

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 14, 2011 - 10:08 a.m.
Concord, New Hampshire

NHPUC APR21'11 AM 9:50

RE: DG 11-046
ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH:
2011 Summer 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:
Thomas P. O'Neill, Esq. (Senior Counsel)
Megan F. S. Tipper, Esq. (Senior Counsel)

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

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

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

ORIGINAL

I N D E X

PAGE NO.

WITNESS PANEL: ANN E. LEARY
 THEODORE POE, JR.

Direct examination by Mr. O'Neill	5
Cross-examination by Ms. Hatfield	14
Cross-examination by Mr. Speidel	19
Interrogatories by Cmsr. Below	25
Interrogatories by Cmsr. Ignatius	25

* * *

CLOSING STATEMENTS BY:

PAGE NO.

Ms. Hatfield	29
Mr. Speidel	30
Mr. O'Neill	31

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	National Grid NH Summer 2011 Cost of Gas filing dated March 15, 2011 (CONFIDENTIAL & PROPRIETARY)	6
2	Redacted version of the National Grid NH Summer 2011 Cost of Gas filing dated March 15, 2011 (REDACTED FOR PUBLIC USE)	6
3	Revised version of Bates stamp Page 0074 (Tab 14 Summary Page 3) (CONFIDENTIAL & PROPRIETARY)	11
4	Revised version of Bates stamp Page 0074 (Tab 14 Summary Page 3) (REDACTED FOR PUBLIC USE)	11
5	PowerPoint presentation titled "Tennessee Gas Pipeline Section 4 rate case filing RP11-1566 NH PUC Status Report (03-31-11)	16

1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll open the hearing in Docket DG 11-046. On
4 March 15, 2011, National Grid filed its proposed cost of
5 gas rates for the Summer Period May 1, 2011 through
6 October 31, 2011, and its Local Delivery Adjustment Clause
7 charges for the same period. The proposed residential
8 cost of gas rate is 73.26 cents per therm, that's a 0.38
9 cents per therm increase over last summer.

10 Order of notice was issued on March 22nd
11 setting the hearing for this morning. I'll note for the
12 record that the affidavit of publication has been filed,
13 and we have the Office of Consumer Advocate's notice of
14 participation.

15 So, can we take appearances please.

16 MR. O'NEILL: Good morning,
17 Commissioners. Thomas O'Neill, Senior Counsel for
18 National Grid Corporate Services, LLC, on behalf of
19 National Grid NH. And, with me today is Megan Tipper,
20 also Senior Counsel at National Grid.

21 CHAIRMAN GETZ: Okay. Good morning.

22 MS. HATFIELD: Good morning,
23 Commissioners. Meredith Hatfield, for the Office of
24 Consumer Advocate, on behalf of residential ratepayers.

 {DG 11-046} {04-14-11}

[WITNESS PANEL: Leary~Poe]

1 And, with me for the office is Ken Traum.

2 CHAIRMAN GETZ: Good morning.

3 MR. SPEIDEL: Good morning. Alexander
4 Speidel, for the Staff of the Commission, together with
5 Bob Wyatt and Steve Frink of the Commission Staff as well.

6 CHAIRMAN GETZ: Good morning.

7 MR. SPEIDEL: Good morning.

8 CHAIRMAN GETZ: Are you ready to
9 proceed, Mr. O'Neill?

10 MR. O'NEILL: Yes. The Company would
11 call its witnesses, Ann Leary and Ted Poe, to the stand.

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

15 **ANN E. LEARY, SWORN**

16 **THEODORE POE, JR., SWORN**

17 **DIRECT EXAMINATION**

18 BY MR. O'NEILL:

19 Q. Good morning. Mr. Poe, I'll begin with you. Could you
20 state your name and business address please.

21 A. (Poe) Good morning. My name is Theodore Poe, Jr. I
22 work at National Grid at 40 Sylvan Road, Waltham,
23 Massachusetts 02451.

24 Q. And, could you just briefly describe your position with

{DG 11-046} {04-14-11}

[WITNESS PANEL: Leary~Poe]

1 the Company and your overall responsibilities?

2 A. (Poe) I'm responsible for forecasting the natural gas
3 resource requirements of the customers.

4 Q. And, what was your role with respect to this filing?

5 A. (Poe) I generated the resource forecast for the
6 customers that was input into the cost of gas filing.

7 Q. And, are you the same Theodore Poe that filed testimony
8 in this proceeding on March 15th?

9 A. (Poe) Yes, I am.

10 MR. O'NEILL: And, before we go any
11 further, Commissioners, I propose that we mark for
12 identification a copy of the confidential version of the
13 March 15 filing as "Exhibit 1" and a redacted version of
14 the March 15th, 2011 filing as "Exhibit 2"?

15 CHAIRMAN GETZ: So marked.

16 (The documents, as described, were
17 herewith marked as **Exhibit 1** and
18 **Exhibit 2**, respectively, for
19 identification.)

20 MR. O'NEILL: And, I have additional
21 copies, if the Commissioners need it, but -- thank you.

22 BY MR. O'NEILL:

23 Q. Mr. Poe, have you had an opportunity to review the
24 testimony that was filed on -- that you filed on March

{DG 11-046} {04-14-11}

1 15th, 2011?

2 A. (Poe) Yes, I have.

3 Q. And, is that testimony true and correct to the best of
4 your knowledge and belief?

5 A. (Poe) Yes, it is.

6 Q. And, do you have any changes or corrections to that
7 testimony that you'd like to make at this time?

8 A. (Poe) No, I do not.

9 Q. And, Mr. Poe, you were present at a technical session
10 with the parties on March 31st, 2011, is that correct?

11 A. (Poe) Yes, I was.

12 Q. And, there were a couple of questions that were asked
13 at that technical session that you agreed to follow up
14 on and provide some additional information. Have you
15 had a chance to do that?

16 A. (Poe) Yes, I have, sir.

17 Q. Okay. So, the first question that was asked of you is
18 whether or not you were aware of any new distribution
19 projects for expansion on the National Grid NH system
20 that are in the works?

21 A. (Poe) The answer would be, for the upcoming year, there
22 are no major projects planned for expansion of the
23 system.

24 Q. Thank you. And, you were also asked if you were aware

[WITNESS PANEL: Leary~Poe]

1 of what marketing incentives that the Company is
2 currently offering to residential customers to convert
3 to natural gas?

4 A. (Poe) Yes. Currently, the Company is offering
5 discounted heating equipment for the residential
6 customers.

7 MR. O'NEILL: Thank you. I have no
8 further questions for Mr. Poe. I propose to move on to
9 Ms. Leary at this point?

10 CHAIRMAN GETZ: Please.

11 BY MR. O'NEILL:

12 Q. Ms. Leary, could you state your name and business
13 address please.

14 A. (Leary) Yes. My name is Ann Leary. I work for
15 National Grid, 40 Sylvan Road, Waltham, Mass. 02451.

16 Q. And, what is your position with the Company?

17 A. (Leary) I am Manager of Gas Pricing for Mass. and New
18 Hampshire.

19 Q. And, could you just briefly state what your overall job
20 responsibilities are?

21 A. (Leary) Yes. I'm responsible for preparing various gas
22 regulatory filings for both states of Massachusetts and
23 New Hampshire.

24 Q. And, that was your responsibility for this case was

{DG 11-046} {04-14-11}

1 preparing the off-peak cost of gas filing, is that
2 correct?

3 A. (Leary) Yes. My purpose of responsibility in this case
4 was to explain the 2011 off-peak cost of gas and Local
5 Distribution Adjustment Factor that will be in effect
6 on May 1st, 2011.

7 Q. Thank you. And, Ms. Leary, you also filed testimony on
8 March 15th, 2011, that was part of what's been marked
9 for identification as "Exhibit 1", is that correct?

10 A. (Leary) That is correct.

11 Q. And, have you had a chance to review that testimony?

12 A. (Leary) Yes, I have.

13 Q. And, is that testimony true and accurate to the best of
14 your knowledge and belief?

15 A. (Leary) Yes, it is.

16 Q. Are there any changes to that testimony or to what's
17 been marked as "Exhibit 1" that you'd like to make at
18 this time?

19 A. (Leary) Yes. I'd like to make one change. If we could
20 turn to Bates Stamp 0074, okay, and if we look in the
21 center column, under the "Actual" column, and you're
22 going to look at "lost" -- at the bottom of the page
23 there is "Lost Gas", and in parentheses it says
24 "Unaccounted For", and this represents therms. You'll

[WITNESS PANEL: Leary~Poe]

1 see, on Bates stamp 0074, the number we currently have
2 is a negative "2,857,083" therms. That number should
3 have been a positive "694,613". The next number, which
4 says "Unbilled Therms", is currently -- it shows a
5 number of "3,742,121" therms. That number should have
6 been "190,425". Also, --

7 Q. Go ahead.

8 A. (Leary) Also, during the technical session, the
9 Company, through a series of questions with Staff and
10 the OCA, had determined that the unaccounted for
11 percentage, which we used to derive our sales volumes,
12 which is the denominator to the cost of gas factor, had
13 not been updated. We had used a number that had come
14 from 2008. We looked at what -- and, had we updated
15 the number, we looked at what the impact would have
16 been on the cost of gas factor that we filed. It turns
17 out it was about a penny. So, after discussions with
18 Staff, we've kind of agreed that we will update this
19 number and reflect it in our first trigger filing that
20 we'll make in May, for effective June 1st, 2011.

21 Q. And, Ms. Leary, for the purpose of this hearing, did
22 you prepare revised copies of Bates stamp Page 0074 of
23 the filing?

24 A. (Leary) Yes, we did.

{DG 11-046} {04-14-11}

[WITNESS PANEL: Leary~Poe]

1 MR. O'NEILL: And, Mr. Chairman, I would
2 propose to mark the revised version of Bates stamp 0074, a
3 confidential version, as "Exhibit 3", and a redacted
4 version as "Exhibit 4"?

5 CHAIRMAN GETZ: So marked.

6 (The documents, as described, were
7 herewith marked as **Exhibit 3** and
8 **Exhibit 4**, respectively, for
9 identification.)

10 MR. O'NEILL: And, if the Commission
11 needs copies, I have copies.

12 CHAIRMAN GETZ: Please.

13 (Atty. O'Neill distributing documents.)

14 BY MR. O'NEILL:

15 Q. Ms. Leary, you were also present at the March 31st
16 technical session with the parties in this proceeding,
17 is that correct?

18 A. (Leary) That is correct.

19 Q. And, during that technical session, some discussion was
20 held regarding the unaccounted for gas and company use
21 percentage that is charged to the Company's
22 transportation customers, is that correct?

23 A. (Leary) That is correct.

24 Q. And, as a result of that discussion, you had an

{DG 11-046} {04-14-11}

[WITNESS PANEL: Leary~Poe]

1 opportunity to do some research as to that issue?

2 A. (Leary) That is correct.

3 Q. And, do you have an update to provide the Commission at
4 this time?

5 A. (Leary) Yes. As Attorney O'Neill just specified,
6 during the tech session some questions arose regarding
7 the Company's company use and unaccounted for
8 percentage and what gets applied to our transportation
9 customers. What happens is, when transportation
10 customers order their gas supply, they have to bring up
11 additional supply to reflect losses and unaccounted for
12 gas that occurs throughout our distribution system.
13 During that researching some of the questions that both
14 the OCA and the Staff has, it came to the Company's
15 attention that we should have been updating that
16 percentage each year in our off-peak cost of gas
17 filing. However, we have been applying a fixed factor
18 to the transportation customers and have not been
19 revising that number.

20 So, as a result, there is a slight
21 allocation issue between sales customers and
22 transportation customers. For example, we looked at
23 what the percentage should have been this past year.
24 We've been applying a percentage at the Company of

{DG 11-046} {04-14-11}

[WITNESS PANEL: Leary~Poe]

1 1.2 percent; we should have been applying a percentage
2 of 1.7 percent, not the 1.2. So, we went back to
3 recognize, "well, what type of, you know, allocation
4 issue does this result in?" It turns out there's about
5 \$160,000 allocation issue in gas costs between sales
6 and transportation. Now, keep in mind, our total gas
7 costs are running, for sales customers, somewhere
8 between 75 and \$80 million a year. So, we're talking
9 about a 160,000 out of the 80 million.

10 I then went down just to take a look at
11 what this translates to on a customer's bill for a
12 typical residential customer. It equates to about 18
13 cents a month. So, again, it's an allocation issue
14 between sales and transportation.

15 As I said, we discussed this with both
16 the Staff and the Office of Consumer Advocate, and have
17 -- at this point have decided, you know, this will
18 definitely be corrected on a going-forward basis in our
19 next peak filing. And, we've also agreed that we will,
20 you know, meet with both parties this summer to decide
21 if any further action needs to be taken and make such a
22 proposal in our upcoming peak filing in September.

23 MR. O'NEILL: Thank you. I have no
24 further questions for these witnesses.

{DG 11-046} {04-14-11}

[WITNESS PANEL: Leary~Poe]

1 CHAIRMAN GETZ: Thank you.

2 Ms. Hatfield.

3 MS. HATFIELD: Thank you, Mr. Chairman.

4 **CROSS-EXAMINATION**

5 BY MS. HATFIELD:

6 Q. Ms. Leary, would you mind just briefly explaining the
7 difference between a "sales customer" and a
8 "transportation customer"?

9 A. (Leary) Yes. A sales customer actually purchases their
10 gas supply from the Company, from National Grid; where
11 a transportation customer will purchase its gas supply
12 from a third party marketer.

13 Q. Mr. Poe, I have a question for you on your testimony.

14 A. (Poe) Yes, ma'am.

15 Q. And, if we look at your testimony on Page 11 in the
16 filing.

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

18 Q. Between Lines 8 and 10, you discuss the "reduction in
19 the forecast", do you see that?

20 A. (Poe) Yes, I do.

21 Q. And, then, at the end of Line 9, onto Line 10, you
22 state that it "is almost entirely driven by the
23 decreased percentage of Sales volumes from 2010 to
24 2011." Do you see that?

{DG 11-046} {04-14-11}

[WITNESS PANEL: Leary~Poe]

1 A. (Poe) Yes, ma'am.

2 Q. What is that caused by?

3 A. (Poe) That, again, is transportation migration. Over
4 the prior few off peak periods, we had been running at
5 about a balance of 90 percent sales and 10 percent
6 transportation. And, that shifted downward, so that
7 sales is roughly 80 percent and transportation is
8 roughly 20 percent of this upcoming off-peak volume.

9 Q. Does the increase in migration have any impact on the
10 cost to those customers who have not migrated?

11 A. (Poe) No. The shifting is merely between sales
12 customers and customer choice customers. And, each set
13 of customers pays their pro rata share of the combined
14 costs of the pipeline transportation costs.

15 Q. Mr. Poe, would you explain how the Company takes into
16 account the utility's efficiency programs when you're
17 developing the forecast that you use to support this
18 filing?

19 A. (Poe) In developing the sendout forecast, we have a lot
20 of consultation with the Energy Efficiency Department,
21 and look at the upcoming programs and what their
22 potential impact is, and net that from the demand
23 that's been forecast, so that we have a net demand
24 forecast, which then we satisfy with our gas supplies.

{DG 11-046} {04-14-11}

[WITNESS PANEL: Leary~Poe]

1 MS. HATFIELD: Mr. Chairman, I have a
2 few questions related to the ongoing Tennessee Gas
3 Pipeline rate case at FERC. And, the Company prepared a
4 very helpful PowerPoint presentation that they provided to
5 us at the technical session. And, Mr. O'Neill has copies
6 of this for the Commission, because we thought it might be
7 helpful for you as well. And, I do have a few questions
8 about it.

9 CHAIRMAN GETZ: Mr. O'Neill.

10 (Atty. O'Neill distributing documents.)

11 CHAIRMAN GETZ: Is there any preference
12 for marking it or not marking it as an exhibit or just use
13 it for discussion purposes?

14 MR. O'NEILL: We have no objection to
15 marking it as an exhibit.

16 MR. SPEIDEL: Yes. Yes, Mr. Chairman,
17 that would be sensible to marking it at this point.

18 CHAIRMAN GETZ: Okay. Let's mark it for
19 identification as "Exhibit Number 5".

20 (The document, as described, was
21 herewith marked as **Exhibit 5** for
22 identification.)

23 BY MS. HATFIELD:

24 Q. Ms. Leary, were you present at the technical session

{DG 11-046} {04-14-11}

[WITNESS PANEL: Leary~Poe]

1 when another employee of National Grid provided this
2 update to the parties?

3 A. (Leary) Yes, I was.

4 MR. O'NEILL: I just want to make sure
5 the witnesses have a copy.

6 WITNESS LEARY: We have a copy.

7 WITNESS POE: I'll take one.

8 (Atty. O'Neill handing document to
9 Witness Poe.)

10 BY MS. HATFIELD:

11 Q. I wanted to turn your attention to Slide Number 10.

12 A. (Leary) Yes.

13 Q. And, Mr. Poe, you were also present at the technical
14 session, is that correct?

15 A. (Poe) Yes, I was.

16 Q. And, Ms. Leary, do you see the language at the top of
17 that slide that discusses the "TGP Northeast Customer
18 Group"?

19 A. (Leary) Yes, I do.

20 Q. Can you just briefly speak to that customer group and
21 to Grid's participation in it?

22 A. (Leary) Yes. I think, if we turn to Slide 13, we
23 actually identify who are the various parties that are
24 part of this Northeast Customer Group. And, this

{DG 11-046} {04-14-11}

[WITNESS PANEL: Leary~Poe]

1 customer group has intervened in the Tennessee rate
2 case on behalf of all of these parties, including
3 National Grid. And, I think Mr. Stanzione, who is our
4 Director of Gas Market Policies, had indicated that
5 they have actually hired both a rate design and an
6 allocated cost of service witness to address issues in
7 the Tennessee Gas rate case.

8 Q. And, is one of the benefits of joining that group that
9 Grid New Hampshire would only have to pay a portion of
10 the costs of litigating that case?

11 A. (Leary) That is correct.

12 Q. And, do I understand correctly that Grid New
13 Hampshire's costs would be approximately 15 percent of
14 the total cost?

15 A. (Leary) Actually, all of National Grid, not just
16 National Grid New Hampshire's portion of the cost, is
17 18.5 percent. So, again, that's for all of National
18 Grid. And, then, from there, the Company will be
19 allocating those costs to the different -- the
20 different Grid companies.

21 Q. Are any of the costs related to the FERC litigation
22 included in this filing?

23 A. (Leary) No, they are not.

24 Q. And, if the Commission wishes to see a general overview

{DG 11-046} {04-14-11}

[WITNESS PANEL: Leary~Poe]

1 of the schedule of the case and the issues in the case,
2 they could look at the earlier pages of the PowerPoint
3 presentation?

4 A. (Leary) That is correct.

5 MS. HATFIELD: Thank you. I have
6 nothing further.

7 CHAIRMAN GETZ: Thank you. Mr. Speidel.

8 MR. SPEIDEL: Yes. Thank you, Mr.
9 Chairman.

10 BY MR. SPEIDEL:

11 Q. I have several questions for Ms. Leary. Ms. Leary, if
12 you may please turn to Page 6, and Lines 8 through 12
13 of your testimony.

14 A. (Leary) Yes. I'm there.

15 Q. Okay. Within those Lines 8 through 12 of your
16 testimony, you reference the six-month NYMEX futures
17 price strip as of March 9, 2011.

18 A. (Leary) That is correct.

19 Q. Is the NYMEX strip you mention here the most recent
20 fifteen-day average of NYMEX settlement prices at that
21 point in time?

22 A. (Leary) At that point in time, that is correct.

23 Q. Thank you. Have you checked or has the Company checked
24 the current fifteen-day average of NYMEX strip prices

{DG 11-046} {04-14-11}

1 to see if there's been a noticeable change compared to
2 what it was on March 9th?

3 A. (Leary) Yes, the Company has. In fact, the Company
4 looked at the fifteen-day average NYMEX strip as of
5 April 8th, last Friday. The price of the NYMEX was
6 approximately \$4.40 versus, well, let's say 44 cents
7 per therm versus the 41 percent -- 41 cents per therm
8 that's reflected in our original filing. So, that's of
9 a change of about three cents per therm. However, this
10 would have been offset by about a one to two cents with
11 the sales volume and the unaccounted for issue that we
12 discussed in my prefiled -- in my testimony. So, those
13 two factors together would result in a change in the
14 cost of gas factor of about less than a penny. So, at
15 this point, we decided not to update the factor.

16 Q. Okay. Thank you. On Page 7, Lines 4 through 10 of
17 your testimony, you note the current Tennessee Gas
18 Pipeline rate case proceedings before the FERC. While
19 settlement negotiations are ongoing, you note that this
20 cost of gas filing includes the proposed increase in
21 demand rates beginning in June 2011. Why did the
22 Company choose June 2011, rather than the beginning of
23 the off-peak cost of gas period in May 2011?

24 A. (Leary) Because the rates, the Tennessee Gas rates are

1 effective as of June 1st, 2011.

2 Q. What will the expected increase in National Grid New
3 Hampshire's annual pipeline demand charges be if the
4 proposed Tennessee rate increase is approved?

5 A. (Leary) On an annual basis, for both the sales and the
6 customer choice customers, the Company is anticipating
7 an \$8.5 million increase in Tennessee demand charges.

8 Q. Thank you. National Grid has intervened at the FERC as
9 part of the Northeast Customer Group. Is National Grid
10 New Hampshire seeking recovery of any of those costs in
11 this cost of gas? Does it intend to seek recovery in a
12 future cost of gas?

13 A. (Leary) We are not seeking recovery of any of those
14 costs in our current cost of gas filing. And, this
15 will have to be something we discuss with Staff and the
16 OCA, because at this point I'm not sure if the Company
17 is allowed to recover those type of costs in its cost
18 of gas filing.

19 Q. Thank you. Has the Company provided Staff and the
20 Office of the Consumer Advocate an update and an
21 opportunity for Q&A from someone with National Grid who
22 is directly involved in the settlement negotiations in
23 the Tennessee Gas Pipeline rate case proceedings?

24 A. (Leary) Yes. Jim Stanzione, who is the Director of Gas

1 Market Policy, came up at our tech session and gave a
2 presentation.

3 Q. Thank you. This is with regards to Schedule 1, on Page
4 1, Lines 11 through 17, and that is marked as "Bates
5 Page 0003. At the cost of gas technical session, there
6 was a discussion related to unaccounted for losses and
7 company use volumes used in the demand forecast.
8 Following up on that discussion, it was discovered that
9 the Company has not been filing an annual Company Gas
10 Allowance adjustment, as defined in its tariff on
11 Original Page 97 and directed in Section 8.1 of its
12 tariff on Original Page 107, prior to each peak period
13 cost of gas filing. Can you briefly describe the
14 purpose of this adjustment?

15 A. (Leary) Yes. The purpose of this company allowance
16 adjustment is to be -- it's a percentage to be applied
17 to transportation customers' deliveries so to reflect
18 and to be able to recover the cost of line losses and
19 company use that occurs through the Company's
20 distribution system.

21 Q. How has the Company proposed to correct this oversight
22 for prior periods and going forward?

23 A. (Leary) The Company, on a going-forward basis, will
24 correct this and reflect an updated company allowance

[WITNESS PANEL: Leary~Poe]

1 percentage in its peak 2011 cost of gas filing. The
2 Company has agreed to, you know, have further
3 discussions with both the Staff and the OCA to see if
4 any further reconciling mechanism or adjustment needs
5 to be made for the prior periods.

6 Q. Thank you. On Page 12 of your testimony you describe
7 the changes to the LDAC. Proposed Third Revised Tariff
8 Page 92 calculates the rate case expense/temporary rate
9 reconciliation. The reference for the line item
10 reflecting the credit of \$7,776 note "Stipulation per
11 Settlement Argument - DG 10-017". This is an errata,
12 obviously. Is the word "argument" meant to be
13 "agreement"?

14 A. (Leary) Yes, it is. That's correct.

15 Q. Thank you. Can you confirm that the PUC Audit Staff
16 reviewed last summer's cost of gas results?

17 A. (Leary) Yes, they have.

18 Q. Were there any exceptions in the Staff Audit Report
19 conducted in connection with the 2010 Summer Season
20 Cost of Gas reconciliation?

21 A. (Leary) No, there was not. They -- the Staff actually
22 had a question on our beginning balances, which we
23 explained to them why it had changed from the last
24 filing. And, then, they go on to say "The PUC Audit

{DG 11-046} {04-14-11}

1 Staff found no exceptions while reviewing the above
2 reported EnergyNorth Natural Gas amounts."

3 Q. Thank you. The following questions will be for Mr.
4 Poe. Mr. Poe, on your testimony, Page 11, Lines 8
5 through 10, it notes the decline in forecasted normal
6 and design sendout requirements from the 2010 to 2011
7 off-peak period. And, that this decline is almost
8 entirely driven by a decrease in sales volumes. It
9 seems to be a similar story over the past few years.
10 Can you describe the Company's normalized sales growth
11 over the past five years?

12 A. (Poe) Certainly. The Company's off-peak period volumes
13 have -- had been fairly flat up until the 2008
14 recession, and the Company lost about 200,000
15 decatherms for the off-peak period at that point.
16 Other than that, it has stayed flat since that time.
17 We have seen a shift, as I was saying earlier, from
18 about 90 percent sales down to about 80 percent sales.
19 So, with a small reduction in volume, plus the shift,
20 the sales volume itself has gone down.

21 Q. Thank you. This is with regards to the Company's
22 internal sales forecasts and budgets for the 2011-2012
23 period. With the outlook for continued higher market
24 price of heating oil and propane and the projections

[WITNESS PANEL: Leary~Poe]

1 for lower natural gas commodity pricing, is the Company
2 able to share any information from its internal
3 forecasts and budget analyses that support improved
4 load growth opportunities in New Hampshire during the
5 next 12 to 24 months?

6 A. (Poe) Yes, sir. The latest five year outlook that we
7 generated shows about a 1.1 percent per annum growth in
8 normalized volumes over the next five years.

9 MR. SPEIDEL: Thank you.

10 WITNESS POE: You're welcome.

11 MR. SPEIDEL: That will be all for
12 Staff.

13 CHAIRMAN GETZ: Thank you.

14 BY CMSR. BELOW:

15 Q. Just to clarify, was that 1.1 percent growth per year
16 or for the whole five year --

17 A. (Poe) Per annum.

18 Q. Per year. Thank you.

19 CMSR. IGNATIUS: Thank you.

20 BY CMSR. IGNATIUS:

21 Q. Mr. Poe, maybe following on that, I want to talk about
22 forecasting. The filing has a sort of dizzying
23 up-and-down from one component to another in rate
24 setting, and some things have seen an increase, some

{DG 11-046} {04-14-11}

[WITNESS PANEL: Leary~Poe]

1 things have seen a decrease. Do you have a sense of
2 the overall picture of gas supply pricing in the near
3 future, say, within the next year, and then maybe
4 within the next five years?

5 A. (Poe) Gas prices overall, for the next 12 to 24 month
6 period, will be fairly flat, as compared to what you're
7 seeing in the oil market right now. There is a
8 recovery in gas use in the United States. Storage
9 inventories are at about typical levels right now. So,
10 there won't be a huge amount of pressure on refilling
11 storage. And, it would, to some extent, be dependent
12 upon how hot the summer is, whether there's a lot of
13 natural gas being used for power generation. But the
14 latest EIA forecast showed that the price forecast is a
15 fairly slow climb.

16 Q. And, how about beyond the 24-month period that you just
17 spoke of?

18 A. (Poe) Continues in that direction, and it will be
19 contingent upon further development of new gas
20 supplies, such as the Marcellus Shale.

21 Q. Ms. Leary, there was some talk about what the
22 percentage cost for National Grid total as part of the
23 Customer Group participation at the FERC, and you said
24 that that overall was "18.5 percent" of the total. Is

{DG 11-046} {04-14-11}

1 there a New Hampshire specific number that you're aware
2 of?

3 A. (Leary) No, not at this time. The Company will have to
4 determine -- the 18.5 percent referenced what we're
5 paying compared to the Northeast Gas Markets and what
6 all the parties agreed to pay. The Company will then
7 take that number and have to allocate it to the
8 different entities.

9 Q. And, is that based on load or some other formula?

10 A. (Leary) In fact, I spoke to Mr. Stanzione today. They
11 are evaluating whether they will use an MDQ, total
12 throughput. I mean, they will have to look at what it
13 is. But, just to give you an idea, right now the total
14 estimate, again, this is just based on the consultants
15 and the legal fees that they have hired as part of the
16 Northeast Gas Market, National Grid's total proportion
17 is about \$76,000.

18 Q. And, if the rates that are at issue there are still
19 subject to negotiations, although you say you've put in
20 the rates. Is it the rates as filed into the -- into
21 this cost of gas rate?

22 A. (Leary) Yes. Because those rates will become effective
23 June 1st, unless a settlement is reached before that
24 period. But they will be reconciling at a later date

[WITNESS PANEL: Leary~Poe]

1 when final rates are approved.

2 Q. So, is it, if they do come in lower than what was
3 filed, your plan would be to reconcile later, it
4 wouldn't be an immediate adjustment?

5 A. (Leary) I think it depends. It depends if, let's say,
6 the new rates were -- we knew what the rates were as of
7 June 1st, or even sometime along this summer, we would
8 make an evaluation whether or not we would need to
9 refile. Since we are allowed, part of the cost of gas,
10 to always lower the gas without having to get
11 Commission approval, we would most likely reflect those
12 in our trigger filing.

13 CMSR. IGNATIUS: Thank you. That's all
14 I have.

15 CHAIRMAN GETZ: Any redirect,
16 Mr. O'Neill?

17 MR. O'NEILL: No redirect.

18 CHAIRMAN GETZ: Okay. Then, the
19 witnesses are excused. Thank you very much.

20 I take it that there will not be
21 testimony from the Consumer Advocate or Staff, is that
22 correct?

23 MS. HATFIELD: No.

24 (Atty. Speidel shaking head in the

{DG 11-046} {04-14-11}

1 negative.)

2 CHAIRMAN GETZ: Is there any objection
3 to striking the identifications and admitting the exhibits
4 into evidence?

5 (No verbal response)

6 CHAIRMAN GETZ: Hearing no objection,
7 they will be admitted into evidence. Anything we need to
8 address before we have opportunities for closings?

9 (No verbal response)

10 CHAIRMAN GETZ: Hearing nothing, then,
11 Ms. Hatfield.

12 MS. HATFIELD: Thank you, Mr. Chairman.
13 The OCA has no objection to the Company's Summer Cost of
14 Gas filing. And, we would like to thank the Company for
15 providing us with the Tennessee Gas Pipeline rate case
16 update and for their general willingness to provide
17 information to the OCA on that case.

18 And, we also appreciate the Company's
19 willingness to work with the OCA and Staff for the next
20 filing to address the issues that were discussed today
21 related to company use. Thank you.

22 CHAIRMAN GETZ: Is there any objection
23 to the Motion for Confidential Treatment?

24 MS. HATFIELD: No.

1 CHAIRMAN GETZ: Mr. Speidel.

2 MR. SPEIDEL: Thank you, Mr. Chairman.

3 Staff supports the National Grid New Hampshire proposed
4 2011 Summer Cost of Gas rates. The Commission Audit Staff
5 has reviewed the 2010 Summer Cost of Gas reconciliation
6 and found it to be accurate. The sales forecast for the
7 2011 Summer Period appears to be consistent with past
8 experience. The supply plan integrates actual costs for
9 hedged supplies and recent NYMEX futures average prices
10 for non-hedged supplies. There will be a reconciliation
11 of 2011 projected and actual gas costs, and any concerns
12 that may arise related to the 2010 Summer gas planning and
13 dispatch may be raised and addressed in the 2011 Summer
14 Cost of Gas proceeding.

15 Staff recommends approval of National
16 Grid New Hampshire's revise indirect gas costs and LDAC.
17 These updates are related to the base rate case settlement
18 agreement and approval in Docket DG 10-017, Order Number
19 25,202.

20 Staff supports the Company's proposal to
21 work with the OCA and Staff to provide to the Commission,
22 no later than the 2011-2012 peak period Cost of Gas
23 filing, a thorough analysis of the impact on both bundled
24 sales customers and unbundled transportation customers of

1 using a fixed Company Gas Allowance of 1.2 percent, versus
2 a Company Gas Allowance that is recalculated annually
3 based on prior year actual data. The analysis will
4 determine if there was a significant cost shift. And, if
5 so, it is Staff's expectation that a joint recommendation
6 on how to redress such a shift will be presented for
7 Commission consideration. All parties agree that
8 beginning on November 1st, 2011, the Company will be in
9 compliance with the Company Gas Allowance requirements as
10 spelled out in the "Delivery Terms and Conditions" section
11 of the gas tariff. Thank you.

12 CHAIRMAN GETZ: And, as for the Motion
13 for Confidential Treatment?

14 MR. SPEIDEL: Staff, at present, would
15 recommend approval of the motion and has no objection.

16 CHAIRMAN GETZ: Thank you. Mr. O'Neill.

17 MR. O'NEILL: On behalf of the Company,
18 National Grid appreciates the cooperation of the OCA and
19 the Staff in this proceeding, and particularly given the
20 expedited schedule that cost of gas hearings follow.

21 At this point, we would ask that the
22 Commission approve the Company's proposed summer cost of
23 gas rates as just and reasonable.

24 CHAIRMAN GETZ: Okay. Then, we'll close

1 the hearing and take the matter under advisement. Thank
2 you, everyone.

3 MR. SPEIDEL: Thank you.

4 MR. O'NEILL: Thank you.

5 (Whereupon the hearing ended at 10:44
6 a.m.)
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24