the last year?

4 A. (Poe) No, it did not.

5 Q. Thank you. Did the Company experience any unexpected
6 pricing issues regarding supply purchases last winter?

7 A. (Poe) No, it did not.

8 Q. Thank you. In reference to your testimony, on Page 3,
9 and Line 14.

10 A. (Poe) Okay. I'm there.

11 Q. Excellent. There is a mention of the fact that
12 "National Grid New Hampshire contracts for a
13 significant portion of its Pipeline capacity on the
14 Tennessee Gas Pipeline."

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

16 Q. Is it a fair statement to say that the Tennessee Gas
17 Pipeline capacity accounts for the largest share of the
18 Company's pipeline capacity demand costs in the cost of
19 gas filing?

20 A. (Poe) Yes, that would be true.

21 Q. Thank you. We did have some initial discussion of this
22 point, but could you please clarify as to whether there
23 are any current or pending Tennessee Gas Pipeline rate
24 filings that you are aware of? And, if "yes", what are

1 the actual or potential impacts to National Grid New
2 Hampshire ratepayers?

3 A. (Poe) As I said earlier, Tennessee met with the
4 Customer Group back in August of 2010 and announced its
5 intention to file a rate case. The targeted filing
6 date was November 30th of 2010, with rates to be in
7 effect June of 2011. As of right now, we have not had
8 any substantive information from Tennessee to be able
9 to analyze what the impact would be. But they are
10 looking for changes in their rate structure, as well as
11 changes in, presumably, the zonal rates. So, the
12 Company will continue to monitor, it will be an active
13 participant, and it potentially would also be involved
14 in a Tennessee Customer Group in doing litigation.

15 Q. Thank you. Have there been any changes in the supply
16 portfolio from last year?

17 A. (Poe) Overall, if you look at it, no, there have not
18 been. There have been changes in the vendors we will
19 use. There have been minor changes in the forms of the
20 contracts, and I could go through them individually.
21 But, overall, no. The supply portfolio effectively
22 looks the same as last year. As I said in my
23 testimony, we typically have Boundary supply coming
24 from Canada, as well as Dawn supply coming from Canada.

[WITNESS PANEL: Leary~Poe]

1 And, this year, once again, we have issued and awarded
2 an asset management agreement for the Dawn capacity for
3 the November through March period, so that we will be
4 receiving monthly baseload volumes from Dawn. And, we
5 have monthly nomination ability at Niagara.

6 We, as I also said in my testimony, we
7 have issued and awarded an RFP for Gulf Coast long-haul
8 supply during the wintertime for the November through
9 April period. J.P. Morgan will be providing that. It
10 is an asset management agreement. The Company had
11 awarded it after its RFP. That allows for both
12 baseload and swing supplies coming from its Tennessee
13 long-haul capacity.

14 Then, next, we have just executed, as of
15 October 1st, an asset management agreement for our
16 Dracut capacity. Ms. Leary referred to it earlier as
17 the "Concord Lateral". Well, there are two pieces.
18 Concord Lateral was an increase in the Zone 6 capacity
19 that the Company holds, so that now we have 50,000 a
20 day of deliverability from Dracut to the citygate.
21 And, Repsol will be the asset manager for that, for the
22 time period November through October of 2011. That
23 will allow for both baseload supplies during the
24 December, January, and February period, as well as

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1 swing supplies throughout the rest of the period.

2 Then, the other -- I'm trying to think,
3 is there any other? The only other supply would be,
4 typically, the Granite Ridge Supply Sharing Agreement.
5 The Company did execute a new pricing agreement with
6 Granite Ridge as of October 1st. And, then, the
7 Company has its own LNG and propane supplementals.

8 Q. Thank you.

9 A. (Poe) You're welcome.

10 Q. With regards to the new Concord Lateral pipeline
11 capacity, has the capacity effectively reduced the
12 Company's LNG and propane supplemental resource
13 requirements?

14 A. (Poe) Yes. Based on the forecast, you can see that it
15 has a significant effect in reducing the amount of LNG
16 and propane that would be called for in normal or
17 design weather, based on the pricing that we see
18 currently.

19 Q. With regards to the Company's supply sharing
20 arrangement with Granite Ridge, please explain why the
21 cost of gas forecast does not include any of the
22 Granite Ridge supply for this peak period?

23 A. (Poe) That would be based on the forecasted pricing for
24 the wintertime. Because the Company now has access to

1 additional pipeline supplies, typical supplementals,
2 such as LNG and propane, or the supply sharing
3 agreement, are used on fewer days during the
4 wintertime. And, on those few days, based on the
5 pricing formula with Granite Ridge, the model that we
6 use to generate this forecast was saying that LNG and
7 propane would be the lower cost supplies to be using.

8 Q. Thank you. Even though these volumes are not reflected
9 in your forecast, will the Company be able to call on
10 this supply resource, if it is a lower priced option
11 than other peaking alternatives, such as propane?

12 A. (Poe) Yes, it will. And, that's part of the Company's
13 job during the winter period is to monitor daily
14 pricing, as well as supply availability, and choose the
15 least cost options.

16 Q. Are EnergyNorth's LNG and LPG storage and peak shaving
17 facilities fully operational and adequately staffed for
18 this upcoming winter period?

19 A. (Poe) Yes, they will be.

20 Q. Have there been any substantive changes to these
21 facilities over the course of the past year?

22 A. (Poe) No, there have been none.

23 Q. Thank you. The Company filed it's annual seven day
24 peak shaving storage requirement report on October 1,

1 2010, pursuant to New Hampshire Code Admin. Rule Puc
2 509.16. Is this report prepared by you or under your
3 direction?

4 A. (Poe) Yes, it is.

5 Q. Do you foresee any likelihood of EnergyNorth
6 experiencing any LNG or propane peak shaving supply
7 issues for this winter period?

8 A. (Poe) No, none whatsoever. We have propane in storage
9 more than adequate to meet the seven day storage
10 requirement, as well as the forecasted volumes that we
11 would need for a design winter.

12 Q. Thank you. The report shows that the Company is no
13 longer utilizing the Amherst propane storage facility
14 to meet its storage requirements. At one time, this
15 storage facility had the capability to store
16 500,000 gallons of propane liquid. Is the facility
17 still capable of that amount of propane storage
18 capacity?

19 A. (Poe) Yes, it is, and it is filled with propane at this
20 point. As I discussed with Staff, prior to the winter
21 of 2009-2010, Amherst facility is the one unique
22 propane facility that has no vaporization. What the
23 Company has to do is to truck the propane from Amherst
24 to the other three propane vaporization sites. So,

1 prior to the winter of 2009-2010, what I did on that
2 form was to simply set the Amherst facility to zero in
3 terms of its direct ability to meet the Company's
4 requirements. And, I use that on the bottom part of
5 the form, where it says "what is your truckable
6 amount?" Because, under PUC regulation, we're allowed
7 to include five days' worth of I believe it's 70
8 percent of what we could truck in that seven day
9 period. So, since Amherst is effectively the same as
10 trucking supply from SEA-3, in Newington, or from the
11 Haverhill tank down in Massachusetts, where we also
12 have product currently, it's considered equivalent.
13 And, so, the Company can use that "truckable" allowance
14 from any one of those three sites.

15 Q. Thank you. As a general matter, does the Company have
16 any future plans for the facility beyond what you have
17 described?

18 A. (Poe) Not to my knowledge, no. There is no
19 vaporization capability there. And, I have not heard
20 of any discussions of using -- of adding vaporization.
21 So, it will remain a bunker, so that the Company has
22 adequate resources to meet its seven day storage
23 requirement.

24 Q. Thank you. Turning to Schedule 11D in this year's

1 filing.

2 A. (Poe) Okay. I'm there.

3 Q. And, Schedule 11D indicates a design day forecast of
4 total demand for the firm sales and transportation
5 customers of 1,374,000 therms. The same schedule in
6 last year's cost of gas filing had a design day of
7 total demand for the firm sales and transportation
8 customers of 1,438,000 therms. This year's design day
9 forecast has declined by approximately 4.5 percent.
10 What do you attribute this reduction in design day
11 demand to?

12 A. (Poe) Well, there are two factors that could contribute
13 to the reduction in the design day forecast. Pardon me
14 one second. I'm looking at Schedule D, I would like to
15 make a correction to something that I just noticed, and
16 that was the first point I was going to make. If
17 you'll notice Line 14 or 15, something like that, that
18 should read "72 HDDs at Manchester, New Hampshire".

19 Q. Thank you.

20 A. (Poe) Thank you. Correct that later. Following the --
21 I'm trying to remember when the IRP docket occurred,
22 2008, the Company changed its forecasting methodology
23 in that it would use Heating Degree Days, as opposed to
24 Effective Degree Days. And, in addition, it followed

1 the condition of that IRP in specifying how to
2 calculate the probability of occurrence of the design
3 day. And, so, with the two factors, HDD and
4 probability, we see a slight decrease in the design day
5 forecast. Although, overall, you see a slight increase
6 in the design year or design season forecast.

7 Q. As a consequence of this change in methodology, in the
8 next few years does the Company expect this trend of a
9 decline in design day growth to continue?

10 A. (Poe) I'm sorry, would you say that again. The trend
11 in --

12 Q. Will the trend in decline in design day growth continue
13 over the next few years?

14 A. (Poe) No. Based on the 2010 Quarter 3 forecast of the
15 Company, we have growth in the design day. So, it was
16 just a one-time phenomenon of transferring to the new
17 methodology. And, now that we've made that change, the
18 economic growth factors show that we have an increase
19 year over year.

20 Q. Thank you.

21 A. (Poe) You're welcome.

22 Q. And, one last follow-up question. Is the Company
23 projecting slower growth than what was projected in its
24 February 2010 IRP, that would be growth in design day

1 demand, as a comparison with that February 2010 IRP?

2 A. (Poe) I don't have the numbers before me. But, just
3 subject to check, the forecast basically has the U.S,
4 the regional, and the New Hampshire economy, all
5 reaching about the same point about five years out.
6 But last year's forecast had a faster recovery than
7 we're seeing for this year. We're seeing a down dip or
8 a slower recovery than had been expected then. So,
9 given that we've got one more year of slow growth, and
10 we're going to be at about the same spot in about five
11 years, I think what happens is you'll see the forecast
12 will show a faster rate of growth in the final few
13 years to be able to hit the point that is being
14 forecast for 2014-2015.

15 Q. So, there is no projection of outright economic decline
16 within your model?

17 A. (Poe) No. We continue to see economic recovery. And,
18 on top of that, growth in the natural gas market over
19 the next few years.

20 MR. SPEIDEL: Thank you. No further
21 questions. Thank you.

22 CHAIRMAN GETZ: Thank you.

23 BY CMSR. BELOW:

24 Q. To follow up on the Heating Degree Days at Manchester,

[WITNESS PANEL: Leary~Poe]

1 what's the baseline that's assumed? Is it 65 degrees,
2 in terms of -- well, what's the ambient temperature for
3 24 hours that would produce zero heating degree days?

4 A. (Poe) Sixty-five degrees Fahrenheit.

5 Q. Sixty-five?

6 A. (Poe) Yes.

7 Q. So, this is -- the design day assumes a negative 7
8 degrees Fahrenheit for 24 hours continuously or on
9 average?

10 A. (Poe) Yes, that would be correct.

11 CMSR. BELOW: Okay. Thank you. That's
12 all.

13 CMSR. IGNATIUS: I have a question for
14 Ms. Leary.

15 BY CMSR. IGNATIUS:

16 Q. In your prefiled testimony at Page 18, and I think we
17 just saw it as well on the Page 64 that Mr. Poe was
18 describing on the Heating Degree Days Design Day
19 Report. You state that you had "no service under the
20 classification of Interruptible Transportation over the
21 past year." Is that something you see consistently?

22 A. (Leary) The past few years, we haven't had any
23 Interruptible Transportation customers. Yes, that is
24 correct.

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[WITNESS PANEL: Leary~Poe]

1 Q. At some point, would it make sense that that no longer
2 appear as a rate classification and offering, as you no
3 longer have customers that take under that?

4 A. (Leary) I'm not sure if you'd really want to get rid of
5 that. I think you always want to keep that as an
6 option for a new customer, potential new customers. I
7 guess I would perhaps recommend at this point just to
8 continue to leave that rate classification there.

9 Q. Do you know why there has been a drop off and you no
10 longer are seeing customers taking under that
11 classification?

12 A. (Leary) We haven't had a couple -- these customers in a
13 few years now. So, I'd have to go back and do some
14 research as to what happened a few years ago. We never
15 had that many customers on that rate classification.
16 I'm really not sure, if some of these customers may
17 have over the past, I was aware some of them, we were
18 able to convert them over to our firm tariff rate.

19 CMSR. IGNATIUS: All right. You don't
20 need to supplement the record. I was just curious about
21 what sort of a trend you've been seeing. Thank you.
22 Nothing else.

23 CHAIRMAN GETZ: Mr. Camerino, any
24 redirect?

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[WITNESS PANEL: Leary~Poe]

1 MR. CAMERINO: No questions. Thank you.

2 CHAIRMAN GETZ: Okay. Then, the
3 witnesses are excused. Thank you very much.

4 I take it there are no further
5 witnesses?

6 (No verbal response)

7 CHAIRMAN GETZ: So, is there any
8 objections to striking the identifications and admitting
9 the exhibits into evidence?

10 (No verbal response)

11 CHAIRMAN GETZ: Hearing no objection,
12 they will be admitted into evidence. Anything else to
13 address before opportunities for closing?

14 (No verbal response)

15 CHAIRMAN GETZ: All right. Hearing
16 nothing, then, Mr. Traum.

17 MR. TRAUM: I'll be very brief. The OCA
18 does not object to the filing.

19 CHAIRMAN GETZ: Thank you. Mr. Speidel.

20 MR. SPEIDEL: Yes. Thank you. The
21 Staff supports the National Grid New Hampshire proposed
22 2010-2011 peak period cost of gas rates as filed. The
23 Commission Audit Staff has reviewed the 2009-2010 peak
24 period cost of gas reconciliation and found no exceptions.

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[WITNESS PANEL: Leary~Poe]

1 The sales forecast for the 2010-2011 peak period cost of
2 gas is consistent with past experience. While its
3 forecasted sales growth continues to slow due, in part, to
4 the current economic climate, it is expected to be a
5 modest 2.2 percent increase over last year's normalized
6 results. The supply plan is based on least cost planning
7 and the direct gas costs are based on actual or hedged
8 prices and projected pricing that reflect market
9 expectations.

10 There will be a reconciliation of
11 forecasted and actual gas costs for the 2010-2011 peak
12 period that will be filed prior to next winter's cost of
13 gas proceeding. And, any concerns that may arise related
14 to the 2010-2011 gas planning and dispatch may be raised
15 and addressed in the 2011-2012 peak period cost of gas.

16 The Local Delivery Adjustment Charge, or
17 LDAC, is comprised of a number of surcharges, all of which
18 have been established in other proceedings, and the actual
19 rate determined in the winter cost of gas, and effective
20 for one year.

21 With the exception of the Environmental
22 Remediation Surcharge, Staff has completed its review and
23 recommends approval. Staff has not completed its review
24 of the environmental remediation costs, but recommends

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[WITNESS PANEL: Leary~Poe]

1 that the proposed rate be implemented effective November
2 the 1st, along with the other LDAC adjustments. If Audit
3 Staff finds a material error in its review of the
4 environmental remediation cost, Staff will notify the
5 Commission and the issue can be addressed in next winter's
6 cost of gas filing, when a new environmental remediation
7 surcharge is determined.

8 Staff supports the Company including the
9 expiring LDAC imbalances in the current rate case
10 expenses. Staff has reviewed the proposed supplier
11 balancing charges and capacity allocator percentages and
12 charges, and they appear to be accurate and reasonable
13 based on the updated information, and recommends
14 Commission approval.

15 Staff appreciates the efforts of the
16 Company in this matter and recommends approval of the cost
17 of gas and LDAC rates, subject to the final audits and/or
18 reconciliations mentioned previously. Thank you very
19 much.

20 CHAIRMAN GETZ: Thank you. Mr.
21 Camerino.

22 MR. CAMERINO: Thank you, Mr. Chairman.
23 As noted by Staff, the Company's -- the Staff's audit has
24 not found any exceptions to the Company's 2009-2010 gas

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[WITNESS PANEL: Leary~Poe]

1 costs, which are the subject of the reconciliation
2 included in this filing, are the result of prudent and
3 reasonable decision-making and actions by the Company.
4 And, the Company believes that the rates that are proposed
5 in this filing are also just and reasonable and should be
6 approved.

7 One minor item I just want to mention is
8 the Staff indicated that it's still conducting a review of
9 the environmental remediation costs. And, as Ms. Leary
10 indicated, the Company is fine with leaving that issue
11 open. Just based on past practice, I think one thing that
12 would be helpful is that, when the Staff does complete its
13 review, whether or not it has any exceptions, if it could
14 simply file something with the Commission in this docket
15 to indicate that that review is completed and what the
16 result of it is, I think that would be helpful in terms of
17 making it clear that that matter is closed and not -- and
18 does not remain open. Thank you.

19 CHAIRMAN GETZ: Okay. It appears that
20 there's nothing further, so we'll close the hearing and
21 take the matter under advisement. Thank you, everyone.

22 **(Whereupon the hearing ended at 11:01**
23 **a.m.)**
24

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