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4 **STATE OF NEW HAMPSHIRE**
5 **BEFORE THE**
6 **PUBLIC UTILITIES COMMISSION**

7
8 **DG 11-192**

9 **EnergyNorth Natural Gas Inc. d/b/a National Grid New Hampshire,**
10 **Winter 2011-2012 Cost of Gas and Related Local Distribution**
11 **Adjustment Charge (LDAC) for Energy Efficiency Programs**

12
13 **DIRECT TESTIMONY**

14 **OF**

15 **JAMES J. CUNNINGHAM, JR.**

16
17
18 **Date: October 6, 2011**

1 **Q. Please state your names, current positions and business address.**

2 A. My name is James J. Cunningham, Jr. I am employed by the New Hampshire
3 Public Utilities Commission (Commission) as a Utility Analyst. My business
4 address is 21 S. Fruit Street, Suite 10, Concord New Hampshire, 03301.

5
6 **Q. Please summarize your educational and professional background.**

7 A. My educational and professional background is summarized in Appendix A.

8
9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is to address EnergyNorth's proposed Local
11 Distribution Adjustment Charge (LDAC) for energy efficiency programs. I
12 address the issue of refunds to customers and whether the amount of refunds
13 proposed by the Company is reasonable.

14
15 **Q. Please provide background on EnergyNorth's energy efficiency expenditures**
16 **and the related LDAC recovery mechanism.**

17 A. In the past three years, EnergyNorth's budgets for energy efficiency were
18 significantly increased. The related LDAC rates were increased to fund the
19 higher level of expenditure. However, actual expenditures fell short of planned
20 levels, resulting in an over collection. At July 31, 2011, the Residential LDAC
21 mechanism was actually over collected by approximately \$1.6 million.
22 With respect to C&I programs, the LDAC mechanism was actually over collected
23 by approximately \$2.7 million as of July 31, 2011.

1 **Q. What is the Company projecting for over collection for the Residential**
2 **LDAC as of October 31, 2011?**

3 A. For the Residential LDAC, EnergyNorth is proposing an over collection of
4 approximately \$500,000 as of October 31, 2011. I believe the over collection will
5 be approximately \$1.7 million, \$1.2 million more than proposed. Please refer to
6 attached Schedule JJC-1 for a summary of these amounts.

7 With respect to the C&I LDAC, EnergyNorth expects an over collection of
8 approximately \$1.5 million as of October 31, 2011. I believe the over collection
9 will be approximately \$2.7 million, \$1.2 million more than EnergyNorth is
10 proposing. Please refer to attached Schedule JJC-3 for a summary of these
11 amounts.

12
13 **Q. What is causing this significant difference in the amount of over collection**
14 **for the Residential LDAC as of October 31, 2011?**

15 A. I believe EnergyNorth is over estimating the amount of spending for the August –
16 October 2011 time period. Energy North estimates that it will spend
17 approximately \$491,000 per month during this time period. However, I believe
18 spending during this time period will be more reflective of actual spending during
19 the January-July time period. Specifically, EnergyNorth's actual monthly
20 spending for the Residential LDAC was only approximately \$124,000 per month
21 for January-July 2011. However, for August-October, the Company projects to
22 spend approximately \$491,000 thousand per month. Please refer to attachment
23 Schedule JJC-2 for the details.

1

2 **Q. EnergyNorth projects an over collection of \$1.5 million for the C&I LDAC.**
3 **You are projecting an over collection of \$2.7 million. What is causing this**
4 **significant difference as of October 31, 2011?**

5 **A. Similar to Residential LDAC, I believe EnergyNorth is over estimating the**
6 amount of spending for the August-October 2011 time period. Energy North
7 estimates that it will spend approximately \$545,000 per month during this time
8 period. However, I believe spending during this time period will be more
9 reflective of actual spending during the January-July time period. Specifically,
10 EnergyNorth's actual monthly spending for the C&I LDAC was only
11 approximately \$83,000 per month for January-July 2011. However, for August-
12 October, the Company projects to spend approximately \$545,000 per month.
13 Please refer to attachment Schedule JJC-4 for the details.

14

15 **Q. What is your recommended level of spending for the Residential LDAC for**
16 **the August, September and October time period?**

17 **A. My estimate for August-October 2011 spending reflects the actual level of**
18 spending reported for the first seven months of 2011. Further, because the timing
19 of spending varies from month to month, my estimate reflects the timing of
20 spending actually reported for the August-October 2010 time period. Attachment
21 Schedule JJC-2 provides monthly details for 2010 and 2011.
22 Based on the above, I estimate spending for August-October 2011 will be
23 approximately \$83,000 per month, a reduction of approximately \$408,000 per

1 month from the proposed monthly spending of approximately \$491,000 per
2 month.

3
4 **Q. What is your recommended level of spending for the C&I LDAC for the**
5 **August, September and October time period?**

6 A. My estimate for August-October 2011 spending reflects the actual level of
7 spending reported for the first seven months of 2011. Further, because the timing
8 of spending varies from month to month, my estimate reflects the timing of
9 spending actually reported for the August-October 2010 time period. Attachment
10 Schedule JJC-4 provides the details for 2010 and 2011 spending.
11 Based on the above, I estimate spending for the C&I LDAC for the August-
12 October 2011 will be approximately \$131,000 per month, a reduction of \$414,000
13 per month from the proposed monthly spending of \$545,000 per month.

14
15 **Q. What is the impact of your recommendation on the Residential LDAC**
16 **Mechanism?**

17 A. I recommend that EnergyNorth adjust the Residential LDAC recovery mechanism
18 to reflect a reduction of \$1.2 million in estimated spending for the August-
19 October 2011 time period. The Residential LDAC rate calculation, excluding
20 interest, is as follows:

1	Proposed Residential LDAC (Bates 000120)	\$3,038,671
2	Less: Staff Recommended Adjustment	<u>\$1,200,000</u>
3	Adjusted Residential LDAC	\$1,838,671
4	Proposed Residential Therm Sales	61,976,058
5	Recommended Residential LDAC Rate	<u>\$ 0.0297</u>

6

7

8 **Q. What is the impact of your recommendation on the C&I LDAC Mechanism?**

9 A. I recommend that EnergyNorth adjust its C&I LDAC recovery mechanism to
10 reflect a reduction of \$1.2 million in estimated spending for the August-October
11 2011 time period. My recommended C&I LDAC rate calculation, excluding
12 interest, is as follows:

13	Proposed C&I LDAC (Bates 000120)	\$3,032,213
14	Less: Staff Recommended Adjustment	<u>\$1,200,000</u>
15	Adjusted C&I LDAC	\$1,832,213
16	Proposed C&I Therm Sales	101,612,535
17	Recommended C&I LDAC Rate	<u>\$ 0.01803</u>

18

19 **Q. Have you addressed your concern with the Company?**

20 A. Yes. I prepared several data requests pertaining to the C&I LDAC expenditures;
21 but, at this time, I have not yet received responses from the Company. Given the
22 highly compressed time frame of this proceeding, I thought it would be helpful to

1 put Staff's opinion forward in this testimony. After I receive the company
2 responses, I'll be happy to make adjustments to my testimony, as appropriate.

3

4 **Q. Does that complete your testimony?**

5 **A. Yes, it does.**

6

1 **Appendix A**

2 **Educational and Professional Background**

3 **James J. Cunningham, Jr.**

4
5 I am employed by the New Hampshire Public Utilities Commission
6 (Commission) as a Utility Analyst. My business address is 21 S. Fruit Street,
7 Suite 10, Concord New Hampshire, 03301.

8 I am a graduate of Bentley University, Waltham, Massachusetts, and I hold a
9 Bachelor of Science-Accounting Degree. I joined the Commission in 1988 and
10 I've worked on a variety of cases pertaining to New Hampshire electric, natural
11 gas, steam and water utilities. In 1995, I completed the NARUC Annual
12 Regulatory Studies Program at Michigan State University, sponsored by the
13 National Association of Regulatory Utility Commissioners. In 1998, I completed
14 the Depreciation Studies Program, sponsored by the Society of Depreciation
15 Professionals, Washington, D.C. I have reviewed and filed direct testimony on
16 Depreciation Studies and I am a member of the Society of Depreciation
17 Professionals (SDP).

18 In 1999, I was a participant in the Commission's Energy Efficiency Working
19 Group, a diverse group of stakeholders that was assembled to take a fresh look at
20 energy efficiency issues. In 2002, I worked on the Staff team that recommended
21 re-institution of the Commission's natural gas energy efficiency programs. In
22 2008, I was promoted to the position of Utility Analyst IV and have been working
23 on a variety of assignments including electric CORE energy efficiency programs,

1 natural gas energy efficiency programs and rate cases pertaining to the electric,
2 water and natural gas utilities and other cases as assigned.

3 Prior to joining the Commission I was employed by the General Electric
4 Company (GE). While at GE, I graduated from the Corporate Financial
5 Management Training Program and I held assignments in General Accounting,
6 Government Accounting & Contracts and Financial Analysis.