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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

January 9, 2008 - 10:09 a.m.
Concord, New Hampshire

RE: DG 06-105
ENERGYNORTH NATURAL GAS, INC. d/b/a
KEYSPAN ENERGY DELIVERY NEW ENGLAND:
2006 Integrated Resource Plan.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Graham J. Morrison
Commissioner Clifton C. Below

Connie Fillion, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas, Inc. d/b/a
KeySpan Energy Delivery New England:
Steven V. Camerino, Esq. (McLane, Graf...)
Thomas O'Neill, Esq.

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

Reptg. PUC Staff:
Edward N. Damon, Esq.

Court Reporter: Steven E. Patnaude, LCR

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1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning.
3 We'll open the hearing in docket DG 06-105. On August 7,
4 2006, KeySpan Energy Delivery filed with the Commission an
5 Integrated Resource Plan, was superseded by a revised IRP
6 filing on August 21. The IRP covers the period
7 November 1, 2006 through October 31, 2011, and provides
8 details of the resource planning process and strategies.
9 An order of notice was issued on September 19th, setting a
10 prehearing conference that was held on October 4th of
11 2006. After a series of schedule revisions and several
12 rounds of testimony, a hearing on the merits was set for
13 this morning.

14 Can we take appearances please.

15 MR. CAMERINO: Good morning,
16 Commissioners. Steve Camerino, from McLane, Graf,
17 Raulerson & Middleton, on behalf of KeySpan Energy
18 Delivery New England. And, with me this morning is Senior
19 Counsel for KeySpan, Thomas O'Neill.

20 CHAIRMAN GETZ: Good morning.

21 CMSR. MORRISON: Good morning.

22 CMSR. BELOW: Good morning.

23 MS. HATFIELD: Good morning,
24 Commissioners. Meredith Hatfield and Ken Traum, on behalf

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1 of the Office of Consumer Advocate, for residential
2 ratepayers.

3 CHAIRMAN GETZ: Good morning.

4 CMSR. MORRISON: Good morning.

5 CMSR. BELOW: Good morning.

6 MR. DAMON: Good morning, Commissioners.

7 Edward Damon for the Staff. And, with me this morning are
8 George McCluskey, Robert Wyatt, and Steve Frink.

9 CMSR. BELOW: Good morning.

10 CMSR. MORRISON: Good morning.

11 CHAIRMAN GETZ: Good morning. I expect
12 we'll be hearing from the Company's witnesses first. But
13 is there anything we need to address before we hear from
14 the witnesses? Mr. Camerino.

15 MR. CAMERINO: The only thing I would
16 mention, just to alert you as we get to it, is there are a
17 number of documents from prior dockets that I know that
18 both Attorney Damon and I intend to address the witnesses'
19 attention to. In some cases, we may deal with that by
20 asking the Commission to take administrative notice, and
21 others, just for ease of reference, even if it's an order
22 or a settlement, we may actually ask to have it entered
23 into as an exhibit, just so that people have the words in
24 front of them. I think we'll just play that by ear.

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1 CHAIRMAN GETZ: Well, it sounds like
2 you've worked some of this out, so you're anticipating no
3 dispute about what should be entered? Is that a fair
4 conclusion on my part?

5 MR. CAMERINO: I think that's a fair
6 statement.

7 CHAIRMAN GETZ: Okay.

8 MR. DAMON: Right. If I may just
9 address that point. Mr. Camerino and I yesterday
10 discussed the fact that it might be desirable to allow the
11 Commission to consider certain prior orders and prior
12 aspects of prior dockets in connection with the case,
13 because they are referred to in the testimony and so on,
14 without producing a giant stack of documents for you, but
15 that could be referred to in questioning or entered as a
16 full exhibit, if that's easier.

17 MR. CAMERINO: Maybe, if I could just
18 add, the one thing that might be worth taking care of
19 right now, as a general matter, I don't think it's good
20 practice to take administrative notice of an entire
21 docket, because it's not clear which items are being
22 sought to be referred to. But, in this case, this docket,
23 the Company's position is a follow-on proceeding to DG
24 04-133, and we will be referring to the settlement, the

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1 order, and the transcript, the exhibits in that case.
2 And, so, I would ask that the Commission take
3 administrative notice of the record in DG 04-133.

4 MR. DAMON: Yes. Staff has no objection
5 to that. And, I do have a list of other orders and docket
6 record items that I could read into the record, if you
7 want now or later, or send it in in a letter or something
8 like that.

9 CHAIRMAN GETZ: Yes, why don't we just
10 follow up with that in writing. It will be basically
11 memorializing things that you speak to during the hearings
12 today, correct?

13 MR. DAMON: Right. Or, that are
14 referred to in the prefiled testimony.

15 CHAIRMAN GETZ: Okay. I think doing a
16 writing at the end of the proceeding would be helpful in
17 that regard, and we'll take administrative notice as
18 requested by Mr. Camerino.

19 (Administrative notice taken.)

20 CHAIRMAN GETZ: There's basically four
21 rounds of testimony. Mr. Camerino, are you going to
22 handle both rounds at once or are we going to go back and
23 forth? What's the proposal on that?

24 MR. CAMERINO: I think the plan is, the
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1 Company's witnesses will take the stand and they will
2 provide testimony, all of the Company's presentation.
3 And, then, I don't know whether the Consumer Advocate
4 plans -- sounds like they don't plan to have any
5 testimony, then the Staff will testify. And, if
6 necessary, the Company would present rebuttal to what Mr.
7 McCluskey says. It's not our plan at the moment, unless
8 something unexpected happens.

9 Also, for what it's worth, in case the
10 Commission wants to indicate to us to do otherwise, it
11 wasn't our intention to really provide any significant
12 testimony regarding the IRP itself. Rather, we were going
13 to just focus on the issues of dispute, feeling that the
14 IRP is fairly thorough and has both a narrative and an
15 analytical section and it wouldn't be helpful to just
16 restate that.

17 CHAIRMAN GETZ: I guess that was my
18 anticipation, that we wouldn't be summarizing at length.
19 And, we've read through the testimony. So, you know,
20 we'll allow a brief summary of the issues in dispute, but
21 would like to get right to the cross-examination and the
22 questions from the Bench.

23 So, is there anything else then, before
24 we turn to the Company's witnesses?

[Witness panel: Silvestrini|Arangio|Poe]

1 (No verbal response)

2 CHAIRMAN GETZ: Okay. Hearing nothing,
3 then, Mr. Camerino.

4 MR. CAMERINO: Thank you. The Company
5 calls Liz Arangio, Leo Silvestrini, and Ted Poe.

6 (Whereupon Elizabeth D. Arangio, A. Leo
7 Silvestrini and Theodore E. Poe, Jr. was
8 duly sworn and cautioned by the Court
9 Reporter.)

10 MR. CAMERINO: And, just remind you,
11 those mikes have to be fairly close to you in order to be
12 heard.

13 ELIZABETH D. ARANGIO, SWORN

14 A. LEO SILVESTRINI, SWORN

15 THEODORE E. POE, JR., SWORN

16 DIRECT EXAMINATION

17 BY MR. CAMERINO:

18 Q. Okay. Let me just ask, let me start by asking each of
19 you just to give your name and business address and
20 position with the Company for the record. Let me start
21 with you, Mr. Silvestrini.

22 A. (Silvestrini) My name is Leo Silvestrini. I'm the
23 Manager of Gas Load Forecasting for National Grid,
24 formally KeySpan Energy Delivery. My business address

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[Witness panel: Silvestrini|Arangio|Poe]

1 is 52 Second Avenue, Waltham, Massachusetts.

2 A. (Arangio) My name is Elizabeth Arangio. I am the
3 Director of Gas Supply Planning for National Grid,
4 formally KeySpan. And, my business address is 52
5 Second Ave., in Waltham.

6 A. (Poe) And, my name is Theodore Poe, Jr. I am the
7 Manager of Energy Planning for National Grid, now known
8 as -- or, formally know as KeySpan, 52 Second Ave.,
9 Waltham, Mass.

10 Q. Okay. And, if we can go in that order again, I'd just
11 like to ask each of you if you would give a general
12 brief description of your responsibilities in your role
13 for KeySpan/National Grid, and, in particular, what
14 your role was in putting together the IRP filing that
15 is the subject of this case?

16 A. (Silvestrini) In my case, in addition to overall
17 oversight of the filing and some coordination
18 responsibilities, I was specifically responsible for
19 the forecast of incremental demand and incremental
20 sendout. I directed the development of the econometric
21 models that were used to forecast demand. And, the
22 impact of the Company-sponsored energy efficiency
23 programs on that demand, and also worked with Mr. Poe
24 to incorporate the incremental demand in developing the

[Witness panel: Silvestrini|Arangio|Poe]

1 sendout requirements.

2 Q. Ms. Arangio.

3 A. (Arangio) Yes. I'm responsible, as the Director of Gas
4 Supply Planning, for putting together the resources
5 portfolios to -- for each of the LDCs that we operate
6 in for National Grid. And, with respect to the IRP, I
7 was responsible for the section of the -- Section V of
8 the IRP, which is "Management of the Resource
9 Portfolio", as well as subsection or Section IV,
10 Subsections C and F of the IRP.

11 Q. And, Mr. Poe.

12 A. (Poe) And, I was responsible for the part of the load
13 forecasting which is development of the regression
14 equation that is the basis point for developing our
15 growing load forecast. In addition, development of the
16 planning standards and the resource allocation through
17 the use of the SENDOUT model.

18 Q. Let me show the three of you a document entitled
19 "EnergyNorth Natural Gas, Inc. Revised Integrated
20 Resource Plan", and it's dated August 21, 2006. It was
21 filed under cover letter from Mr. O'Neill. And, ask
22 you if that's the Integrated Resource Plan that's the
23 topic of this proceeding?

24 A. (Poe) It is.

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[Witness panel: Silvestrini|Arangio|Poe]

1 A. (Arangio) Yes, it is.

2 A. (Silvestrini) Yes, it is.

3 Q. And, were the three of you the ones who prepared that
4 plan or had others prepare a report under your
5 direction?

6 A. (Poe) Yes, we are.

7 A. (Arangio) Yes.

8 A. (Silvestrini) Yes.

9 MR. CAMERINO: I would ask that we mark
10 the IRP, dated August 21, 2006, as "Exhibit 1". I don't
11 believe we have any exhibits yet in this proceeding.

12 CHAIRMAN GETZ: It will be marked as
13 "Exhibit 1" for identification.

14 (The document, as described, was
15 herewith marked as Exhibit 1 for
16 identification.)

17 BY MR. CAMERINO:

18 Q. And, then, the three of you filed testimony dated
19 September 5, 2007, is that correct?

20 A. (Silvestrini) Yes.

21 A. (Poe) Yes.

22 A. (Arangio) Yes.

23 Q. And, that's a 35-page document, including your
24 qualifications, that I'm showing you now. Is that the

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[Witness panel: Silvestrini|Arangio|Poe]

1 same document?

2 A. (Poe) Yes.

3 A. (Arangio) Yes.

4 A. (Silvestrini) Yes, it is.

5 Q. And, that was prepared by the three of you or under
6 your direction?

7 A. (Silvestrini) Yes it was.

8 A. (Arangio) Yes, it was.

9 A. (Poe) Yes, it was.

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

12 A. (Poe) Yes.

13 A. (Arangio) Yes, it is.

14 A. (Silvestrini) Yes, it is.

15 MR. CAMERINO: Are we doing okay with
16 the stenographer with an answer that way?

17 CHAIRMAN GETZ: With a chorus?

18 (The court reporter indicated that it
19 was okay to this point.)

20 BY MR. CAMERINO:

21 Q. And, if I were to ask you these questions today, would
22 your answers be the same?

23 A. (Poe) Yes, they would.

24 A. (Arangio) Yes, they would.

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[Witness panel: Silvestrini|Arangio|Poe]

1 A. (Silvestrini) Yes, they would.

2 MR. CAMERINO: Could we mark the
3 September 5, 2007 Prefiled Direct Testimony of Elizabeth
4 D. Arangio, A. Leo Silvestrini and Theodore Poe -- should
5 probably read "Theodore Poe, Jr.", as "Exhibit 2" for
6 identification please.

7 CHAIRMAN GETZ: So marked.

8 (The document, as described, was
9 herewith marked as Exhibit 2 for
10 identification.)

11 CHAIRMAN GETZ: Well, let me just note,
12 I think I misspoke earlier when I said there were "four
13 rounds of testimony". There was no actual testimony with
14 the IRP itself. So, it's really three rounds of
15 testimony.

16 MR. CAMERINO: That's right. And,
17 although the confusion is warranted, because we think of
18 that IRP as essentially being the Company's case.

19 BY MR. CAMERINO:

20 Q. And, then, finally, Mr. Silvestrini, I want to show you
21 a document entitled "Settlement Agreement" that is from
22 Docket Number DG 04-133 and DG 04-175. And, were you
23 involved in that proceeding?

24 A. (Silvestrini) Yes, I was.

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[Witness panel: Silvestrini|Arangio|Poe]

1 Q. And, were you a witness in that proceeding?

2 A. (Silvestrini) I was.

3 Q. And, is that the Settlement Agreement from that
4 proceeding?

5 A. (Silvestrini) It is.

6 MR. CAMERINO: Okay. If we could mark
7 the Settlement Agreement from DG 04-133 as "Exhibit 3" for
8 identification please.

9 CHAIRMAN GETZ: Be so marked.

10 (The document, as described, was
11 herewith marked as Exhibit 3 for
12 identification.)

13 BY MR. CAMERINO:

14 Q. Okay. Mr. Silvestrini, I'm going to start with you.

15 Could you provide a summary of the background that led
16 up to the filing of this IRP in this proceeding.

17 A. (Silvestrini) Yes. This IRP was filed in compliance
18 with the Settlement Agreement in DG 04-133, as approved
19 by the Commission. And, that case established the
20 standards to be applied in this case. Specifically,
21 the Company agreed to incorporate nine specific changes
22 to the plan that it filed in 04-133 in this case.

23 Q. Just sort of keying in on a few points. First of all,
24 was Mr. McCluskey, who is the Staff witness in this

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[Witness panel: Silvestrini|Arangio|Poe]

1 case, was he a participant in that case?

2 A. (Silvestrini) He was not.

3 Q. Okay. Who reviewed the IRP filing for the Commission
4 Staff in that proceeding?

5 A. (Silvestrini) It was Mr. Frink, Mr. Wyatt, and they had
6 hired an outside consultant, Liberty Consulting, to
7 help them with the review.

8 Q. Okay. And, how would you characterize the vigor of
9 that litigation, if I can put it that way?

10 A. (Silvestrini) It was contentious, is the term I would
11 use. There were points at issue that were subject of a
12 lot of contentious discussion. And, the Settlement was
13 the result of the parties agreeing to put that -- those
14 contentious issues aside and move forward.

15 Q. And, what was the Company's goal in this IRP filing,
16 vis-à-vis the Settlement and order in that prior
17 proceeding?

18 A. (Silvestrini) It was to comply with the Settlement
19 Agreement and the order, and to make the changes that
20 were agreed upon as part of that Settlement.

21 Q. And, assuming that the Settlement -- that the IRP that
22 was filed in this case does comply with that prior
23 Settlement and order, does the Company -- just
24 summarize your testimony regarding the Company's view

[Witness panel: Silvestrini|Arangio|Poe]

1 on how it would perceive the value of settlement, if
2 that Settlement were not followed in this proceeding?

3 A. (Silvestrini) Well, as I said, during the course of
4 that proceeding, there were a lot of issues that were
5 being contested. And, both parties made a lot of
6 compromises to reach the settlement in that case. And,
7 we outlined what those points were specifically in the
8 Settlement Agreement, that was reviewed in the hearing
9 and in the order by the Commission. And, from the
10 Company's standpoint, other than the issues that were
11 identified for settlement, the balance of the filing
12 that was made in that prior case was satisfactory to
13 the parties. So, in filing this current IRP, the
14 Company was operating on the assumption that that
15 Settlement Agreement was what was binding, and we
16 complied with that, on the assumption that the
17 requirements that were in that Settlement Agreement
18 would still hold, and that would be the standard of
19 review for this IRP.

20 Q. Mr. Poe, in your testimony, you discussed briefly the
21 Staff's position regarding taking electric IRP
22 standards and applying them to a gas LDC. Could you
23 summarize your concerns regarding that?

24 A. (Poe) Staff's position is that the standards for

[Witness panel: Silvestrini|Arangio|Poe]

1 electric utilities in their filing of IRPs should apply
2 to KeySpan, which -- or, National Grid, which is a gas
3 utility. And, again, that's not what was contemplated
4 in Exhibit 3, the Settlement Agreement. And, in
5 addition, there's no indication that that's what the
6 Legislature had intended.

7 Based on my general understanding of IRP
8 filings within the United States, something like what
9 is envisioned by Staff, the Puget Sound Energy style
10 IRP filing, and Puget Sound Energy is a combined
11 gas/electric utility in Washington state. That form of
12 filing is very uncommon. What it would require is data
13 that, in the gas utility, is very hard to come by or
14 else is not present. Because, when you're forecasting
15 new resource options into the future, we don't have the
16 market intelligence. It's just not available to be
17 able to do this kind of forecasting long range. Most
18 realistic supply options, you discover them when you
19 get close in the decision point, you'll start to find
20 out the information that you need then. The IRP
21 process is based on what's been approved in
22 Massachusetts, and it's what was contemplated in the
23 Settlement for DG 03-160.

24 Q. Is there some difference that exists between the lead

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[Witness panel: Silvestrini|Arangio|Poe]

1 time or knowledge about resource options in the
2 marketplace between electric and gas utilities?

3 A. (Poe) Yes, that's what I was saying. Especially for
4 the electric utilities that own their own generation,
5 they should be responsible for knowing fairly well what
6 the cost of different facilities would be. Whereas, in
7 gas utilities, we aren't responsible for the generation
8 part of it, which would be the development of natural
9 gas. We're responsible for the transmission of it.
10 And, those projects are done by third parties. And,
11 typically, as I said earlier, the costs that would
12 represent the actual facilities wouldn't be known until
13 you get close to the point of making a decision, when
14 you actually get good market intelligence from the
15 vendors.

16 Q. In your testimony, at Pages 11 and 12, you give a
17 specific example of how, if you looked at -- simply
18 looked at your model and looked at what the need the
19 model showed and look for hypothetical options, how
20 that would lead you to an incorrect result. Could you
21 just summarize that for the Commission.

22 A. (Poe) Well, currently, the way that we apply the IRP
23 filing is to look for the incremental resources that
24 the Company will need, to give an indication of the

[Witness panel: Silvestrini|Arangio|Poe]

1 timing of them. And, the methodology of modeling looks
2 at simply utilizing, to the maximum extent, the
3 existing portfolio, and then finding any incremental
4 needs. But, when you get to the point of making a
5 decision, you have to look at the actual resources that
6 are available to fill the need. And, there may be some
7 that will provide greater resource incrementally or
8 else to replace existing resources in a lower cost
9 fashion. And, so, it's not until you get to the
10 decision point where you'll be actually looking at
11 concrete information, instead of making hypothetical
12 guesses.

13 Q. Now, how does the IRP that the Company filed in this
14 proceeding compare to IRPs that the Company's
15 affiliates file in other jurisdictions?

16 A. (Arangio) Sure.

17 Q. The question is, how does, and I thought it was Mr. Poe
18 who answered this in the testimony, but either of you
19 can respond, the testimony talks about how the IRP
20 filed in this case compares to what the Company files
21 in other jurisdictions? And, I'd just like you to
22 summarize that for the Commission.

23 A. (Arangio) Sure. The IRP that we filed in Massachusetts
24 is nearly identical to the filing that we've made here

[Witness panel: Silvestrini|Arangio|Poe]

1 in New Hampshire. In New York, we're not required to
2 file an IRP or long range forecast and supply plan.
3 Instead, we go in each year, prior to the start of the
4 winter season, with a much more comprehensive overview
5 of what our plans are for the winter and for the
6 following year, and provide some indication of what
7 we're doing long term. But it's not technically a
8 filing that we're required to make by law. And,
9 lastly, in the State of Rhode Island, we do also make a
10 long range forecast and supply plan that's very similar
11 to the plan we file here in New Hampshire.

12 Q. So, in none of those states do you make a filing of the
13 nature that the Staff is suggesting here?

14 A. (Arangio) No, we don't.

15 Q. Okay. Mr. Poe, Mr. McCluskey's testimony criticizes
16 the way in which you selected the design planning
17 standard. Maybe you could just very briefly explain
18 what the design planning standard is conceptually, and
19 then respond to his criticism.

20 A. (Poe) As part of the IRP, the Company seeks in its
21 process to know when it's going to need capacity to add
22 to its portfolio. And, there are two forms of capacity
23 that we have to be concerned about. It's the daily
24 throughput capacity, which is represented by the design

[Witness panel: Silvestrini|Arangio|Poe]

1 day. How much flow of gas should we have in one 24
2 hour period. Then, there's also the design year
3 standard, which we also have to establish, which says
4 that, not only do you have that flowing capacity, but
5 you also have supplies either under contract or in the
6 storage, so that you can endure a design year cold
7 enough weather, which we define through our analysis,
8 to be able to make it through that entire winter with
9 the gas that we have on order. So, --

10 Q. So, if you --

11 A. (Poe) So, the two standards then, from the planning
12 part, are the design day and the design year.

13 Q. Okay. And, Mr. McCluskey criticized how your analysis
14 for determining those design planning standards, and in
15 your testimony you address that. Could you just
16 summarize your response to him, as to why you believe
17 that what the Company did is correct and why what Mr.
18 McCluskey did is not correct?

19 A. (Poe) Well, very simply put, Staff's position
20 apparently is that the Company should just simply
21 choose a probability of occurrence, without any
22 evidence, just simply choose one that feels
23 comfortable; 1 in 33 or 1 in 40 probability of
24 occurrence. The Company has gone an extra step in

[Witness panel: Silvestrini|Arangio|Poe]

1 doing its design standards in that it does a
2 cost/benefit analysis. It looks at the incremental
3 cost to the consumer of holding the capacity, either
4 the throughput capacity or else this storage capacity,
5 and looks at how much you're asking the consumer to
6 pay, versus what the benefit is of avoiding the
7 alternatives, which would be freeze-ups, economic
8 losses to businesses, things like that. And, so, we
9 feel that we've done a reasonable job of evaluating the
10 range at which the Company should be choosing its
11 standards, based on what the alternative would be of
12 having something occur to our customers.

13 A gas utility, unlike an electric
14 utility, can't avoid a brownout -- or, can't afford a
15 brownout or a blackout, we have to make sure that the
16 gas is flowing. And, so, we have to be responsible for
17 choosing sufficient capacity.

18 Q. One of the things he criticizes you about is he says
19 you didn't use just a statistical analysis, you also
20 used a financial analysis. Can you explain why you
21 used a financial analysis?

22 A. (Poe) Well, the financial analysis would be the
23 cost/benefit study. And, it helps the Company validate
24 what it feels would be an appropriate level of

[Witness panel: Silvestrini|Arangio|Poe]

1 planning.

2 Q. And, did the Company utilize a Monte Carlo analysis as
3 was required in the Settlement Agreement?

4 A. (Poe) Absolutely. I don't have it before me -- oh,
5 pardon me. In Exhibit 3, the Settlement Agreement, it
6 said that, "For purposes of establishing design
7 planning standards, the Company will utilize a Monte
8 Carlo weather forecasting analysis", which the Company
9 did do.

10 Q. What is the design day planning standard that Mr.
11 McCluskey is recommending?

12 A. (Poe) Mr. McCluskey has said that he would like to have
13 the planning standard at 79 EDD, effective degree days.

14 Q. And, what is the standard that the Company is
15 recommending?

16 A. (Poe) The Company's standard is 80 EDD.

17 Q. Has the Company ever experienced an 80 EDD day?

18 A. (Poe) Yes, it did. On January 15th of 2004, that gas
19 day ended at an 80 effective. And, that's part of what
20 has guided the Company in deciding on what its standard
21 would be.

22 Q. Mr. Silvestrini, another area of criticism by the Staff
23 was the way in which the Company incorporated
24 demand-side management programs into the IRP. Would

[Witness panel: Silvestrini|Arangio|Poe]

1 you briefly summarize why the Company did what it did,
2 and it's view of Mr. McCluskey's testimony, its view of
3 his criticism?

4 A. (Silvestrini) Yes. The term "IRP" or "Integrated
5 Resource Plan" implies that you're going to factor in
6 demand-side management as part of your plan. And, the
7 Company did do that in accordance with the 2004
8 settlement. That settlement did not recommend any
9 changes to the way it handled DSM. And, the way we did
10 that was by looking at the incremental DSM that the
11 Company would expect to see from its energy efficiency
12 programs. If you think about the econometric models
13 that were used to develop the demand forecast, there is
14 some level of conservation that's built into that
15 through changing technology and more efficient
16 equipment that normally happens in the operation of the
17 markets. And, there is also some price response, so
18 that, as gas prices go up, you would expect consumption
19 to decline. That piece is captured in the econometric
20 model and the demand forecast that comes out of that.
21 What we are attempting to do is, is factor in the
22 impact of the Company-sponsored energy efficiency
23 programs, which are outside of the normal operation of
24 the markets. And, in fact, they're termed "market

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1 transformation programs", meaning that the market is
2 not sufficiently established to incorporate these
3 measures. So, what we do is, once we get the output of
4 the demand models, we then reduce that demand by the
5 amount of the energy efficiency programs. And, in that
6 way, we factor the effective DSM, both naturally
7 occurring and Company-promoted, in our forecasts. And,
8 that gets translated to our resource plan, because, as
9 you lower the demand, then you reduce the need for
10 supplies to meet that demand, and that gets factored
11 into Mr. Poe's sendout analysis and portfolio analysis.

12 Q. And, is that what was done in the prior IRP that was
13 reviewed by Liberty and that was the subject of the
14 Settlement?

15 A. (Silvestrini) It was precisely how it was done in the
16 prior IRP.

17 Q. And, is there some reason that the Company believes
18 that it's inappropriate to, beyond reducing the load
19 forecast to reflect DSM, to do what Mr. McCluskey
20 suggests, which is to analyze the potential for new DSM
21 programs on a par with supply resources?

22 A. (Silvestrini) Yes. The measures that are installed for
23 DSM in gas have a lower level of reliability than what
24 we're looking at on a supply side. For example, if we

[Witness panel: Silvestrini|Arangio|Poe]

1 go out and we contract with a third party for gas
2 supply or capacity into the region, we know what that's
3 going to cost and we know what the amount of that
4 capacity is going to be. When you implement DSM
5 programs, you're somewhat at the mercy of the markets
6 for how effective the implementation of those programs
7 are going to be. And, you also have the potential for
8 customers to, on their own, behaviorally override the
9 impact of those DSM measures. So, from a reliability
10 standpoint, as a gas planner, it's difficult to rely on
11 the DSM measures the same way you would a supply
12 contract or a capacity contract.

13 Q. Ms. Arangio, your testimony addresses what the planning
14 horizon should be, and Mr. McCluskey's suggestion that
15 specific supply resources should be analyzed, even if
16 only on a hypothetical basis in the IRP. Would you
17 respond to his position on those items?

18 A. (Arangio) Certainly. What the Company proposes and
19 filed in its IRP is a five year planning process. And,
20 quite frankly, anything beyond five years, the
21 assumptions that you make in all of the hypotheticals
22 surrounding any assumptions, for example, load growth,
23 economic forecasts, even the life cycle of projects, it
24 just gets to be to the point where you can't rely on

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1 that, it's just too -- the assumptions are too great.
2 And, the uncertainty around those makes planning beyond
3 the five year horizon, it doesn't make sense, it would
4 require, if we are looking at what Mr. McCluskey has
5 proposed, and to continuously evaluate kind of
6 theoretical and hypothetical projects that we may or
7 may not add to the portfolio ten years out, eight years
8 out, beyond the five year period, that would take,
9 obviously, time and resources, but, yet, it wouldn't
10 add any value to the process. It's such that you would
11 be continuously looking at projects that may or may not
12 come to fruition at the time that you actually need to
13 make the resource decision.

14 And, I won't go into detail, because
15 it's filed in my testimony. But, on Pages, let's see,
16 on Page 24 and 25 of my direct testimony provides a
17 very specific example of a project, the Bear Head LNG
18 project, that, actually, based on when we made our
19 first IRP filing, and then this IRP filing, based on
20 the proposals of Mr. McCluskey, you can see the
21 validity of actually looking at that project and
22 throughout the life cycles of these two IRPs, or the
23 life cycle of that project, it actually came on board,
24 they started some construction, and then the project

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1 went away and they took a million -- a couple hundred
2 million dollar write-off. So, at the time the Company
3 needs to make the decision as to what resource to add
4 to the portfolio, it certainly does the analysis that
5 Mr. McCluskey is looking for. What's the analysis of
6 true cost estimates that we would get from the third
7 parties or from our own internal folks when we actually
8 look at the resource selections that we'd be making.

9 Q. And, then, finally, what is the Company's position
10 regarding the frequency of filing an IRP with the
11 Commission and when the next filing should be for
12 KeySpan?

13 A. (Arangio) The Company feels that it's appropriate to
14 file an IRP every two years following the approval of
15 the prior IRP filing. And, the timing of such, we have
16 found that August generally is a good time to make a
17 filing, because you need the data coming out of the
18 prior winter period, which technically ends in April,
19 and then you have enough time to amass the data and do
20 all the work that needs to be put into the IRP filing
21 itself.

22 MR. CAMERINO: Thank you.

23 WITNESS ARANGIO: You're welcome.

24 CHAIRMAN GETZ: Ms. Hatfield.

[Witness panel: Silvestrini|Arangio|Poe]

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

2 Good morning.

3 WITNESS SILVESTRINI: Good morning.

4 WITNESS ARANGIO: Good morning.

5 CROSS-EXAMINATION

6 BY MS. HATFIELD:

7 Q. I have a few questions about the Settlement Agreement
8 from the 2004 docket that's been marked as "Exhibit 3".
9 And, I will direct my questions to Mr. Silvestrini,
10 but, if the other two witnesses are better responders,
11 feel free to do so. And, I'd like to direct your
12 attention to the bottom of Page 2, which is where
13 Paragraph 6 begins. And, the beginning of that section
14 states that -- it's a description of what the IRP will
15 include. And, I just wanted to walk through several of
16 those and ask you whether you believe that those items
17 have been addressed in the IRP that we are currently
18 considering. And, the first item, which goes onto the
19 next page, which is Page 3, states that this section of
20 the IRP "will identify the available and potentially
21 available supply resources and their respective costs".
22 And, I'm wondering, does the Company believe that has
23 been done and, if so, can you briefly describe how?
24 A. (Arangio) I'll address that issue first. The Company

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1 believes that the IRP that is filed describes the
2 process that the Company employs when making decisions
3 and with respect to long term planning and the capacity
4 additions, and what we look at when employing that
5 process. We did provide, and I can go back to specific
6 pages, if we get a minute, if we want to do that, the
7 overview of what we look at, and we provide all of the
8 resources in the portfolio, identify the timing of
9 those resources, the expiration of those resources, and
10 the expectations that we have with those resources
11 going forward.

12 Q. The next sentence states "the section will discuss the
13 opportunities for utilizing these available resources,
14 either as replacements for expiring contracts or
15 meeting load growth". Can you discuss where and how
16 the Company does that in this IRP?

17 A. (Arangio) Sure. I'm just going to take a second to go
18 through the IRP. In Section IV describes the design of
19 the resource portfolio. So, throughout Section IV, we
20 talk about what we have in the portfolio, again, the
21 terminations, and what we would be looking at when
22 those contracts do come up for termination and/or
23 renewal.

24 Q. And, the next item is that the IRP will "describe the

[Witness panel: Silvestrini|Arangio|Poe]

1 portfolio optimization model". Can you direct me to
2 where that is covered?

3 A. (Arangio) Yes. The "optimization portfolio model" is
4 the SENDOUT model that we refer to throughout the IRP.

5 Q. And, next, it states that the IRP will "identify the
6 mix and timing of resource additions and subtractions
7 that are expected to minimize costs over the long-term
8 under a given set of price and demand forecasts".

9 A. (Poe) Those would be all of the tables that I presented
10 for all of the results of the SENDOUT model, which
11 shows the utilization of the existing portfolio, plus
12 the incremental needs that the Company's portfolio
13 would have over time.

14 A. (Silvestrini) I might also add that, when we do a
15 demand forecast, we do a baseline forecast. And, to
16 test sensitivity, we do a high demand and a low demand
17 forecast, and we test the portfolio under those range
18 of demands as well.

19 Q. Thank you. Next, it states that the section will
20 "address the role of its peaking plants in its overall
21 portfolio"?

22 A. (Arangio) Yes. And, in part of Section IV, as a design
23 of the resource portfolio, discusses our on-system
24 peaking facilities and how they are utilized within the

[Witness panel: Silvestrini|Arangio|Poe]

1 portfolio, and with respect to sendout.

2 Q. And, finally, the section is to "identify supply
3 resources that are unlikely to be available to the
4 Company because of its particular circumstances"?

5 A. (Arangio) Again, that's part of the Section IV, the
6 design of the resource portfolio. And, we do have a
7 section, a subsection within that section, of
8 contingency planning, where we do discuss the scenario
9 of certain or particular resources within the portfolio
10 not being available to the Company at a particular
11 time, and the plans for what the Company would do in
12 the event of that occurrence.

13 Q. Thank you. Mr. Silvestrini, I wanted to follow up on
14 some discussion in your earlier testimony about the
15 consideration of demand-side or energy efficiency
16 resources in the IRP. And, in your testimony, on Page
17 14, going over onto Page 15, you state that "there is
18 no need for a separate assessment of demand-side
19 resources in the IRP because a full assessment was
20 previously made in the Company's gas energy efficiency
21 proceeding", and you referenced "Docket DG 06-032". Do
22 you remember that testimony?

23 A. (Silvestrini) You're talking about my written
24 testimony?

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- 1 Q. Yes.
- 2 A. (Silvestrini) "Page 14", did you say?
- 3 Q. Yes. Going onto Page 15.
- 4 A. (Silvestrini) Okay, I have it. What's the question
- 5 please?
- 6 Q. Well, I think this morning you testified that what the
- 7 Company does is you consider the demand-side programs
- 8 or energy efficiency programs that the Company has
- 9 proposed and has received approval for in the energy
- 10 efficiency docket. And, you incorporate the potential
- 11 savings from those programs into the IRP, is that
- 12 correct?
- 13 A. (Silvestrini) Yes, we factor it in as a reduction in
- 14 our demand forecast.
- 15 Q. And, in doing so, are you assuming that your budget for
- 16 efficiency is fully spent and that you meet the
- 17 cost-effectiveness test that --
- 18 A. (Silvestrini) Yes. Yes, we are.
- 19 Q. And, so, in considering demand-side or efficiency
- 20 resources, is it fair to say you don't go beyond those
- 21 efficiency programs as they have already been proposed
- 22 in that separate docket?
- 23 A. (Silvestrini) No, we do not.
- 24 Q. So, you don't look at how the Company could meet future

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[Witness panel: Silvestrini|Arangio|Poe]

1 demand through demand-side resources, other than
2 through those ratepayer-funded programs?

3 A. (Silvestrini) No, we don't, because the levels of
4 spending and the levels of savings and the specific
5 measures that are included in those programs have been
6 fully vetted in other proceedings. So, we rely on the
7 known data that comes out of those proceedings to
8 incorporate in our forecast.

9 Q. And, in that other proceeding, are you aware of how
10 those budgets and plans are developed? Does the
11 Company look at the budget that's available or does the
12 Company look at all of the potentially achievable
13 energy efficiency?

14 A. (Silvestrini) I am not familiar enough with the details
15 of the proceeding.

16 Q. I wanted to turn your attention to the testimony of Mr.
17 McCluskey, which was filed on February 7th of 2007.

18 MS. HATFIELD: And, Mr. Chairman, while
19 this testimony has been filed in this docket, it has not
20 yet been marked for identification?

21 CHAIRMAN GETZ: Okay. I guess we'll get
22 to that when we see what order Mr. Damon has in mind.

23 BY MS. HATFIELD:

24 Q. If you turn to Page 13 of Mr. McCluskey's testimony, he

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1 discusses several recommendations that Staff would have
2 for the Company to use in its next IRP. And, I wanted
3 to ask you about each of those recommendations,
4 understanding that they are recommendations for the
5 Company's next IRP, but that that's an issue that's
6 pertinent in this docket as well. And, on Page 13,
7 starting at Line 14, Mr. McCluskey makes a
8 recommendation for the calculation of the design day
9 standard in the next IRP. And, I think there was some
10 testimony previously about this. So, my question is,
11 is KeySpan willing to follow Staff's recommendation or
12 not?

13 A. (Silvestrini) You're speaking specifically about the
14 recommendation to establish the design day standard at
15 79 EDD?

16 Q. Yes.

17 A. (Silvestrini) Is that correct? Given that the Company
18 has gone through its cost/benefit analysis, and
19 determined the range that we should be considering for
20 a design day, and given that we have already observed
21 an 80 effective just four winters ago, on January 15th
22 of 2004, the Company would want to keep its 80
23 effective design day, unless there was a Commission
24 order directing it to do so.

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- 1 Q. Thank you. On Page 15 in his testimony, beginning on
2 Line 18, Mr. McCluskey makes a recommendation for the
3 assessment of demand-side resources in the next IRP.
4 And, he recommends that the Company "identify and
5 describe all reasonably available demand-side programs
6 and present estimates of the associated lifetime
7 savings and related implementation costs". Is the
8 Company willing to consider that in the next IRP?
- 9 A. (Silvestrini) The simple answer is "no", because it's
10 the Company's opinion that, similar to what Ms. Arangio
11 described, is the hypothetical nature of identifying
12 and evaluating projects that are speculative of nature,
13 this would fall under that similar category. It might
14 be an interesting exercise to do, but I don't think it
15 would add to the planning process. And, it would
16 require a lot of work and a lot of resources to conduct
17 the exercise, for a very low value.
- 18 Q. So, is it the Company's position that the process that
19 you go through in your efficiency programs is
20 sufficient and that it's not worthwhile to consider
21 additional demand-side resources in your planning
22 process?
- 23 A. (Silvestrini) That's correct.
- 24 Q. Turning to Page 23, beginning at Line 6, Mr. McCluskey

[Witness panel: Silvestrini|Arangio|Poe]

1 recommends that KeySpan include "a complete description
2 of the analytical process used to evaluate available
3 supply-side resources" in its next IRP, and he then
4 goes on to recommend what the process should include in
5 the following lines on that page, onto Page 24. Is
6 KeySpan willing to follow these recommendations?

7 A. (Arangio) At this time, again, based on what I have
8 said previously, and what Mr. Silvestrini just said,
9 this goes back to, if I understand the question
10 correctly, that it will be, again, another hypothetical
11 exercise of looking at capacity or projects that may or
12 may not exist at the time that the Company needs to
13 make its decision out into the future. So, again,
14 albeit an exercise that we would take a look at it, it
15 would not be relevant -- it may not be relevant at the
16 time we make a decision. We would go through the
17 process at the time we're going to make the decision
18 under the process that we laid out in the IRP. But to
19 do that for merely to understand how a project may or
20 may not be added to the portfolio, before we have to
21 make a decision, the Company would not engage in that
22 exercise, no.

23 Q. And, then, turning to Page 28, this is again related to
24 the integration of demand-side resources. Lines 3

[Witness panel: Silvestrini|Arangio|Poe]

- 1 through 6, Mr. McCluskey recommends that KeySpan
2 include in its next IRP "a description of the process
3 it uses to determine the optimal mix of demand-side and
4 supply-side resources". Is KeySpan willing to change
5 its current process or explore other ways to more fully
6 include demand-side resources?
- 7 A. (Silvestrini) Yes, I would argue that the plan the way
8 we presented it did just that.
- 9 Q. So, is your answer then that you aren't willing to
10 accept Mr. McCluskey's recommendation to do additional
11 work on demand-side resources?
- 12 A. (Silvestrini) To the extent he's recommending a change
13 to our current process, no.
- 14 Q. I just had one additional question, turning back to the
15 Settlement Agreement, which has been marked as Exhibit
16 3. And, in Paragraph 5, there's a discussion of the
17 IRP including a detailed contingency plan addressing
18 certain issues. And, the last sentence in Paragraph 5
19 says "Among other things, the contingency plan shall
20 address the following:" And, my question is, given the
21 language of "among other things", are there things
22 other than these three things that the contingency plan
23 addresses in this IRP?
- 24 A. (Arangio) The contingency plan filed in this IRP

[Witness panel: Silvestrini|Arangio|Poe]

1 addresses these three specific issues. Contingency
2 planning could -- actually, you could look at an
3 infinite number of situations that could occur. So,
4 the Company limited it to these three scenarios, simply
5 just to explain the process and what the Company would
6 do in the event of a supply disruption or one of the
7 three events that we listed below. That's not to say
8 that these would be the only events that we would plan
9 to address. These are just three specific items that
10 we included in the IRP that we filed.

11 Q. And, would you agree that one issue that is not being
12 discussed in this docket is a decision on the
13 appropriateness or cost-effectiveness of KeySpan's
14 proposed acquisition of incremental pipeline capacity
15 from Tennessee Gas Pipeline, and that that is being
16 investigated in another docket?

17 A. (Arangio) The IRP that we filed today discusses the
18 planning process that we go through when looking at
19 adding an incremental resource to the portfolio, such
20 as the Tennessee project that I think you're referring
21 to in DG 07-101, I think is the docket. So, it
22 discusses the process. It doesn't discuss the details
23 and the costs associated with that specific process in
24 this IRP planning document, because that's not the

[Witness panel: Silvestrini|Arangio|Poe]

1 intention of this document.

2 Q. And, in your view, if this docket -- if the Commission
3 issues an order in this docket, would that impact the
4 07-101, the pending Concord Lateral docket?

5 A. (Arangio) I guess I would say it depends on the order
6 they issued.

7 MR. CAMERINO: Maybe I could address
8 that, because I think I understand Ms. Hatfield's concern.
9 The Company would stipulate that the Commission's
10 consideration of the Concord Lateral is separate and apart
11 from the IRP. Obviously, the Company is showing its
12 actual resource selection in that case, but, if the
13 Commission issues an order, for example approving this IRP
14 filing, that would not implicitly approve the other
15 filing. That stands on its own.

16 MS. HATFIELD: Thank you. That
17 completes our questions.

18 CHAIRMAN GETZ: Thank you. Mr. Damon.

19 MR. DAMON: Thank you very much.

20 BY MR. DAMON:

21 Q. Mr. Silvestrini, you described the docket DG 04-133 as
22 a "contentious proceeding". That particular docket was
23 joined with another docket, and I believe that docket
24 was DG 04-175. And, would you just tell us what the

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1 central issue in the 04-175 docket was?

2 A. (Silvestrini) I'm trying to remember what specifically
3 that case was. Was that the cost of gas deferral case?
4 Where the Company was looking for approval of deferred
5 gas costs.

6 Q. And, what was at stake in that docket?

7 A. (Silvestrini) Well, I think the Staff was looking to
8 disallow the recovery of either all or some of those
9 deferrals.

10 Q. And, can you give us an idea of the magnitude of the
11 possible disallowances in that docket?

12 A. (Silvestrini) If my memory serves me, I don't have any
13 documentation in front of me, I think it was on the
14 order of \$4 million.

15 Q. So, it was that docket which actually added a good deal
16 of the "contention" that you had described as existing
17 in the combined docket, correct?

18 A. (Silvestrini) Yes, it was. And, if you look at the
19 history of the Company's IRP filings, it was part of
20 that contention, and I believe it was the Company's
21 recommendation that we file IRPs, so that the Staff
22 would have a better idea of what the Company's planning
23 process was, and what were the factors that the Company
24 considered when it developed its supply plans and its

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1 demand forecasts, and would have a better understanding
2 of the work that goes into it and the underlying
3 factors. So that, when issues like this came up in a
4 cost of gas filing, there would be a better
5 understanding on both sides of what would be involved.
6 And, that was the genesis of the first IRP filing that
7 was made in 2004.

8 Q. Ms. Hatfield asked a series of questions regarding Mr.
9 McCluskey's recommendations for the next IRP, and there
10 are several of them that she asked about. And, the
11 Company has expressed a disinclination to follow those
12 recommendations in its next IRP. My question would be,
13 have the people at KeySpan discussed those positions
14 with the new management at National Grid?

15 A. (Silvestrini) I'm not sure what you mean by the "new
16 management". We are responsible for preparing these
17 plans and doing the resource assessment.

18 Q. Right. But --

19 A. (Silvestrini) We were under KeySpan and we are under
20 National Grid.

21 Q. Right. But there's a Mr. Gary Ahern, do you know him?

22 A. (Silvestrini) Yes.

23 Q. And, what his position?

24 A. (Silvestrini) He supports us. I represent him and the

[Witness panel: Silvestrini|Arangio|Poe]

1 Company in my responsibility here today.

2 A. (Arangio) And, I think I could add, too, Ed, I report
3 up through Senior Vice President Richard Rapp. And, he
4 is in support of the filing we make and the decisions
5 that were made here and put forth today.

6 Q. The Staff has met with Mr. Ahern as well, and he has
7 indicated that the Company is interested in pursuing --

8 MR. CAMERINO: Objection. I don't know
9 what discussion Mr. Damon is about to refer to, but it is
10 not from a witness in this proceeding. These are the
11 Company's representatives. They have indicated that they
12 have spoken with their superiors, and they are authorized
13 to present the Company's position. And, I don't think
14 it's appropriate to start making reference to private
15 conversations. If Mr. Ahern wanted to give these
16 witnesses a different directive, he would have done that.

17 CHAIRMAN GETZ: Response, Mr. Damon?

18 MR. DAMON: Well, let me ask another
19 question.

20 BY MR. DAMON:

21 Q. I mean, did Mr. Ahern ever tell you about his
22 conversations with the Staff of the Commission here, in
23 respect to the upcoming base rate filing that
24 EnergyNorth is going to be filing?

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1 A. (Arangio) I can answer "no". I have not discussed that
2 with Mr. Ahern.

3 A. (Silvestrini) Did he ever? On certain matters, yes.

4 Q. Well, and did he discuss -- did he discuss with you
5 what he had told Staff regarding National Grid's plans
6 for maximization of energy efficiency programs?

7 A. (Silvestrini) No, he didn't. He did not.

8 Q. Mr. McCluskey, in his testimony, refers to a document
9 entitled the NARUC "Primer on Gas Integrated Resource
10 Planning". And, I'm not going to seek to introduce the
11 entire document, but there is a statement in there, and
12 I ask whether the Company witnesses would agree with
13 it. And, the statement is that "The fundamental
14 objective of integrated resource planning is to ensure
15 that utilities assess a comprehensive set of supply-
16 and demand-side options based on consistent planning
17 assumptions, in order to create a resource mix that
18 reliably satisfies customers' short-term and long-term
19 energy service needs at the lowest total cost."

20 MR. CAMERINO: Can we get a reference as
21 to where Mr. Damon is speaking from?

22 MR. DAMON: It's Page 25.

23 CHAIRMAN GETZ: This is Page 25 of?

24 MR. DAMON: The NARUC Primer. That's

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1 not an exhibit.

2 CHAIRMAN GETZ: There was a reference to
3 the Primer in the testimony of Mr. McCluskey, though.

4 MR. DAMON: Yes, there was.

5 CHAIRMAN GETZ: But not this actual
6 statement?

7 MR. DAMON: Right. If you'd like, maybe
8 your counsel could show you that sentence, if it --

9 WITNESS SILVESTRINI: We don't have a
10 copy.

11 MR. CAMERINO: Yes, the problem is, you
12 have given him a sentence in isolation. So, they might as
13 well just answer the question as you presented it.
14 They're not going to have time to read the portions before
15 and after.

16 MR. DAMON: Would you like me to read it
17 again?

18 WITNESS SILVESTRINI: I think I would.

19 WITNESS ARANGIO: Yes, please.

20 BY MR. DAMON:

21 Q. Okay. It states that "The fundamental objective of
22 integrated resource planning is to ensure that
23 utilities assess a comprehensive set of supply- and
24 demand-side options based on consistent planning

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- 1 assumptions, in order to create a resource mix that
2 reliably satisfies customers' short-term and long-term
3 energy service needs at the lowest total cost."
- 4 A. (Silvestrini) You're asking if I agree with that
5 statement?
- 6 Q. Yes.
- 7 A. (Silvestrini) Yes, I do.
- 8 Q. Okay. And, on Page 32 of the Primer, there's another
9 statement that says that "In thinking about gas
10 integrated resource planning, it is important to
11 remember that fundamentally integrated resource
12 planning is not an end in itself, but a process
13 designed to improve resource decision-making." Would
14 you agree with that statement?
- 15 A. (Silvestrini) I would agree with that as well.
- 16 Q. Okay. And, Mr. Silvestrini, in your direct testimony,
17 I believe, or in response to Ms. Hatfield's questions,
18 you also indicated that the integrated resource plan
19 for the Company has a value in terms of communication
20 of certain information regarding the supply resources
21 that the Company has and the future conditions
22 regarding that supply, those supply resources. And,
23 that comes, in part at least, from DG 03-160, correct?
- 24 A. (Silvestrini) That was the underlying purpose for us

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[Witness panel: Silvestrini|Arangio|Poe]

1 filing IRPs, and the Company believes it does do that,
2 yes.

3 Q. Okay. As I understand it from your direct testimony,
4 the Company believes that, if the Integrated Resource
5 Plan at issue in this docket were presented to the
6 regulators in Massachusetts as the IRP of a
7 Massachusetts gas utility, that it would be found to
8 pass muster in Massachusetts?

9 A. (Silvestrini) I believe it would, although there are
10 some differences between this filing and the one that
11 we do make in Massachusetts. But I believe that those
12 differences would be acceptable to the Massachusetts
13 Energy Facilities Siting Board that reviews the IRP
14 filing.

15 Q. Could you, just for my benefit, describe what those
16 differences are?

17 A. (Silvestrini) One that, off the top of my head is, in
18 Massachusetts, to develop the demand forecast, we use
19 an end-use model, and, in New Hampshire, we use an
20 econometric model. That was also one of the -- one of
21 the terms of the Settlement Agreement, that the Company
22 would develop and utilize an econometric model. There
23 may be others, but, off the top of my head, I can't
24 think of.

[Witness panel: Silvestrini|Arangio|Poe]

- 1 Q. Mr. Poe, you indicated that you had conducted a review
2 of other states' integrated resource planning policies?
- 3 A. (Poe) Nothing comprehensive, but, yes, I have a general
4 understanding of what other states may require.
- 5 Q. Okay. So, you didn't review the IRP -- or, I'm going
6 to use "IRP" for short, but that means "integrated
7 resource planning" obviously, policies of all the
8 states?
- 9 A. (Poe) No. We did request counsel to make a survey. I
10 did do some due diligence in looking myself at what
11 other expectations are. The combination of the two,
12 from what I understand, is that the IRP document that's
13 being prescribed by Staff is not the customary filing
14 that states make.
- 15 Q. You referred to "Massachusetts" and "New York" in your
16 direct testimony. But, I think, in your prefiled
17 testimony, you also referred to the "Georgia" and
18 "Washington" state?
- 19 A. (Poe) Yes, sir.
- 20 Q. Yes. And, I take it from your testimony that at least
21 those two states have detailed IRP policies that are
22 applicable to a gas utility?
- 23 A. (Poe) Yes. To my recollection, yes, they do.
- 24 Q. And, in that respect, on Page 13 of your testimony you

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[Witness panel: Silvestrini|Arangio|Poe]

1 mention that those IRP -- those detailed IRP filing
2 requirements "appear to be required more of electric or
3 combination, i.e. electric or gas, utilities, where
4 self-build might be an option." What do you mean when
5 you use that term "self-build"?

6 A. (Poe) That would be the electric company having the
7 option of building its own generation capacity, as
8 opposed to simply being a distributor of electricity.

9 Q. And, what would "self-build" mean in the case of a gas
10 utility?

11 A. (Poe) Well, since generation is the creation of the
12 product, that would effectively be an LDC, such as
13 National Grid, developing its own competitive product
14 to the open market, such as developing -- purchasing
15 its own land rights, drilling its own wells, and
16 producing the gas, potentially not even using the
17 interstate transmission system to get it there.

18 Q. Are there many utilities like that north of the Deep
19 South?

20 A. (Poe) Because of the unique geology of New England, no,
21 there wouldn't be. There may be other locations where
22 it would potentially be possible. One of them is Puget
23 Sound, where they have developed and control something
24 on the order of 40 Bcf of underground storage.

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[Witness panel: Silvestrini|Arangio|Poe]

1 Although that's not generation, it's a significant
2 sized asset for its own use. And, just to give you an
3 order of magnitude, that's twice the amount of
4 underground storage that KeySpan New England has under
5 contract. It's a huge amount.

6 Q. Do the requirements -- Do the IRP requirements of those
7 two states, in other words Georgia and Washington,
8 apply only to companies that have self-built
9 generation, the way you've been describing it?

10 A. (Poe) I don't recall the specific requirements there.

11 Q. Did you review the IRP policies of the State of Oregon?

12 A. (Poe) No, I did not, sir.

13 Q. I'd like to show you a document now, and I'll give a
14 copy to your counsel. And, this has pages from Avista
15 Corporation's 2007 Natural Gas Integrated Resource
16 Plan", dated "December 31, 2007". And, which was filed
17 with the Commissions in Idaho, Washington and Oregon,
18 and which contains the Oregon Public Utility Commission
19 IRP standards and guidelines, with Avista's comments
20 regarding its compliance with the requirements. And, I
21 would ask you, once you have a chance to look at that,
22 would you agree subject to check that this document
23 lists the IRP policies of Oregon?

24 A. (Poe) Would you like me to take the time to sit and

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[Witness panel: Silvestrini|Arangio|Poe]

1 read the entire thing or would you like to point me to
2 a section?

3 MR. CAMERINO: Let me just ask that, I
4 don't think it's appropriate in this case to ask the
5 witness to take something "subject to check". He can
6 answer to the extent he knows, but I'm not sure what check
7 we would do after we leave here. So, I think the witness
8 should just answer with his own knowledge as it currently
9 is.

10 MR. DAMON: Well, those, the form of
11 those questions are asked often, and the Company would
12 have the ability, certainly, to check whether the list of
13 the requirements of Oregon's IRP filings applicable to gas
14 utilities is accurate.

15 CHAIRMAN GETZ: Well, I think,
16 typically, if you're accepting something subject to check,
17 it does kind of put some prospective burden to come back.
18 I think it's --

19 MR. DAMON: Well, I didn't -- if they
20 don't want to come back, if they want to just accept that
21 these are the IRP standards of Oregon, that's also fine
22 with me.

23 MR. CAMERINO: I don't have a problem
24 with giving it the weight it deserves. I just don't want

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1 to have to go back, as part of this question, and do legal
2 research as to what the regulations and laws are in Idaho.

3 CHAIRMAN GETZ: And, I think it's fair
4 for the witness to say that "it appears to be, I don't
5 know", but we can put the document into the -- you can
6 mark the document for identification and we can admit it
7 into evidence, and we'll give it the weight it's due.

8 MR. DAMON: Yes. That's fine.

9 CHAIRMAN GETZ: Okay.

10 MR. DAMON: And, I appreciate that.
11 Thank you. It would be Exhibit number?

12 MS. FILLION: Four.

13 MR. DAMON: Four.

14 CHAIRMAN GETZ: So, this then, Mr.
15 Damon, is the actual Integrated Resource Plan of a
16 specific utility filed in Oregon?

17 MR. DAMON: It's pages from it. It was
18 quite voluminous, and I didn't feel it was necessary to go
19 through the whole thing, but there were some pages that
20 related to the requirements that I thought would be useful
21 to the Commission.

22 CHAIRMAN GETZ: Okay. We'll mark it for
23 identification as "Exhibit Number 4".

24 (The document, as described, was

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1 herewith marked as Exhibit 4 for
2 identification.)

3 MR. DAMON: Yes, I mean the full
4 document is on Avista's website. And, I would also just
5 point out that, if you look at the second page of that
6 exhibit, it does list the other states which the Company
7 has filed its Integrated Resource Plan with, that is
8 Washington, Idaho, as well as Oregon.

9 MR. CAMERINO: So, is this -- I guess
10 I'm not clear. Is this being offered affirmatively as new
11 testimony from the Staff on IRP in other states or is
12 there a question for this witness?

13 MR. DAMON: This is offered
14 affirmatively, sure, to show what the integrated resource
15 policies of Oregon are. And, I think --

16 CHAIRMAN GETZ: I assume the line of
17 questioning was to the -- the extent of the witness's
18 familiarity with what other states do, that being an issue
19 that was, I guess, raised in their testimony of what other
20 states do. And, so, I -- there was some specific inquiry
21 with what Mr. Poe was familiar with in Oregon, and I took
22 it that he is not espousing any particular familiarity,
23 and this is a document that is offered as to what one
24 utility is doing with respect to IRPs in Oregon. Have I

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1 summarized where we are accurately?

2 (Atty. Damon nodding.)

3 CHAIRMAN GETZ: Any objections?

4 (No verbal response)

5 BY MR. DAMON:

6 Q. Mr. Poe, did you review the IRP requirements of Utah?

7 A. (Poe) One moment, sir. Referring to my portion of the
8 direct testimony on Page 13, no, Utah was not listed
9 among those states that I reviewed.

10 Q. Mr. Poe, I'm going to show you another document. And,
11 this is Order Number 22,116 from the Commission, and
12 it's dated 1996.

13 (Atty. Damon distributing documents.)

14 MR. DAMON: And, I'll just represent to
15 you that I got this off the website of the Westlaw. And,
16 what it is is an order involving EnergyNorth Natural Gas,
17 regarding the natural gas local distribution company's
18 1995 Least Cost Integrated Resource Plan. And, I'd like
19 to ask you some questions about that. So, I'd like to ask
20 that this be marked as an exhibit.

21 CHAIRMAN GETZ: Okay. We'll mark this
22 for identification as "Exhibit Number 5".

23 (The document, as described, was
24 herewith marked as Exhibit 5 for

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1 identification.)

2 BY MR. DAMON:

3 Q. Now, Mr. Poe, I'll give you a minute to just look at
4 that, but --

5 A. (Poe) Anytime you're ready.

6 Q. Okay. This recites a stipulation between the Company
7 and I believe Staff. And, what the stipulation did was
8 to close the LCIP docket on the condition that
9 EnergyNorth's 1997 and subsequent LCIPs meet agreements
10 in seven areas. And, one of the areas, the first one
11 is that "planning guidelines that follow" -- "that
12 closely follow those for electric utilities". Do you
13 see that?

14 A. (Poe) No. Where are you referring to, sir?

15 Q. Page 3, the fourth full paragraph down.

16 A. (Poe) That would be Item (1), under "C. Stipulation"?

17 Q. Yes.

18 A. (Poe) Yes.

19 Q. And, if you go down to Paragraph (4), it says "supply
20 side resources" are to be treated as an area, and that
21 includes a "description of each new supply-side
22 resource analyzed" and a "description of EnergyNorth's
23 supply procurement strategies and its view of the
24 proper balance of short and long term resources in its

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- 1 supply mix". Do you see that?
- 2 A. (Poe) Yes, I do.
- 3 Q. And, in Paragraph number (5), where it says "demand
4 side resources", and what that means is that the
5 "evaluation of demand side and supply side resources on
6 an equivalent basis" and the "definition of what
7 EnergyNorth considers the optimal level of demand side
8 resources and analysis if EnergyNorth concludes that
9 less than the optimal amount of demand side resources
10 would be in the public interest." Do you see that?
- 11 A. (Poe) Yes, I do.
- 12 Q. And, number (6) is "integration of supply side and
13 demand side resources, which would be submitted for the
14 purpose of assessing EnergyNorth's resource planning
15 process and which would identify those existing and
16 resources planned to meet the forecasted demand, year
17 by year, for the 10 year horizon." Do you see that?
- 18 A. (Poe) Yes, I do.
- 19 Q. And, it's true, isn't it, that the Commission approved
20 the stipulation that the Company entered into in that
21 docket?
- 22 A. (Poe) Yes, I see that.
- 23 Q. Mr. Poe, you've also discussed Public Service Company's
24 situation being the somewhat vertically integrated

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1 electric utility.

2 A. (Poe) Are you referring to Public Service of New
3 Hampshire?

4 Q. Uh-huh.

5 A. (Poe) Yes.

6 Q. You'd agree with me, wouldn't you, that PSNH has a
7 portfolio of power supplies to meet the demands of
8 customers that do not purchase from competitive
9 suppliers?

10 A. (Poe) I would believe so, but I'm not familiar with the
11 specifics of PSNH.

12 Q. Right. And, you would agree that PSNH is not permitted
13 to own any more generation than it already does under
14 existing law?

15 A. (Poe) I'm not aware of that, sir.

16 Q. Would you agree with me that PSNH does its supply
17 planning based in part on an estimation and analysis of
18 future costs?

19 A. (Poe) I will -- I would assume that. However, I have
20 no evidence one way or another. I'm not aware of that.

21 Q. And, EnergyNorth has a portfolio of gas supplies to
22 meet the demands of customers that don't purchase their
23 supplies from competitive suppliers, that's true?

24 A. (Poe) Correct.

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1 Q. So, in that respect, it's like PSNH?

2 A. (Poe) In that respect, yes.

3 Q. I'd like to go back and focus in a little bit more on a
4 topic that Ms. Hatfield brought up on
5 cross-examination, and that is with respect to these
6 items in the Settlement Agreement. And, I'm -- and the
7 Company's compliance with those requirements.

8 CHAIRMAN GETZ: Excuse me, Mr. Damon.
9 You're planning to go through a number of these items.
10 Just for planning purposes, we may need to take a brief
11 recess. So, do you have a considerable amount of more
12 cross at this point?

13 MR. DAMON: It's going to take awhile,
14 yes.

15 CHAIRMAN GETZ: Okay. Well, let's -- I
16 think we need to take 10 or 15 minutes now, and then we'll
17 resume, I guess for further planning, I'm just wondering
18 whether it makes sense to take a lunch break or to try and
19 work through. How much -- Do you have an estimate of how
20 much more cross you have?

21 MR. DAMON: I'm really bad at this, at
22 estimating that. I don't know. An hour.

23 CHAIRMAN GETZ: And, how much cross, do
24 you have any idea, Mr. Camerino, for Mr. McCluskey?

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1 MR. CAMERINO: I would guess about 45
2 minutes.

3 CHAIRMAN GETZ: Okay. I mean, do the
4 parties have a preference on trying to work through those
5 timeframes through lunch or to take a lunch break?

6 MR. CAMERINO: My assumption was that we
7 would not get done this morning, but it wouldn't go all
8 afternoon either.

9 CHAIRMAN GETZ: Okay.

10 MR. CAMERINO: Is that fair?

11 CHAIRMAN GETZ: Well, that doesn't
12 answer the question about lunch, but -- all right. Let's
13 just take -- why don't you think about it over the brief
14 recess, and we'll come back and pick up with the
15 cross-examination. Thank you.

16 (Recess taken at 11:31 a.m. and the
17 hearing resumed at 12:01 p.m.)

18 (Brief off-the-record discussion ensued
19 prior to resuming the hearing.)

20 CHAIRMAN GETZ: All right. Back on the
21 record with the examination of the Company panel by Mr.
22 Damon.

23 MR. DAMON: Thank you.

24 BY MR. DAMON:

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1 Q. I'd like to go back to some questions that Ms. Hatfield
2 asked on her cross-examination, and maybe hone in a
3 little bit more specifically on some of the answers.
4 One of the requirements that she mentioned from the
5 settlement in 04-133 was that the -- yes, Paragraph 6,
6 but it would be that the IRP "will identify the
7 available and potentially available supply resources
8 and their respective costs". Where in the IRP does the
9 Company actually identify the "potentially available
10 supply resources"?

11 MR. CAMERINO: Could we get
12 clarification on the relevance of this inquiry, why Staff
13 would need that information? I mean, I don't have a
14 problem, in the abstract, with having it answered. But I
15 think we're going down a road here that's completely
16 unnecessary and inconsistent with the testimony that Staff
17 already has on record. Is it to establish whether these
18 requirements were met? If it's something else, then I
19 have no problem.

20 CHAIRMAN GETZ: Well, I was taking it as
21 a follow-up on to whether the filing is compliant with the
22 Settlement Agreement. And, now you're raising the issue
23 -- are you suggesting that Staff has conceded that the
24 filing is compliant?

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1 MR. CAMERINO: That's correct. That, if
2 he's trying to determine that the filing is not compliant,
3 he's trying to impeach his own witness, who, in both the
4 November 30th and February 7th testimony, conceded that
5 the filing complies with the requirements of the
6 Settlement.

7 MR. DAMON: If I may respond to that?

8 CHAIRMAN GETZ: Please.

9 MR. DAMON: I think Mr. McCluskey's
10 testimony was that the IRP filing addresses the issues in
11 the 04-133 Settlement. I'm not sure that Mr. McCluskey
12 went so far as to say that "the IRP filing in this docket
13 sufficiently and adequately addresses those issues." And,
14 so, I think it's a fair subject for cross-examination.

15 MR. CAMERINO: Let me just read two
16 sentences from Mr. McCluskey's November 30th testimony.
17 This is Page 4, Line 16 to 19: "I agree that the 2006 IRP
18 addresses the issues required in Order Number 24,531. I
19 do not agree, however, that the 2006 IRP is therefore
20 sufficient. Inclusion of the changes to the IRP specified
21 in the DG 04-133 settlement agreement means that the
22 Company has satisfied the terms of the settlement in that
23 regard."

24 CHAIRMAN GETZ: And, I guess, getting

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1 back to the underlying question, you're asking the witness
2 to explain how the -- in this particular instance, under
3 Paragraph 6 of Part A, how it is satisfied?

4 MR. DAMON: Yes. And, it's really a
5 follow-up to Ms. Hatfield's questions, because I think
6 there was some general testimony in response to her
7 questions, and I was just going to ask for some more
8 details, in terms of where in the filing some of these
9 things appear.

10 CHAIRMAN GETZ: Okay. And, I guess,
11 ultimately, we have to decide, even though Mr. McCluskey
12 has expressed an opinion, we are the ones that have to
13 decide whether it is satisfied. So, I'm going to allow
14 the question to see where it goes.

15 MR. CAMERINO: Can I just say, and it's
16 not a further objection, but just for matter of maybe
17 perspective. I did not object to Ms. Hatfield's questions
18 because the OCA has not taken a position on compliance,
19 and therefore it seemed to me she's entitled to confirm
20 whether or not there was compliance. The witness went
21 through item by item and explained on each item how there
22 was compliance. The Staff, on the other hand, has filed
23 its testimony. And, if they had some view that there was
24 not compliance in some way, we would have done discovery

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1 on that. And, it was a significant admission by them,
2 both in their original testimony and their later
3 testimony, that there was compliance. So, it really puts
4 the Company in a position of now having new information
5 develop that we could have better addressed through
6 discovery, and that's disappointing.

7 CHAIRMAN GETZ: Well, I guess it seems
8 to me that you're leaping ahead to where he's going, and
9 we haven't seen where he's going yet. He's just posed the
10 question. So, let's see where this goes. And, if you
11 want to make a further objection, then we'll entertain it.

12 MR. DAMON: Thank you.

13 BY MR. DAMON:

14 Q. My question is, where in the IRP filing does the
15 Company identify the potentially available supply
16 resources? And, if you could just point out a
17 particular page as an example, that's all I'm really
18 looking for.

19 A. (Arangio) That will be Section IV, Page 20.

20 Q. Section IV, Page 20?

21 A. (Arangio) Yes. And, then, in addition to that, Section
22 IV, starting on Page 3, the "Expected Available
23 Resources" section.

24 Q. Section IV, Page 3?

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- 1 A. (Arangio) Yes. Well, the entire Section IV is called
2 the "Design of the Resource Portfolio". So, as I had
3 testified before, all of the -- all of the
4 requirements, with respect to the design of the
5 resource portfolio, are found in Section IV.
- 6 Q. Okay. Okay. So, you've pointed to Section IV, Page 3,
7 and Section IV, Page 20, correct?
- 8 A. (Arangio) Right. Starting on Page 3, it lists the
9 expected available resources. Starting on Page 3, all
10 the way through --
- 11 Q. Oh, I see. And, you list the capacity, the existing
12 capacity contracts the Company has, right?
- 13 A. (Arangio) As well as the supply and the supplemental
14 resources. So, again, it starts on Page 3, and goes
15 through 20.
- 16 Q. Okay. So, these are the existing resources. But where
17 do you identify the "potentially available supply
18 resources", other than --
- 19 A. (Arangio) That is on Page 20.
- 20 Q. On Page 20. And, that refers to the situation
21 involving Tennessee Gas Pipeline and the Concord
22 Lateral, right?
- 23 A. (Arangio) That's correct.
- 24 Q. Yes. But there's no other resources, other than that

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1 one?

2 A. (Arangio) That's the one specific resource that we cite
3 on Page 20, yes.

4 Q. Okay. But the filing does say, on Page -- or, Section
5 IV-16, that "the Company regularly reviews promotional
6 material regarding new and revised services from
7 various supply-related entities", correct?

8 A. (Arangio) Yes.

9 Q. So, you do have that information?

10 A. (Arangio) Correct. Yes. We're constantly in the
11 marketplace looking at new projects, new supply
12 projects, capacity projects, etcetera. Yes.

13 Q. Thank you. Where in the IRP does the Company identify
14 the costs of available and potentially available supply
15 resources? And, again, I'm just looking for an
16 example, not every single page.

17 A. (Arangio) Well, on Page 20 itself. It does provide a
18 cost estimate of what that potential new resource would
19 be on Page 20 again, with respect to the Tennessee
20 project. And, then, all of the embedded costs of the
21 current portfolio are -- all of the costs of the
22 embedded -- excuse me, of the current portfolio, are
23 embedded in all of the tables -- all of the current
24 costs have been embedded in all of the tables that have

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1 been included as part of the IRP. So, the associated
2 costs and the known costs that we have with the
3 capacity and the supply contracts currently in the
4 portfolio are within -- embedded within the tables and
5 the SENDOUT model.

6 MR. DAMON: Mr. McCluskey has a question
7 he'd like to pose on that score, and maybe it's simpler if
8 he asks it directly.

9 BY MR. McCLUSKEY:

10 Q. Ms. Angio -- Arangio, sorry, you said that, on Page
11 Chapter IV, Page 20, you show there a cost associated
12 with the Concord Lateral option, that's correct?

13 A. (Arangio) With the Tennessee costs, yes.

14 Q. The Tennessee Concord Lateral, yes. Is that the
15 capital costs of the Concord Lateral?

16 A. (Arangio) It is the total -- It is the total costs that
17 Tennessee provided to us at the time of this filing
18 that it would cost for the Company to sign up for this
19 project. It was an estimated range.

20 Q. You say the "total costs". Are you saying that's the
21 total revenue requirements that -- that customers would
22 pay for the Concord Lateral over its life?

23 A. (Arangio) Well, actually, we responded to -- I think
24 this question is provided in the letters from Tennessee

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1 in data requests, which I can find for you, and you can
2 see exactly where that range comes from. I'm sorry, I
3 just have a few data requests, it's going to take a
4 minute. It's Staff 3-1. And, those are the estimated
5 capital costs that Tennessee provided to us.

6 Q. Okay. So, that's the capital costs associated with the
7 Lateral. Is it not true that the Company has agreed to
8 pay Tennessee \$87 million over 20 years?

9 MR. CAMERINO: Is that -- excuse me one
10 second, I just want to be careful and remind the witness
11 and the questioner to just think about whether any numbers
12 that they're referring to are confidential. And, I'm not
13 suggesting -- I don't know whether that one was. But is
14 it, Ms. Arangio?

15 WITNESS ARANGIO: No, it's not,
16 actually.

17 MR. CAMERINO: Okay. I apologize.

18 CHAIRMAN GETZ: Well, let me just point
19 this out. To the extent that an issue of confidentiality
20 arises, there doesn't appear to be anybody in the room who
21 wouldn't be subject to the constraints of confidentiality,
22 just it's up to the parties then to make sure that any
23 confidential numbers aren't recorded in the public
24 transcript.

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1 MR. CAMERINO: If you're suggesting, Mr.
2 Chairman, that we can go back afterwards and just alert
3 the stenographer that certain items were confidential,
4 that would be great. Thank you.

5 CHAIRMAN GETZ: That would be what I
6 would propose.

7 WITNESS ARANGIO: I'm sorry, what was
8 the question again?

9 BY MR. McCLUSKEY:

10 Q. Is it not true that the Company has agreed to a
11 negotiated rate with Tennessee that would commit them
12 to paying \$87 million over 20 years?

13 A. (Arangio) Yes, it's roughly, and I don't have it
14 right down to the decimal point, but it's roughly
15 \$4 million a year, and the contract term is
16 \$20 million (20 years?) for 30,000 MMBtus a day.

17 Q. And, that \$87 million would not include getting the gas
18 to the southern portion of the Concord Lateral, is that
19 correct?

20 A. (Arangio) I don't know what you mean by that.

21 Q. Well, the Company presumably would be purchasing firm
22 gas to flow through the Concord Lateral to meet
23 customer demands during the peak period, which it could
24 do through demand charges or a premium on the market

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1 price of gas. Would that not add additional dollars to
2 the cost of this project?

3 A. (Arangio) Yes. The \$4 million is a demand charge that
4 will be paid on an annual basis. And, over and above
5 that, the Company would have to purchase supply in
6 order to flow on that capacity, correct.

7 MR. McCLUSKEY: Thank you.

8 BY MR. DAMON:

9 Q. So, the Company has identified Page -- or, Section
10 IV-20 as a place where the costs of available and
11 potentially available costs appear. But are there any
12 other places, and just if there's an example of another
13 place it appears?

14 A. (Arangio) Well, in one of the tables, we actually have
15 references to rate schedules, with obviously implied
16 costs associated with that. And, let me just find that
17 table for you. It's Chart IV-C-2, as an example.

18 Q. And, what page of the filing is that?

19 A. (Arangio) Section IV, Page 34.

20 Q. Okay. And, those are the embedded costs of existing
21 contracts?

22 A. (Arangio) That's correct.

23 Q. How about "potentially available supply sources" --
24 "resources"?

[Witness panel: Silvestrini|Arangio|Poe]

- 1 A. (Arangio) Well, if we were to purchase incremental
2 resources under these same rate schedules, those same
3 rate schedules would apply.
- 4 Q. And, in that same paragraph of the Settlement
5 Agreement, the Company was to "identify the mix and
6 timing of resource additions and subtractions that are
7 expected to minimize costs over the long-term under a
8 give set of price and demand forecasts." And,
9 certainly, there's a lot of information here very
10 helpful about the demand forecasts. But could you
11 point me to an example of where the Company has shown a
12 given set of price forecasts?
- 13 A. (Arangio) I was going to say, I can start the answer,
14 and somebody else can pick up in my place. We provide
15 the scenarios for high base case, low case, high case,
16 and that's based on demand. And, then, we do add,
17 which I think Mr. Poe can discuss, the associated costs
18 under those demand scenarios.
- 19 A. (Poe) And, all of the resources that are listed in all
20 of the tables that I provided from the SENDOUT model
21 then show the least cost use of the existing portfolio.
22 And, the modeling then shows that any incremental
23 additions needed being filled with what we call "other
24 purchased resources". Since there was nothing specific

[Witness panel: Silvestrini|Arangio|Poe]

1 that we had performed at the time of the analysis, this
2 is the IRP, remember, where we have a planning
3 document, we've listed the minimum necessary additional
4 requirement that we would have, but there is no
5 specific project listed to fill that, or projects, to
6 fill that need.

7 Q. This morning, and in prefiled testimony, the Company
8 has criticized Mr. McCluskey's recommendations for sort
9 of systematic -- what I could call "systematic advance
10 analysis" of resource options, on grounds that that
11 would represent sort of a meaningless academic exercise
12 and one that would be burdensome as well, because it
13 would be based on hypothetical price quotes for
14 potential projects that might be sufficient to meet
15 projected future requirements. That's in the testimony
16 on Pages 9 and 10. But did the Company consider the
17 cost estimates for the LNG and propane peaking
18 facilities considered in docket DG 07-101 to be
19 meaningless?

20 A. (Arangio) To be what? I'm sorry, I didn't hear the
21 last --

22 Q. Meaningless?

23 A. (Arangio) No, the Company did not state that.

24 Q. Okay. And, those costs and so forth are projected

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[Witness panel: Silvestrini|Arangio|Poe]

1 costs over a longer term horizon, correct?

2 A. (Arangio) I'm sorry, what costs are you referring to?

3 The Tennessee contract?

4 Q. Well, the cost of -- Well, Tennessee gave you a
5 specific number, I believe, for the cost of the
6 contract. But the alternatives that you looked at, the
7 LNG and propane facilities, you've costed those out in
8 that docket over a 30 year period, is that correct?

9 A. (Arangio) Yes, it is.

10 Q. And, do you consider that those numbers, during that 30
11 year period, to be meaningless?

12 A. (Arangio) Well, no. In fact, just as we've testified
13 here, is that, when the Company came -- when it came
14 time for the Company to make the decision whether or
15 not to sign the contract with Tennessee or to build
16 on-system facilities to meet the demand requirements,
17 we went through the process that we do -- what we have
18 laid out here in the IRP and took a comparison of what
19 those supply resources would provide, the associated
20 costs, the flexibility, the diversity, everything that
21 we look at when we look to adding resources to the
22 portfolio. So, we did it, as we've talked about in the
23 IRP, we did it as part of our planning process. And,
24 so, we did, in fact, do what we laid -- the process

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[Witness panel: Silvestrini|Arangio|Poe]

1 that we actually do lay out in the IRP. So, when we
2 went to make that resource commitment, we did follow
3 the process that we laid out in the IRP.

4 Q. Okay. And, those estimates -- that estimation of
5 long-term costs of the alternatives is not meaningless?

6 A. (Arangio) With respect to the specific contract, when
7 we're actually making a decision, no, we would look at
8 those. Now, obviously, costs will change. We had to
9 put in basic assumptions that are, obviously, detailed
10 in that docket. But, no, we're not referring to, when
11 we look at alternatives to adding capacity resources,
12 at the time we're making the decision, we certainly
13 have to do the analysis at that time.

14 Q. In Section IV, in the planning section that you've been
15 discussing, the Company recognizes that the shape of
16 the demand increment is a critical factor in
17 identifying the type of resource needed to meet demand
18 at least cost. You'd agree with that?

19 A. (Arangio) Yes, I would.

20 Q. And, the IRP, at Section IV-16, talks about how
21 "Baseload needs, for example, tend to be best met
22 through pipeline supply options." And, "On the other
23 hand, 365-day pipeline resources tend to be less
24 efficient in meeting seasonal needs". And, then,

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[Witness panel: Silvestrini|Arangio|Poe]

1 "Finally, peaking demands are likely to be best met by
2 on-system LNG or propane facilities", etcetera. Is
3 that --

4 A. (Poe) That generally describes, in a very general way,
5 how one would approach satisfying certain kinds of
6 needs with certain forms of supplies, yes.

7 Q. Okay. Now, the Company has identified a resource
8 shortfall that it has proposed to meet by entering into
9 this contract with Tennessee Gas Pipeline. And, just
10 ask you, what is the shape of that resource need
11 regarding incremental capacity?

12 A. (Poe) As the Company's load continues to grow, it's
13 neither a baseload nor a pure peaking need, it's an
14 overall annual need, obviously higher, as the
15 temperature gets colder. But it's certainly not
16 considered a pure baseload, certainly not considered a
17 pure peaking load.

18 Q. But, during the forecast period of five years, it's
19 true that the number of days in which the shortfall is
20 expected to exist is not more than ten per year, is
21 that right?

22 A. (Poe) That would be correct, if you assume that the
23 only resource available to address it would be a high
24 cost peaking spot supply. And, the Company's intention

[Witness panel: Silvestrini|Arangio|Poe]

1 was to maximize the existing portfolio so as to
2 maintain an overall least cost portfolio, yes.

3 Q. Okay. The question of how the Company is going to fill
4 that need is a separate question, but I'm focusing on
5 the shape of the need that you see during the planning
6 period represented by this IRP filing.

7 A. (Poe) And, the incremental need, if you would refer to
8 the various tables that I presented on the firm sendout
9 requirements shows that there is a growing peak and
10 off-peak period need, as well as a peak day period. It
11 occurs during all the entire year.

12 Q. Right. But the number of days of the shortfall during
13 any one year is not more than ten, you'd agree with
14 that?

15 A. (Poe) Only with the caveat that, based on the way it
16 was modeled, the SENDOUT model is saying that, to
17 minimize the overall portfolio cost, when the only
18 alternative available would be a high-priced spot
19 supply, then the Company's intention would be to
20 maximize the use of the existing portfolio and minimize
21 the use of such a resource.

22 Q. Okay. And, the number of months per year that the
23 shortfall is forecast during a planning period is not
24 more than two winter months at max, right?

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[Witness panel: Silvestrini|Arangio|Poe]

- 1 A. (Poe) Again, under the description of the resource
2 that's being allocated as the incremental resource,
3 that high-priced spot need, yes.
- 4 Q. And, it's clear that the price tag for the Concord
5 Lateral is \$87 million, that that TGP contract is an
6 important decision that the Company has to make as it
7 affects the Company's customers and the Company as
8 well?
- 9 A. (Poe) Absolutely. Which is why, outside of the IRP,
10 the Company then goes through a completely separate
11 process of analyzing the actual real resources that it
12 could call on to fill that need, and look at those
13 resources in comparison to its existing portfolio, and
14 choose which one would lead to the least cost portfolio
15 mix for the customers' benefit. But it can only do
16 that once it has those real prices.
- 17 Q. Right. Now, according to the filing, the Company's
18 supply-side planning process kicks into gear "when a
19 resource need arises". That's on Section IV, Page 16.
20 And, the filing says that that's the time "the Company
21 attempts to identify all of the possible resource
22 options that may be able to meet that need." I'd just
23 ask you to elaborate on what the Company means when it
24 says that "when a resource need arises", because it

[Witness panel: Silvestrini|Arangio|Poe]

1 occurs to me that it could be either that the resource
2 need becomes known or when the need must be satisfied?

3 A. (Arangio) Yes. And, we do make a reference to, as
4 contracts come up for termination and decisions are
5 required, we do need to take a look at that resource in
6 the portfolio, how it interacts and how it complements
7 the other resources in the portfolio, and make a
8 decision whether or not to renew that contract.

9 Q. Okay. So, in answer to my question then, a resource
10 need arises when the Company determines that the need
11 must be satisfied, not when the need first becomes
12 known?

13 A. (Poe) No, I would elaborate and say that it's, in a
14 five year plan, if we see that the need is arising in
15 the last year, the Company becomes aware and begins to
16 think about implementing what real resources would be
17 used. The Company would not wait until the year of the
18 need or just prior to that to actually make a
19 determination.

20 Q. And, so, in the case of the Concord Lateral TGP
21 contract, when did the resource need arise, as is
22 explained here in the IRP?

23 A. (Poe) May I?

24 A. (Arangio) Uh-huh.

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[Witness panel: Silvestrini|Arangio|Poe]

1 A. (Poe) I think that would go back to DG 03-160, the
2 first IRP, the 2004 IRP -- no, I'm sorry. The 2004 IRP
3 that came out of the DG 160 [DG 03-160?], where the
4 five year forecast at that time was showing that the
5 out year was going to either need the first incremental
6 peak day requirement or else the very next year. The
7 Company has been aware for years of this oncoming need,
8 and, obviously, has been monitoring the market on what
9 resources would be available to satisfy it, so that
10 they would be met in a timely manner.

11 Q. Okay. According to one of the Company's data
12 responses, this is Tech 1-4, "In August 2005, the
13 Company had discussed with its Tennessee account
14 representative the Company's need for an estimated cost
15 of providing incremental pipeline capacity to the ENGI
16 citygates." And, "the Company had subsequent
17 discussions with Tennessee in 2006." So, is it your
18 testimony that the need arose within the meaning of
19 this provision of the IRP in August 2005 or before
20 that?

21 A. (Poe) Well, as I said, the first indications obviously
22 arose when we filed our first IRP, and that would have
23 been 2004. And, we knew that, without having the
24 filing in front of me I don't know the exact numbers,

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[Witness panel: Silvestrini|Arangio|Poe]

1 but around the 2009/2010 time period there would be an
2 incremental need. And, so, obviously, the Company
3 would anticipate that and would continue to monitor
4 year by year as its load forecast might rise or fall,
5 to watch the timing of when that need arises, and at
6 the same time maintain dialogue with those potential
7 suppliers and transporters.

8 Q. Okay. Now, as I understand it, the company -- the
9 Tennessee Gas Company first made a proposal regarding
10 the Tennessee Gas Pipeline expansion, I apologize, let
11 me just see -- well, let me ask you this, the direct
12 question. When did TGP propose -- make a proposal to
13 the Company regarding the cost of acquiring incremental
14 capacity?

15 A. (Arangio) I believe the first proposal they provided
16 was in May of 2006, which is in Tech 1-4.

17 Q. Okay. And, this was by a letter dated May 2nd,
18 correct?

19 A. (Arangio) Yes.

20 Q. Okay. And, if I look at another data response filed by
21 the Company, dated November 13, 2006, the Company
22 stated that it "has not yet performed a cost benefit
23 analysis of an expansion to its on-system facilities
24 versus the Concord lateral upgrade, nor has the Company

[Witness panel: Silvestrini|Arangio|Poe]

1 determined if such an upgrade would be best
2 accomplished by an expansion of existing facilities or
3 the construction of new facilities."

4 MR. CAMERINO: What number?

5 BY THE WITNESS:

6 A. (Arangio) I'm sorry, what number are you on, Ed?

7 BY MR. DAMON:

8 Q. Oh, I'm sorry. It's Staff 1-36, the response. Do you
9 see that?

10 A. (Arangio) I'm sorry. Yes, I have it.

11 Q. And, so, that information is accurate. And, the "cost
12 benefit analysis of an expansion to its on-system
13 facilities" is -- what you're talking about there is
14 the possible option of expanding the LNG and propane
15 facilities that the Company already has, right?

16 A. (Arangio) Yes. Either expanding or adding new
17 facilities, correct.

18 Q. And, then, in response to Staff 1-46, which is a
19 response dated November 13, 2006, the Company stated,
20 and this is an answer provided by Mr. Poe: "The
21 Company anticipates the next increment of capacity
22 addition will be the expansion of the Tennessee Gas
23 Pipeline Concord Lateral with associated Zone 6 to Zone
24 6 transportation (a receipt point of Dracut,

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[Witness panel: Silvestrini|Arangio|Poe]

1 Massachusetts and the Company's citygates as the
2 delivery points). And, so, that statement is accurate
3 as of November 13, 2006?

4 MR. CAMERINO: Could we just have the
5 question that that's the response to read into the record,
6 so there's some context for it.

7 MR. DAMON: Okay. Well, I'm happy to
8 see if I can -- I could put the document in, but I could
9 read it as well, whatever is --

10 CHAIRMAN GETZ: Just read it.

11 MR. DAMON: Okay.

12 BY MR. DAMON:

13 Q. The question is: "Reference Chart Section IV-D-1.
14 Please provide a daily breakdown the shortfall
15 quantities 53,300 MMBtu, 48,000 MMBtu and 128,000 MMBtu
16 and specify the date associated with each daily
17 quantity. In addition, identify the resource types
18 that the Company believes are most likely to meet these
19 incremental needs at least cost." So, that's the --
20 I've read that accurately, correct?

21 A. (Arangio) Yes.

22 A. (Poe) Yes.

23 Q. And, so, the Company stated that it anticipated that
24 the next increment would be this TGP Concord Lateral at

[Witness panel: Silvestrini|Arangio|Poe]

1 that time?

2 A. (Poe) Yes.

3 Q. Now, in response to another data request, it's Staff
4 2-4, and this is a response dated January 24, 2007, and
5 the question was "Describe the analysis done by the
6 Company as to the potential locations for incremental
7 peak shaving vaporization (the Company noted during the
8 tech session on December 20, 2006 that New Hampshire
9 land prices in rural locations, adjusted for inflation,
10 were comparable to those used in the 1994 study). And,
11 the response was "To date, the Company has not
12 performed any documented analysis on potential
13 locations for incremental peak shaving facilities in
14 its service territory." Do you see that?

15 A. (Poe) Yes.

16 Q. And, that was an accurate statement when made, correct?

17 A. (Poe) At that time, yes.

18 Q. Now, in response to Staff 3-1, the Company provided two
19 more proposals from Tennessee Gas regarding the
20 incremental capacity contract. One of the proposals
21 was made January 16 and the other one was made
22 February 5th, 2007. That's correct?

23 A. (Arangio) Yes.

24 Q. Those dates are correct?

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[Witness panel: Silvestrini|Arangio|Poe]

1 A. (Arangio) Yes.

2 Q. In response to Staff 2-41, in the Concord Lateral
3 docket, the question was -- oh, okay. I'm sorry,
4 there's a supplemental one to 2-41, it's dated
5 December 10, 2007. And, the question was "Please
6 provide copies of all of the company's correspondence
7 to and from CHI", which I think is pronounced "Ki" or
8 "Chi".

9 A. (Poe) I think it's pronounced "C-H-I".

10 Q. "C-H-I", okay, "Engineering regarding alternatives for
11 providing additional peak-day supply to EnergyNorth's
12 distribution system." And, the answer to that is a
13 copy of an e-mail that's from an Ed Wencis to a Peter
14 Dirksen at CHI, and that's dated March 8th, 2007,
15 correct?

16 A. (Poe) I wouldn't know, I don't have a copy of it in
17 front of me.

18 (Atty. Damon showing document to Witness
19 Poe.)

20 BY MR. DAMON:

21 Q. That's the right date, right?

22 A. Apparently so, yes.

23 Q. And, could you explain why that e-mail was sent to CHI
24 Associates or the purpose of that e-mail?

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[Witness panel: Silvestrini|Arangio|Poe]

1 MR. CAMERINO: It's my understanding
2 that Mr. Poe is not the witness on that response. It's
3 Mr. Stavrakas.

4 BY THE WITNESS:

5 A. (Poe) Correct.

6 BY MR. DAMON:

7 Q. But you participated in DG 07-101 and are generally
8 familiar with what role or what involvement CHI has
9 had. I'm not asking for specific data involved in
10 that, but just the dates of when things were done by
11 the Company to move this project forward.

12 A. (Poe) Well, I can only speak to what I have in front of
13 me. And, it indicates that, as of March 8th, 2007, the
14 Company had already considered a -- what looks to be an
15 LNG facility, and had a proposed location in Concord,
16 New Hampshire, without saying specifically where it
17 was.

18 Q. Okay. But the purpose of that e-mail to CHI was to
19 obtain cost information regarding the alternatives to
20 the TGP pipeline incremental contract, right?

21 A. (Poe) I would assume so.

22 Q. And, then, if you'll recall, the Company came in and
23 did a presentation on May 3rd, 2007, that compared the
24 alternatives of the TGP contract with the on-system

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[Witness panel: Silvestrini|Arangio|Poe]

1 resources options, do you remember that?

2 A. (Poe) Yes, I was there. I was present at the meeting.

3 MR. CAMERINO: And, if Mr. Damon isn't
4 going to have any more questions for the witness on that
5 response, I'd like to just retrieve it, because I haven't
6 seen it myself. I don't want to interrupt the
7 questioning.

8 MR. DAMON: You haven't seen what?

9 MR. CAMERINO: I haven't -- Does he need
10 to have that document anymore and I can take it back?
11 Thank you. I apologize.

12 MR. DAMON: Oh. Yes.

13 BY MR. DAMON:

14 Q. May I ask you, are you aware when CHI responded to the
15 Company's request for cost estimates that it had made
16 back in March 8, 2007?

17 A. (Arangio) No, I'm not.

18 A. (Poe) No, I don't know right off the top of my head. I
19 believe that's been filed as a Company data response in
20 DG 07-101.

21 Q. Okay. I'm looking at the answer to Staff 2-35, and
22 it's in that DG 07-101. And, the question is:
23 "Provide copies of all workpapers not already provided
24 relating to the cost estimates for resource

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[Witness panel: Silvestrini|Arangio|Poe]

1 alternatives 1, 2 and 3", and those are the
2 alternatives being discussed in that other docket
3 developed by the Company. And, there's a -- there's a
4 letter in here from Epsilon Associates dated May 31,
5 2007, that I think is responsive. And, then, from CHI
6 Engineering that's responsive as well, and that's dated
7 June 5th, 2007. And, so, those responses were
8 submitted after the meeting with the Staff regarding
9 the alternatives.

10 A. (Poe) Are you asking me to say something to that?

11 A. (Arangio) okay.

12 Q. Would you accept that?

13 A. (Poe) Without having the documents, I'll allow whatever
14 you said. I assume you're reading it correctly.

15 Q. Then, there is -- there was a final estimate, I believe
16 from TGP to the Company, for the Concord Lateral on
17 July 20, 2007. Would you agree with that?

18 A. (Arangio) I only have a copy in the tech session of the
19 February 2007 letter. So, if you have an updated
20 letter with a different date on it, then I would assume
21 you're reading that date correctly as well. I'm sorry,
22 I know that this was filed in response to a data
23 request, and this was providing backup to the February
24 letter.

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[Witness panel: Silvestrini|Arangio|Poe]

- 1 Q. The February TGP proposal?
- 2 A. (Arangio) I'm sorry, yes, the February TGP proposal.
- 3 Q. And, that is the cost estimate provided -- it's dated
- 4 July 20, 2007, regarding El Paso's costs for the TGP
- 5 upgrade that would be necessary for TGP to enter into
- 6 the capacity contract?
- 7 A. (Arangio) That's correct.
- 8 Q. Yes.
- 9 A. (Arangio) So, that was a cost estimate for all of the
- 10 costs, whereas the letter was providing the total
- 11 capital.
- 12 Q. Which letter provided the --
- 13 A. (Arangio) I'm sorry. The February '07.
- 14 Q. The February '07 was the TGP proposal for the cost to
- 15 the Company of --
- 16 A. (Arangio) Right, the estimated capital.
- 17 Q. Yes.
- 18 A. (Arangio) And, then that provides the total estimated
- 19 cost, that follow-up in July.
- 20 Q. But the February letter also has the rate to be paid by
- 21 TGP -- to be paid by the Company for the incremental
- 22 capacity, right?
- 23 A. (Arangio) That's correct, yes.
- 24 Q. And, then, the filing in DG 07-101 took place on

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[Witness panel: Silvestrini|Arangio|Poe]

1 September 14, 2007. And, one of the attachments was a
2 precedent agreement for a negotiated rate with TGP.
3 And, could you explain what the "negotiated rate" is?
4 Not what the actual rate is, but, when you say -- there
5 were a couple of options there, and the Company chose a
6 negotiated rate, I believe.

7 A. (Arangio) Yes. In signing the precedent agreement, the
8 Company had to two options, to either sign and agree to
9 pay a negotiated rate or to agree to pay a recourse
10 rate. And, the Company agreed to pay a negotiated
11 rate, because that sets a fixed rate for the term of
12 the contract, in order to take service from Tennessee,
13 excuse me, that contract rate will be in effect through
14 the term of the contract for the 20 years. The other
15 option is a recourse rate option. And, that recourse
16 rate option is not a fixed price. It's dependent on
17 the actual cost of the construction or anything that
18 would go into providing the service to the Company.
19 So, that rate could fluctuate. If the cost of
20 providing the service to the Company is more than what
21 Tennessee originally estimated, then the Company would
22 have to pay the recourse rate, which, in that case,
23 would be higher than what the initial rate was.

24 Q. And, is TGP free to negotiate whatever rate for the

[Witness panel: Silvestrini|Arangio|Poe]

1 incremental capacity it wants to?

2 A. (Arangio) Well, technically, yes, but they would need
3 to have approval, internal approvals from their senior
4 management that it would make sense to provide the
5 service to the Company using the capital dollars that
6 they would be allocating to this project, in lieu of
7 using the capital dollars elsewhere.

8 Q. But there's no regulatory limitation on their ability
9 to negotiate a rate that they're going to offer to the
10 Company for that capacity?

11 A. (Arangio) Well, I know there are FERC regulations with
12 respect to how a pipeline can offer negotiated rates.
13 I'm not familiar with all of the details in the
14 parameters under which they have to operate, but they
15 do have the ability to offer negotiated rates.

16 Q. And, would you describe what attempts the Company made
17 to negotiate the rate that is represented in this
18 precedent agreement?

19 A. (Arangio) Yes, we went back and forth with Tennessee,
20 asking them to provide us different levels of service,
21 as you can see, that were laid out in the three letters
22 they provided us, in May of '06, January and February
23 of '07. And, we, as the time went further, we tried to
24 refine our need, what we could -- what they could

[Witness panel: Silvestrini|Arangio|Poe]

1 provide us, versus what we were looking for, and the
2 time frame that we needed it for. And, they came back
3 with this is the rate that they could do, they could
4 provide that service at the time that we needed it, it
5 was the most effective rate they could provide. That
6 would be the minimum rate that they could provide that
7 service.

8 Q. Okay. And, actually, in this back-and-forth process,
9 it started some time ago, when they made a first
10 proposal in May of '06, right? That was the --

11 A. (Arangio) That was their original proposal, correct,
12 based on estimates that they knew at the time. Which
13 kind of, I guess, dovetailed into, I guess, one of the
14 issues here that we're talking about is talking to a
15 third party vendor and looking to provide a service.
16 So, in this example, we went to Tennessee, back in
17 2006, and we had an identified shortfall, I don't know
18 -- but we said "okay, sometime in the future, we know
19 we're going to need incremental resources to serve our
20 New Hampshire customers." And, the first question that
21 the pipeline would ask you is "okay, what type of need
22 -- what type of service do you need? What type of
23 volume? What type of term are you committed to signing
24 up for?" And, that costs them money to provide you an

[Witness panel: Silvestrini|Arangio|Poe]

1 estimate. So, they need to go out and get folks on the
2 ground, whether it's to, you know, lay new pipe or, in
3 this case, it's to build a compressor station. They
4 need to provide -- they need to get the estimates based
5 on real estate, if they need to purchase land. So,
6 they provide you the best estimate at the time that
7 they have. As you go further and get more serious into
8 the discussions, that you think that you may or may not
9 be signing up for that service, they refine their
10 estimates. And, you can obviously see, you know, based
11 on inflation and other things, those estimates went up.
12 So, I think part of it is, when we look at, you know,
13 again it's one of the -- I'm assuming here is a
14 critical issue, because we've identified it and are
15 going back and forth on it quite a bit, of, when you
16 actually get to the point where you're making the
17 resource decision, then you also can, and the third
18 party that you're providing it from, they also know
19 that you are going down that road and you're going to
20 be signing up for -- there's a potential, a greater
21 potential that you're going to be providing -- signing
22 up for their service that they're going to provide,
23 because the need is more imminent. And, they're,
24 obviously, going to refine their estimates as well.

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[Witness panel: Silvestrini|Arangio|Poe]

1 So, again, it costs them money to go out and put
2 estimates out there and whatever they need to put their
3 estimates, they have to put some work into that, too.
4 So, that's kind of the give-and-take back and forth
5 over the period that we experienced with Tennessee.

6 Q. Did the Company ever attempt to negotiate the price to
7 be paid by the Company for the capacity?

8 MR. CAMERINO: I want to object at this
9 point, unless Mr. Damon can explain how this is relevant
10 to this proceeding. I've let him just continue on about
11 the Tennessee Pipeline negotiations, but there's a
12 separate docket on that. I can imagine that,
13 hypothetically, it could be relevant to this proceeding,
14 and, if it is, then maybe the questions are appropriate.
15 But, to be frank, the Staff has testimony due in that
16 docket in two days, and right now it's sounding like this
17 is just more discovery in that case. That testimony was
18 supposed to be due yesterday. So, if it's for that
19 docket, this is not appropriate. We've got a lot of other
20 material to get through.

21 MR. DAMON: Yes, I have no intention to
22 get discovery on that at all. I'm simply trying to
23 explore whether or not the Company's planning process, as
24 outlined in the IRP filing, is adequate, given what

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[Witness panel: Silvestrini|Arangio|Poe]

1 actually happened in an important case, in other words,
2 the Concord Lateral case.

3 MR. CAMERINO: If the question is, "in
4 the Concord Lateral case, did you follow your planning
5 process?" I suppose that could be asked in that case.
6 But, in this case, the question is, "is the planning
7 process that you've outlined adequate?" Not "did you
8 follow it in that case?" If the process that's outlined
9 is adequate, then, when a resource decision is made, the
10 Commission will decide "did you follow that process and
11 did you make a prudent choice?"

12 MR. DAMON: The question is "whether or
13 not the planning process, as outlined here, is adequate?"
14 And, they have identified a particular project, which
15 impliedly, I guess at least, is an example of a project
16 that they have, to some extent anyway, followed. And, in
17 Staff's view, we think this evidence actually helps
18 buttress Mr. McCluskey's recommendations regarding a more
19 rigorous IRP than the Company is willing to agree to.

20 CHAIRMAN GETZ: Well, I take it that
21 this is the latest expression of, I think, of a dispute
22 that's been going on for over 20 years between companies
23 filing IRPs and members of Staff and Consumer Advocate
24 about how far you drill down into an IRP in determining

[Witness panel: Silvestrini|Arangio|Poe]

1 whether the plan is adequate and how far do you have to go
2 with respect to certain outputs and outcomes and inputs to
3 determine whether the plan is or the process is adequate.

4 I'm going to allow further exploration
5 of some of these issues. But I'm assuming that these are
6 offered for, Mr. Damon, examples of why you think the --
7 or, Staff thinks that the process may not be adequate is
8 because of particular subsets of the plan. But that
9 shouldn't be -- allowing further exploration of these
10 issues shouldn't be read as a conclusion by me or the
11 Commission, I would suggest, on what's the appropriate
12 depth that the process and particular inputs or outcomes
13 should be explored. But we'll allow you to continue along
14 this line.

15 MR. DAMON: Let me respond to that. I
16 think the central issue in this docket is the level of
17 rigor that the Commission will expect from the IRP
18 planning process, to -- without getting into whether or
19 not the Company's proposal in DG 07-101 should be approved
20 or not.

21 CHAIRMAN GETZ: But it appears that
22 you're trying to demonstrate that it lacks rigor by
23 focusing on a particular concrete decision. And, I think
24 the dispute between the parties here is how far down you

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[Witness panel: Silvestrini|Arangio|Poe]

1 go with respect to particular decisions and what the
2 relationship is to whether the process is adequate.

3 MR. DAMON: It's not really the
4 substantive decision, the decision on the merits. It's
5 more on the process by which the decision was made that
6 Staff is questioning.

7 CHAIRMAN GETZ: I understand your
8 characterization. I believe I understand the Company's
9 characterization. I think there's a difference of
10 opinion. But, getting back to following up on these
11 specific questions, let's just move it along.

12 MR. DAMON: Okay. Thank you.

13 BY MR. DAMON:

14 Q. To go back to the question that was objected to, I
15 believe it was did the Company at any time attempt to
16 negotiate the price to be paid for the incremental
17 capacity contract with TGP?

18 A. (Arangio) Yes, we did, throughout the process with
19 Tennessee.

20 Q. And, would you describe that in more detail? What
21 arguments to TGP did you make that the price should be
22 lower than they were offering?

23 A. (Arangio) Well, because they know one of the
24 alternatives -- or, an alternative is an on-system

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[Witness panel: Silvestrini|Arangio|Poe]

1 resource, and we were quite clear in telling them that,
2 that we had a choice in that respect. And, we also,
3 which I think it might have been in the DG 07 [07-101?]
4 case, we also did talk to two other pipeline companies,
5 that would be Maritimes Northeast Pipeline and PNGTS
6 Pipeline, which also serves New Hampshire, and
7 Maritimes, which is in the Northeast, in New England as
8 well. And, asked them the likelihood of hooking into
9 our system and providing incremental service as well.
10 I'm sorry, I don't have that docket in front of me, so
11 I'm not sure where we responded to that. But we knew
12 that, in our discussions with those two other
13 pipelines, that those two projects as alternatives
14 were, let's just say, they were nonexistent. It was
15 far too expensive to have Maritimes lay 50 miles of
16 main across New Hampshire to hook into the Concord
17 Lateral. And, likewise, for the PNGTS Pipeline, it
18 just was not a viable alternative.

19 So, we pushed back with Tennessee saying
20 that the other alternative, the real alternative, which
21 I've described as well in DG 07-101, that was our
22 alternative. So, they needed to provide to us the best
23 possible rate in order for us to sign up for that
24 service.

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[Witness panel: Silvestrini|Arangio|Poe]

1 And, I think it probably would be
2 beneficial to maybe take a step back and -- take a step
3 back and talk about our relationship with the upstream
4 pipelines. Here, in New Hampshire, we're only served
5 by Tennessee Gas Pipeline. In our other New England
6 portfolios, in both now Rhode Island and Massachusetts,
7 we're served by both Algonquin and Tennessee Gas
8 Pipeline. And, in New York, we're served by a
9 multitude of pipelines. We have business all over New
10 England, all over the Northeast. And, I think it's, I
11 guess, logical to assume that Tennessee, in the interim
12 of talking to us about this project, they were
13 formulating their plans for a Rockies Express project.
14 So, that project takes gas from the Rockies Basin into
15 Clareton, Ohio -- oh, excuse me, their project, the
16 Rockies project, takes gas to Clareton, Ohio. Then,
17 Tennessee, and a number of other vendors, over, you
18 know, between five and ten other pipelines, have
19 proposals currently out there taking gas from Ohio to
20 serve the Northeast market.

21 Now, Tennessee, in fact, knew, at the
22 time they were talking to us about this project and
23 other projects that we have as part of our portfolio,
24 that down the line they would be looking for customers

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[Witness panel: Silvestrini|Arangio|Poe]

1 as part of their Rockies Express project. So, as a
2 business decision, I think it behooves Tennessee to --
3 they're not going to say, "well, I'm going to" -- they
4 know that Tennessee -- excuse me, Tennessee knows that
5 KeySpan has other options across all of its portfolio.

6 Now, I'm certainly not suggesting that
7 the Rockies project would reach the Northeast, and
8 Hampshire in particular. But what I'm saying is -- But
9 what I'm saying is, that we know that we're going to be
10 in business with Tennessee for a long time. We're a
11 partner with Tennessee, here in New Hampshire, in
12 Massachusetts, Rhode Island, and New York, in all the
13 territories that we do business. So, it truly makes
14 sense for Tennessee, when we push them and ask them for
15 the most effective rate and the best rate they can give
16 us for their service, it really doesn't behoove them,
17 quite frankly, to stick it to us for this particular
18 project, knowing down the line that we're going to have
19 other alternatives elsewhere, and knowing that, if they
20 didn't give us the best rate in this project, that
21 we're going to expect that down the road and go
22 forward. So, it's also a business relationship, both
23 sides of the house, so we have to push it to a certain
24 degree, as do Tennessee. But, going forward, it really

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1 is a partnership.

2 Q. Right. So, that TGP was aware that the Company had the
3 alternative of developing its own on-system resources
4 as an alternative to the --

5 A. (Arangio) Of course.

6 Q. Yes. And, so, when the Company was negotiating with
7 TGP, it was starting those negotiations before it knew
8 the price at which the Company would be willing to
9 refuse to do business with TGP, and instead to develop
10 its own on-system resources?

11 A. (Poe) Well, I would say that the Company was already
12 aware, and I think we've referred to this in the DG
13 07-101 proceedings, the Company is aware already of the
14 generic costs of these alternative facilities. I
15 particularly have been involved in two proceedings in
16 the Cape Cod jurisdiction or the service territory
17 where we were looking at the alternatives of pipeline
18 expansion or an LNG project or a propane project. And,
19 the engineering staff has not just been sitting there
20 in a vacuum. They have been constantly monitoring the
21 cost of these facilities, and we've used those results
22 in those proceedings as the alternatives, so that we
23 could perform, once again, the same form of analysis,
24 once a decision point comes, of choosing the least cost

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[Witness panel: Silvestrini|Arangio|Poe]

1 option. So, we were already aware generically of what
2 the alternatives would be that Tennessee would be
3 bidding against.

4 Q. But you knew generically what the alternatives would
5 be, but you did not have an estimate of the cost of
6 developing those alternative on-system resources, until
7 you performed that approximately in May of 2007.

8 A. (Arangio) Right. And, that would be why we would not
9 have certainly signed an agreement with Tennessee
10 before knowing all of those alternative costs. And, I
11 guess, probably just for the record, I want to add one
12 more alternative that, and it's been discussed in the
13 Concord Lateral case as well, was the potential to
14 receive incremental service from anyone else off of the
15 Concord Lateral. So, Tennessee also knew that that
16 could be an option.

17 Q. Okay. Talking about Granite Ridge?

18 A. (Arangio) Correct.

19 Q. Yes. Okay.

20 CHAIRMAN GETZ: Mr. Damon, how much more
21 do you have? It's 1:00, a couple minutes after.

22 MR. DAMON: Not too much more on this
23 subject. I do have some more on design day planning,
24 which is, it's not too much, but it's kind of dry stuff.

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1 MR. CAMERINO: He's just trying to pique
2 your interest for the afternoon.

3 CHAIRMAN GETZ: Okay. Well, why don't
4 we save that until after lunch. Let's take the lunch
5 recess and resume at 1:30 -- 2:30.

6 (Lunch recess taken at 1:04 p.m. and the
7 hearing reconvened at 2:43 p.m.)

8 CHAIRMAN GETZ: Okay. Good afternoon.
9 We're back on the record in DG 06-105. Mr. Damon.

10 MR. DAMON: Thank you. Good afternoon.

11 WITNESS ARANGIO: Good afternoon.

12 WITNESS SILVESTRINI: Good afternoon.

13 BY MR. DAMON:

14 Q. Before we broke for lunch, Mr. Poe, you had mentioned
15 that the Company had some generic information about
16 on-system alternatives at the time it was negotiating
17 with TGP on the incremental capacity contract, correct?

18 A. (Poe) Yes.

19 Q. And, you mentioned, I think, the information regarding
20 "Cape Cod". And, was that information about propane
21 on-system resources in Cape Cod that the Company
22 operates or maybe owns?

23 A. (Poe) It was for constructing LNG facilities similar in
24 size to the ones that we had used as alternatives here

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1 in New Hampshire, and they would have been based on the
2 Cape. We had generic information on propane
3 facilities, but we did not consider that to be a viable
4 alternative down on the Cape, merely because of the
5 configuration of the pipeline, where it is.

6 Q. Okay. And, for what year were the LNG Cape Cod
7 facility or on-system resources? When was that
8 information prepared?

9 A. (Poe) I think I spent from 2001 or 2002 through 2006
10 involved in those cases.

11 Q. Going back to the filing, in particular the planning
12 process that the Company has described in Section IV,
13 let me just quickly go through with some of the major
14 steps and make sure I understand what the Company is
15 saying. On Page 17, the Company says that, once the
16 resource need arises, then -- and the possible resource
17 options are identified, then the Company sends out
18 RFPs. And, that's true for situations in which the
19 Company is thinking about whether to renew or replace
20 existing contracts, and, as I understand the filing,
21 the Company would typically follow that process for the
22 addition of incremental resources as well. Is that a
23 fair characterization of the filing?

24 A. (Arangio) With respect to RFPs?

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[Witness panel: Silvestrini|Arangio|Poe]

- 1 Q. Yes.
- 2 A. (Arangio) Yes. Typically, we send out RFPs for supply
3 service, for supply, the actual commodity itself.
4 Historically, we do not send RFPs to pipeline
5 companies, particularly in the case of New Hampshire.
6 The only RFP we would send is to Tennessee. So, on
7 things that we -- we just discuss things with them
8 directly.
- 9 Q. Okay. But, in any event, I take it that Tennessee Gas
10 Pipeline did submit a proposal in response to a request
11 by the Company for a proposal for the incremental
12 capacity?
- 13 A. (Arangio) That's correct.
- 14 Q. But the RFPs -- But RFPs, let's say, for on-system
15 resources or for a bundled service at the Company
16 citygates in New Hampshire, an RFP for those type of
17 resources was not ever issued in this case?
- 18 A. (Arangio) In which case, I'm sorry?
- 19 Q. The Concord -- The question of how to fill the resource
20 need that we've been talking about.
- 21 A. (Arangio) Well, we did, as far as an RFP for citygate
22 bundled service, we actually sent out an RFP, and I'm
23 not exactly certain of the dates, but for this upcoming
24 -- this upcoming season. And, that is where we

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1 discovered -- well, actually, not "discovered", we
2 confirmed what we likely already knew, that no other
3 party had firm primary point delivery capacity to
4 EnergyNorth citygates.

5 Q. Right.

6 A. (Arangio) Which is what we rely on to meet our peak day
7 sendout.

8 Q. Okay. But the Company didn't send out RFPs to
9 companies that might provide the on-system resources
10 that would -- could fill the resource need, to build
11 LNG or propane facilities?

12 A. (Arangio) Not that I'm aware of.

13 Q. Now, on Page 19 -- well, actually, the Company -- the
14 Company's description of its process says that, after
15 the RFP responses comes in, it does "a preliminary
16 review to narrow the set down to an appropriate range
17 for further analysis". And, the "set down" I think are
18 the potential resource options, and that's on Page 17.
19 And, then, on Page 19, the filing states that
20 "Following the Company's planning process described
21 above, during the forecast period, the Company will
22 employ a three-step analysis to reach its conclusions
23 on contract renewals." And, so, am I right that the
24 Company sends out the RFPs and does its preliminary

[Witness panel: Silvestrini|Arangio|Poe]

- 1 review before the forecast period begins, or am I
2 reading that part of --
- 3 A. (Arangio) I'm not sure exactly where you are. I was
4 still on Page 17.
- 5 Q. On Page 19.
- 6 A. (Arangio) Oh. Uh-huh.
- 7 Q. And, it's the first paragraph there, "Following the
8 Company's planning process described above", where you
9 describe the RFPs and the preliminary analysis, then
10 you say "during the forecast period, the Company will
11 employ a three-step analysis to reach its conclusions
12 on contract renewals". So, do I understand the IRP
13 correctly that the IRPs and the preliminary review are
14 done before the forecast period begins?
- 15 A. (Arangio) Well, it's an iterative process.
- 16 Q. And, what do you mean by that?
- 17 A. (Arangio) I mean, if the resource need comes up or a
18 replacement need comes up or a supply need comes up, we
19 may send out an RFP before the forecast period begins
20 or during the forecast period for a term longer.
- 21 Q. Okay. The Company has recommended a five-year planning
22 horizon. And, I think -- And, did I understand you
23 correctly that you think that the comparison of costs
24 of these various resource options that you have to

[Witness panel: Silvestrini|Arangio|Poe]

1 consider during that five-year period should be
2 confined to the costs forecast for the five-year period
3 as well?

4 A. (Arangio) What my testimony says is that the Company
5 believes a five-year planning horizon is an appropriate
6 planning horizon. And, that's because of, again, all
7 of the assumptions that you would have to make going
8 into the forecast. I don't want to reiterate my direct
9 testimony, but the Company feels that a five-year
10 planning process is an appropriate time period. Now,
11 that's the formal forecast that we put together and
12 file as part of our RFP -- IRP. But, in fact, which I
13 think we've discussed, and I'm sure it's been responded
14 to in our testimony, is every year we update our
15 forecast. So, we don't simply put together a forecast
16 of a five year plan and say "that's what it is", and we
17 don't do it again until we file an IRP. And, in fact,
18 what we do is, every season coming out of the winter
19 season, Ted runs his analysis, we look at what we have
20 in our supply portfolio, what the demand forecast is,
21 if that changed going into the next season, and we make
22 appropriate adjustments at that time. So, most likely,
23 I would say 95 percent of the time our forecast will
24 change from year to year, just based on the assumptions

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[Witness panel: Silvestrini|Arangio|Poe]

1 that you put in and factors that actually materialize
2 in real life. So, we do update our forecast each
3 annual period. So, that's something that the -- that's
4 the process, that's part of the planning process that
5 the Company employs. So, --

6 Q. I'm sorry. Yes, I'm trying to get at what do you mean
7 when you say "the planning horizon should be five
8 years"? One way to look at it, and is probably the way
9 I look at, is to say "okay, you look ahead five years,
10 and then you try to anticipate what decisions you're
11 going to make during that five-year period. Then, when
12 you look at those decisions, what are you going to do?"
13 And, it doesn't matter when you actually make a
14 decision, whether you make it in advance of the period
15 or during the period, when you come to actually
16 considering the decision on the resource option, you
17 then look at the costs involved in that option, plus
18 any alternatives that might be reasonably available.
19 But the decision on that is based on the total costs of
20 the options over their -- their lives, and not just the
21 costs and the estimates through the remainder of the
22 five-year planning horizon.

23 A. (Arangio) Right. You look at -- Well, you look at the
24 portfolio at total cost, the total portfolio.

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[Witness panel: Silvestrini|Arangio|Poe]

1 Q. Right. And, so, you look at costs that might extend
2 beyond that five-year planning horizon?

3 A. (Arangio) Correct, but using costs that you have at the
4 time you're making the decision.

5 Q. Right.

6 A. (Arangio) Real effective costs, not the costs that you
7 have in hand that you can do an analysis with, correct,
8 when you're making a decision.

9 Q. I'd like to now turn to the planning standards, the
10 design day and design year, and try to finish up as
11 soon as possible on that. In the Company's direct
12 testimony, on Page 22, there's two bullet points.
13 There's no line numbers, but there's two bullet points
14 there. And, I believe this is an answer by Mr. Poe.
15 But you state that Mr. McCluskey "arbitrarily selected
16 a standard of once in 43.9 years as the appropriate
17 frequency of occurrence of the design day." Where, if
18 you can find it easily, where does Mr. McCluskey state
19 that he's recommending that as a design standard? And,
20 I'm asking that because, when I read his direct
21 testimony, I think he's saying that it's "one in 32
22 years".

23 A. (Poe) I don't have my work in front of me right now.
24 But, if you take what Mr. McCluskey recommends as

[Witness panel: Silvestrini|Arangio|Poe]

1 choosing the mean, plus two standard deviations, as the
2 point at which you would set your design day standard,
3 that the frequency of occurrence, if you take what
4 truly is the statistical definition of "two standard
5 deviations", not just simply two times standard
6 deviation, it's a little bit more in terms of -- or, in
7 terms of once an occurrence than what he was stated in
8 other locations as a "once in 33". But I don't, as I
9 said, I don't have the work in front of me, and I don't
10 think we filed an exhibit that defended that.

11 Q. Okay. Well, not to spend too much time on this, but
12 could you just explain the difference -- how you go
13 from probability of occurrence to a recommended number
14 for EDD, or effective degree day, and vice versa? How,
15 just in general, is that done?

16 A. (Poe) Yes. It would be the one-tail test on the
17 z-score, where the remaining area, once you go two
18 standard deviations beyond, is one minus, I believe,
19 it's 0.9773, and I'm just remembering figures from a
20 table, and I hope they're accurate, which would then
21 translate into 43.9. You're talking about infrequent
22 probabilities of occurrence, so that the numbers tend
23 to change very quickly at very small changes in that
24 number. But, at one point, Mr. McCluskey then does say

[Witness panel: Silvestrini|Arangio|Poe]

1 that he simply multiplies the standard deviation by two
2 and adds that to the mean. And, that's -- that is
3 simply a mathematical calculation of the mean, plus two
4 times whatever the computed standard deviation was.
5 So, that's where he derived his 79, I believe.

6 Q. Also, in the second bullet point, you state that Mr.
7 McCluskey "calculated the resulting design day EDD
8 level assuming that historically-observed coldest days
9 are normally-distributed." And, again, I would ask
10 you, where in his testimony does he state that? It was
11 my impression that, in his testimony, he is, when he's
12 talking about that normal distribution, he's talk about
13 the 3,000 synthetic Monte Carlo data points, and not
14 the 25 historically-observed coldest days.

15 A. (Poe) We may have covered this in data requests
16 already, and I'm sorry, I can't point to whichever one
17 it was. But the argument goes to Mr. McCluskey is
18 using a mean plus two standard deviations to choose
19 what he considers to be an appropriate level of
20 reliability on the design day standard. Immediately,
21 by choosing a mean plus two standard deviations and
22 calling that the 95th percentile, you're assuming that
23 the data is normally distributed. And, the argument
24 that we're having is a very dry, statistical argument.

[Witness panel: Silvestrini|Arangio|Poe]

1 I'm sorry, folks, but --

2 CHAIRMAN GETZ: I thought we hadn't
3 gotten to that section yet?

4 WITNESS POE: We are there.

5 BY THE WITNESS:

6 A. (Poe) What we're arguing over is, the Company has a
7 limited data set of the one coldest day each winter.
8 It had 25 of them at that time, from 1980 until 2005,
9 25 observations, and it's trying to draw conclusions on
10 what would be the true probability of occurrence of
11 these extremely cold days, when you don't see them very
12 often. We don't have enough data. The whole
13 understanding behind going to the Monte Carlo method,
14 as we had agreed in the Settlement Agreement, was to
15 generate a synthetic data set with more observations.
16 The original data set had far few observations to
17 really draw the statistical conclusions. But,
18 unfortunately, even the Monte Carlo method relies on
19 the same underlying 25 years' worth of observations.
20 You don't have enough data here to truly make
21 conclusive judgment on what the probability of
22 occurrence is.

23 So, on Page III-51 of the Company's IRP
24 filing, under the section "Results of the Monte Carlo

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[Witness panel: Silvestrini|Arangio|Poe]

1 Methodology: Peak Day", and then continuing on to
2 III-52. III-52 is a table where I showed the actual
3 results from the Monte Carlo analysis, at each EDD
4 level, what the probability of exceeding would be.
5 And, if you look at "80" EDDs, the probability of
6 exceeding is "0.0247", once in 40 years. What Mr.
7 McCluskey was doing was looking at actually
8 Page III-51, the way I'm interpreting it, is he took --
9 I had taken those values that I had gotten out of the
10 Monte Carlo, 3,000 coldest days, and I had
11 characterized them as a mean and a standard deviation
12 myself as a mean of 66.98 effective degree days, with a
13 standard deviation of 5.99. Even though the data isn't
14 truly normal, I had used that just to simply describe
15 on how that related to what was filed in the previous
16 IRP filing, to show that certainly the values were
17 close, we're talking about numbers that are fairly
18 close in terms of mean and standard deviation, but that
19 the Monte Carlo results were different.

20 And, Mr. McCluskey had used the numbers
21 on III-51, the actual mean and standard deviation, had
22 adopted the assumption of normal distribution, and came
23 up with what he thought would be a typical 95th
24 percentile result for what the design day should be,

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1 and that was 78.96 effective degree days, or rounded to
2 79. If he had selected a once -- a 0.025 probability,
3 which is what that also translates into, probability of
4 exceeding, and you look at the table on Page III-52,
5 0.025, I'm looking at 0.0247, is 80 effective degree
6 days. We're arguing over one effective degree day.
7 And, it all depends on where he got his data from and
8 which data I'm using, to determine which one would be
9 the appropriate starting point for an analysis.

10 BY MR. DAMON:

11 Q. Yes. Thank you.

12 A. (Poe) You're welcome.

13 Q. Just for my own benefit, looking at III-52, by taking
14 the number of occurrences, is there a way -- excuse me,
15 is there a way to go from greatest heating season EDD
16 value and from that derive the number of occurrences
17 exceeding or do those numbers come from different
18 sources?

19 A. (Poe) They all came from the 3,000 synthetic years from
20 the Monte Carlo. So, for instance, if you choose,
21 let's start with the first line, "67" EDD, there were,
22 out of the 3,000 synthetic years that were developed,
23 there were 1,288 years where the greatest EDD value in
24 that year exceeded 67.

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[Witness panel: Silvestrini|Arangio|Poe]

- 1 Q. Okay. Is it your view that, if the 25
2 historically-observed coldest days are not normally
3 distributed, then that would mean that the 3,000 Monte
4 Carlo data points that are -- would also not be
5 normally distributed or are they -- are they
6 independent? Can one be normally distributed and the
7 other not?
- 8 A. (Poe) If you graphically look at the results in
9 Table III-52, just eyeballing it, you'll see that it
10 does not appear to be normally distributed.
- 11 Q. What does not appear to be normally distributed?
- 12 A. (Poe) The probability of occurrence of each one of
13 those levels of effective degree days. So, the output
14 does not appear to be normally distributed.
- 15 Q. Okay. And, going back to your testimony and that
16 bullet point, you talk about, the second one, you say
17 "he calculated the resulting design day EDD level
18 assuming historically-observed coldest days are
19 normally-distributed, even though the consultant's
20 report that he referred to on Page 8 of his testimony
21 itself cast doubt on whether...the data is actually
22 normally-distributed." And, when you use the word
23 "data", are you referring to the, again, the 25
24 historically coldest days or the 3,000 Monte Carlo

[Witness panel: Silvestrini|Arangio|Poe]

1 points?

2 A. (Poe) Well, the consultant's report was Liberty
3 Consulting reviewing the 2004 IRP, which preceded the
4 Monte Carlo method. So, it would have simply been the
5 25 -- 23 coldest days at that point that we had to work
6 with.

7 Q. According to the Liberty report, on Page 7, "the
8 Company picked 79.7 EDD, rounded to 80", that is in the
9 2004 IRP.

10 A. (Poe) Could you tell me which page you're on.

11 Q. Page 7.

12 A. (Poe) Okay, I'm there.

13 Q. "In order to maintain the probability of occurrence,
14 i.e. one in 46.69 years, that the Company uses for its
15 Massachusetts affiliates." Am I understanding the
16 Liberty report correctly?

17 A. (Poe) That is what it said, yes.

18 Q. Okay.

19 A. (Poe) At the time the Company was trying, and I don't
20 remember the time sequence, but we were trying to get
21 this long-range plan filed with the Commission, and we
22 had not had full time to do the cost/benefit analysis
23 and establishing independent design day and design year
24 standards. So, what I had simply done was use the same

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[Witness panel: Silvestrini|Arangio|Poe]

1 standard that we had currently in Massachusetts at the
2 time. And, since that time, in the 2006, we have had
3 time to go fully through the cost/benefit analysis and
4 develop our own independent verification of what we
5 would want to choose as a design day and design year.

6 Q. Okay. So, using that cost/benefit analysis, which is
7 very evolved and thorough and so on, you basically came
8 out with the same level of recommended EDD that you did
9 in the 2004 IRP, is that right? You came up with the
10 same number in 2006 that you found or that you thought
11 was correct in 2004?

12 A. (Poe) Well, the actual result, when you're choosing the
13 geometric center of the area that we had, was 80.2, as
14 opposed to 79.7. You've seen more variability in the
15 coldest days recently, and that just added to the
16 variability and the uncertainty that we have to deal
17 with.

18 Q. Now, the New Hampshire data were for Manchester, New
19 Hampshire, right, on the EDD?

20 A. (Poe) That's correct. I used the Manchester Airport
21 weather site.

22 Q. And, the Massachusetts data are presumably for some
23 location in Massachusetts?

24 A. (Poe) I used the Boston Logan Airport site, yes.

[Witness panel: Silvestrini|Arangio|Poe]

- 1 Q. And, that was -- that was true for the 2004 IRP and the
2 2006 IRP, correct?
- 3 A. (Poe) Could you tell me what "that" means?
- 4 Q. The data for the recommended EDD in the 2004 IRP were
5 derived from Manchester, and the same is true of the
6 Massachusetts data were derived in both the 2004 IRP
7 and the 2006 IRP?
- 8 A. (Poe) Manchester was used for both of those filings,
9 yes.
- 10 Q. For New Hampshire?
- 11 A. (Poe) For New Hampshire, yes.
- 12 Q. And, Massachusetts weather was used for both those
13 filings in Massachusetts?
- 14 A. (Poe) Historically, we have been using Boston/Logan in
15 the Massachusetts filing.
- 16 Q. Now, if you round -- if you round off the EDD levels,
17 you come out with 80 EDD in Massachusetts and New
18 Hampshire, correct?
- 19 A. (Poe) No, sir.
- 20 Q. Okay.
- 21 A. (Poe) No, currently, the standard in Massachusetts is
22 79 effective degree days.
- 23 Q. Okay.
- 24 A. (Poe) I think you may be referring to the probability

[Witness panel: Silvestrini|Arangio|Poe]

1 of occurrence was chosen to be the same in the 2004
2 IRP, not the EDD level. The data -- The data that I
3 used here in the New Hampshire filing was New Hampshire
4 weather data.

5 Q. Now, until the 2004 IRP, are you aware whether the
6 previous IRPs filed by the Company, whether the
7 cost/benefit analysis had been used to determine the
8 design day and design year planning standards?

9 A. (Poe) No, not off the top of my head, I am not
10 familiar, because that would have been in the mid to
11 late 1990s, prior to the acquisition by KeySpan.

12 Q. And, let me ask you one last question. If you assume
13 an increase in the design day and/or design year
14 standard, would you agree that an increase is likely to
15 result in an increase in the amount of resources needed
16 to meet the demand requirements?

17 A. (Poe) If we were to have a 79 effective design day
18 versus an 80 effective design day, what we're looking
19 at is the load that would be needed to be addressed on
20 that coldest day, and, therefore, the amount of
21 capacity that would be needed. Typically, the
22 coefficient right now for the New Hampshire customers
23 is about 1,500 decatherms, 1,500 MMBtus for every EDD
24 in the month of January. So, if we were to, let's say,

[Witness panel: Silvestrini|Arangio|Poe]

1 have our standard be 80 and then lower it to 79, the
2 forecasted design day would be approximately 1,500
3 decatherms lower, out of 150,000 decatherms.

4 Currently, the design day for the system
5 is growing at about 3,000 decatherms each year. We use
6 the design day to set the point at which we have -- we
7 say that we have to make a decision on when we acquire
8 new capacity. So, if we're growing at 3,000 decatherms
9 every year, and we're talking about a change of 1,500
10 decatherms, at most we're talking about prolonging or
11 procrastinating six months in a decision point where
12 we're going to buy capacity in a much larger package
13 than that. We don't buy capacity to exactly meet the
14 design day needs. Capacity comes as a lumpy
15 investment. And, so, when we're talking about the
16 standard of 79 or 80, we're talking about a fairly
17 small piece in terms of the timing of when we would
18 acquire something.

19 As we've been talking about DG 07-101,
20 the capacity that we're talking about signing up for is
21 30,000 a day on Tennessee, much larger than this 1,500
22 or even 3,000. So, really, this is just an exercise to
23 say "when is the trigger point on when we need
24 capacity?" And, "where does the Company feel

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[Witness panel: Silvestrini|Arangio|Poe]

1 comfortable that it should be aiming for, in terms of
2 the magnitude of the coldest day?" Having witnessed
3 January 15th, 2004 and lived through it, 80 effective,
4 having gone through a rigorous cost/benefit analysis,
5 which tends to corroborate, 80 effective is what the
6 Company would choose for a design day standard.

7 MR. DAMON: I have no further questions.

8 Thank you.

9 CMSR. BELOW: A couple quick questions.

10 BY CMSR. BELOW:

11 Q. Just what's the difference between the "effective
12 degree day" and what's the normal "heating degree day"?

13 A. (Poe) Effective degree days takes heating degree days,
14 and then multiplies it by a factor to reflect wind
15 speed. Because the theory is, just the temperature
16 alone will cause your house to lose heat. Wind will
17 pull the heat off of the house faster, and so you need
18 a little bit better. Either one serves as a very good
19 independent variable in doing your regression. Just
20 the work that I've done historically, effective degree
21 days tends to give you a slightly better r-squared.
22 The bulk of it being described by heating degree days
23 to begin with.

24 Q. And, it just uses the average wind speed over the

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[Witness panel: Silvestrini|Arangio|Poe]

1 course of the day as the factor or something like that?

2 A. (Poe) It measures at four points during the day, like
3 six hours apart, and says "what is the average of that
4 wind speed?" And, then, that becomes a scale that you
5 multiply against the HDD.

6 Q. Okay. And, I think, Mr. Silvestrini, you testified
7 that one reason you weren't looking at demand
8 resources, other than using it to, in effect, adjust
9 the demand by incorporating your experience with the
10 DSM programs, was the sort of uncertainty or
11 unpredictability of demand-side resources, was that
12 correct?

13 A. (Silvestrini) Yes. But it also gets to the
14 practicality of doing that. If you just look at the --
15 at the range of values, I think I mentioned earlier
16 that the DSM programs we have in place now will result
17 in about 78,000 decatherms of lower use on an annual
18 basis, which translates to about 780 decatherms on a
19 peak day. And, if you look at that, relative to the
20 numbers that Mr. Poe just identified, I mean, you're
21 looking at a supply source that's going to bring on
22 30,000 decatherms, in terms of a supply need. So, if
23 you just do the simple arithmetic, you would need
24 almost 32 times the level of energy efficiency program

[Witness panel: Silvestrini|Arangio|Poe]

1 to achieve the level of resource that we have and need
2 that we're looking at with the Concord Lateral.

3 So, in terms of doing the exercise to
4 identify how much DSM you would want to put into a
5 supply portfolio, it's just -- practically, it's just
6 not practical because of the orders of magnitude that
7 we're talking about. You would either have to have 35
8 years' worth of our current programs -- 32 years, I'm
9 sorry, or 35 times the size of our current program, to
10 equal the supply need that we have. And, the way we
11 factor it in by reducing our demand forecast, it does,
12 in fact, delay the need for additional resources,
13 because it does reduce the demand going out over the
14 years that the program employs.

15 Q. The supply resources come with difficult degrees of
16 uncertainty as well, though, don't they?

17 A. (Silvestrini) Yes, they do.

18 Q. And, you factor that in as to the -- when you look at
19 resource options, as to whether you -- sort of the
20 confidence you have that it's going to be there when
21 it's needed?

22 A. (Silvestrini) That's correct, yes.

23 CMSR. BELOW: Okay. Okay, that's all.

24 BY CHAIRMAN GETZ:

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[Witness panel: Silvestrini|Arangio|Poe]

1 Q. And, just one thing, Mr. Silvestrini. I wasn't sure if
2 I heard correctly. I thought you said something about
3 the IRP in Massachusetts being filed with the "Energy
4 Facility Siting Board"?

5 A. (Silvestrini) Yes.

6 Q. And, is that in addition to, I thought Mr. Poe
7 testified about the IRP going before the DPU? I'm a
8 little confused.

9 A. (Silvestrini) The Energy Facility Siting Board is the
10 official body that reviews the --

11 MR. O'NEILL: I can probably clarify
12 that. The Energy Facility Siting Board, originally,
13 supply plans were filed with the Energy Facility Siting
14 Board and reviewed by the Siting Board. And, currently,
15 they're reviewed by the DPU.

16 CHAIRMAN GETZ: Okay. For the same
17 purpose? I mean, I was --

18 WITNESS SILVESTRINI: I think it's due
19 to the reorganization of the State government under
20 Governor Patrick.

21 MR. O'NEILL: Yes. It's reviewed for
22 the same purpose, it's just it was -- the filing
23 originally was made with the Energy Facility Siting Board.
24 The filing today is made with the Department of Public

[Witness panel: Silvestrini|Arangio|Poe]

1 Utilities.

2 CHAIRMAN GETZ: For the purposes of
3 determining whether the planning process is adequate, as
4 opposed to some kind of prewarning that certain facilities
5 might be constructed? That's where I'm kind of confused
6 here.

7 MR. O'NEILL: On the gas side, the
8 purpose would be for the former, for the signaling of when
9 new -- I'd have to look at exactly what the statutes --
10 how the statutes are written. But the purpose is for
11 determining that we have a reasonable and reliable
12 portfolio that's designed to meet the energy needs of the
13 citizens of the Commonwealth at the lowest possible -- at
14 least cost, with minimal impact on the environment, is how
15 it's worded. I mean, we could provide the cite to the
16 statute in a record request, if that would be helpful?

17 CHAIRMAN GETZ: That would be helpful.
18 Thank you. So, we will reserve Exhibit Number 6 for that.

19 (Exhibit 6 reserved)

20 CHAIRMAN GETZ: That's all I have. So,
21 do you have redirect, Mr. Camerino?

22 MR. CAMERINO: Thank you.

23 REDIRECT EXAMINATION

24 BY MR. CAMERINO:

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[Witness panel: Silvestrini|Arangio|Poe]

- 1 Q. Mr. Silvestrini, briefly. There was a question or two
2 from the Consumer Advocate about the analysis of DSM
3 programs in the energy efficiency dockets versus in IRP
4 dockets. And, I believe you said that you thought that
5 the planning that's done in the energy efficiency
6 docket is sufficient, and there's no need for an
7 additional analysis in the IRP docket. Have I got that
8 correct?
- 9 A. (Silvestrini) Yes, that's correct.
- 10 Q. Does that mean that, if the analysis process,
11 analytical process is sufficient, that the Company
12 therefore believes that there is no need for additional
13 DSM measures at all?
- 14 A. (Silvestrini) No, that's not the case. In fact, I
15 think the Company is, and it may be formally or
16 informally, on record as being interested in expanding
17 our DSM programs to meet the needs of our customers and
18 to provide increased efficiencies on our system.
- 19 Q. So, your answer related to the analytical process, not
20 to whether there should be additional measures?
- 21 A. (Silvestrini) That's correct.
- 22 Q. Okay. Mr. Poe, Attorney Damon showed you Exhibit 4,
23 which was the Avista IRP. And, in that, it says that
24 "IRP regulatory requirements in Washington, Oregon, and

[Witness panel: Silvestrini|Arangio|Poe]

1 Idaho require several components in our plan", and then
2 it went on to recite what those components were. Are
3 you aware of whether Washington, Oregon, and Idaho have
4 statutes that might require a gas IRP?

5 A. (Poe) No, I am not, per se.

6 Q. And, do you have any awareness of whether maybe, in
7 addition to or in lieu of a statute, whether there's a
8 regulation that might require that?

9 A. (Poe) No, I'm not.

10 Q. So, you're not familiar at all as to why this company
11 would file IRPs in those three jurisdictions, are you?

12 A. (Poe) No, I'm not, sir.

13 Q. Okay. And, Mr. Silvestrini, Attorney Damon showed you
14 a 1996 order in a case in which Mr. McCluskey was
15 involved, in which the Company, in a settlement, agreed
16 to include certain electric IRP elements in its IRPs.
17 Do you recall that?

18 A. (Silvestrini) I do.

19 Q. Do you know whether there came a time after that
20 settlement that the Company ceased filing IRPs?

21 A. (Silvestrini) I do know that, when the acquisition of
22 EnergyNorth by KeySpan took place, there was not a
23 requirement to file an IRP at that time. That would
24 have been sometime after 1998.

[Witness panel: Silvestrini|Arangio|Poe]

- 1 Q. So, it would be fair to say that that settlement was no
2 longer in effect?
- 3 A. (Silvestrini) That would be my understanding, since we
4 were under no obligation to file an IRP.
- 5 Q. And, then, did there come a time after that when IRPs
6 started up again?
- 7 A. (Silvestrini) Yes.
- 8 Q. And, what was the proceeding that triggered that or the
9 agreement that caused that to happen?
- 10 A. (Silvestrini) Well, it was the settlement agreement in
11 DG 03-160, I believe, was the docket, where -- we
12 discussed it earlier, where there were a lot of issues
13 of contention between the Staff and the Company. And,
14 through a settlement agreement, the Company agreed
15 that, in order to provide more information/background
16 to the Staff to gain a better understanding of how we
17 do our planning process, the Company agreed to file
18 IRPs. And, I recall, as part of that settlement, there
19 were several things that the Company objected to, but
20 agreed, in the way of accommodation, to reach a
21 settlement, to change the way we did our planning
22 process.
- 23 Q. And, the IRP that the company filed in 2004, was that
24 similar to the IRP that's the subject of this docket?

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[Witness panel: Silvestrini|Arangio|Poe]

1 A. (Silvestrini) It was -- It's very similar, with the
2 exception of the nine changes that we made based on the
3 Settlement Agreement coming out of the 04-133 docket.
4 Everything else is the same.

5 Q. Also, Mr. Damon asked you a question, I think, trying
6 to get a sense of -- you had described that prior
7 proceeding in which the 2004 IRP was filed as being
8 "contentious", and he was trying to get a sense of,
9 "Well, how much of a focus was there really on the
10 IRP?" Do you recall that?

11 A. (Silvestrini) Yes, I do.

12 Q. Okay. And, I'd like to read to you a quote from
13 Mr. Adger, the Staff consultant. And, this is from
14 Page 15 of the transcript in this case, and ask you if
15 this is consistent with your recollection. He says
16 "Fully half of our report", and I understand, and you
17 tell me if you disagree with this, I understand him to
18 be referring to that report that Mr. Damon was
19 referring to earlier, "Fully half our report, I think,
20 though, addresses the Integrated Resource Plan." Is
21 that your recollection, that about half of the report
22 actually related to the IRP?

23 A. (Silvestrini) Yes, it is.

24 MR. CAMERINO: And, just so we have it

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[Witness panel: Silvestrini|Arangio|Poe]

1 as a separate document in this case, Mr. Chairman, I'd
2 like to mark that report as "Exhibit Number 7".

3 CHAIRMAN GETZ: It will be so marked.

4 (The document, as described, was
5 herewith marked as Exhibit 7 for
6 identification.)

7 MR. CAMERINO: And, I believe 6 was the
8 record request. Have I got that right?

9 CHAIRMAN GETZ: That's correct.

10 MR. CAMERINO: And, also, just for the
11 record, my copy has a little "27a" in the upper right-hand
12 corner, and I just want to make clear, that's a subfile
13 number from my file, that's not an exhibit number from the
14 prior case. And, also, that is in the prior docket that
15 we've already taken administrative notice of, but I can
16 provide additional copies, if folks would like that?

17 CHAIRMAN GETZ: I don't think that's
18 necessary.

19 MR. CAMERINO: Okay.

20 BY MR. CAMERINO:

21 Q. And, I just want to show you that report, Mr.
22 Silvestrini. Is that the Liberty report that was filed
23 in 04-133?

24 A. (Silvestrini) Yes, it is.

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[Witness panel: Silvestrini|Arangio|Poe]

1 Q. So, the IRP wasn't just a small issue in that case, it
2 was a major issue of contention?

3 A. (Silvestrini) It was, as well as our entire planning
4 process.

5 Q. And, did your testimony in that case express concerns
6 about some of the Liberty proposals and some of what
7 was being agreed to in the Settlement?

8 A. (Silvestrini) Yes, it did. I was asked specific
9 questions about my preference for doing certain types
10 of analysis. And, I said our preference was to
11 continue doing it the way we had always done it. But,
12 in the interest of settlement, we were agreeing to
13 change some of those methodologies.

14 MR. DAMON: If I may, at this point, I
15 know that the prefiled testimony, as well as a lot of this
16 testimony, characterizes the nature of the prior
17 proceeding, which is fine and I'm not going to object to
18 that. But the Staff would just say that the Commission,
19 with the benefit of the record as to which administrative
20 notice and so on will be taken, speaks for itself, and the
21 Commission is permitted to make up its own mind on the
22 proper characterization of what happened in those dockets.

23 MR. CAMERINO: I don't have a problem
24 with that. I just, obviously, my point is to try to

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[Witness panel: Silvestrini|Arangio|Poe]

1 emphasize a couple of things, rather than have the
2 Commission read that entire file.

3 BY MR. CAMERINO:

4 Q. And, then, lastly --

5 CHAIRMAN GETZ: And, then, am I
6 following correctly, though, there is some contention
7 about the level of contention in the previous proceeding?

8 (Laughter.)

9 MR. CAMERINO: Yes.

10 BY MR. CAMERINO:

11 Q. And, the last question for you, Mr. Silvestrini, do you
12 recall a question from Commissioner Morrison in that
13 docket, and, actually, rather than ask you about it,
14 I'm going to just read to you the question from him:
15 "Mr. Silvestrini, there's always a fine line between a
16 commission regulating an industry and a company and
17 attempting to, in a sense, make decisions for the
18 company. How close are we to the line in this
19 proceeding and in this Settlement?" Do you remember
20 that question?

21 A. (Silvestrini) I do.

22 Q. And, without reading the whole answer, is it fair to
23 say that your response was that "we were close to the
24 line, but that the Company was willing to accept the

[Witness panel: Silvestrini|Arangio|Poe]

1 terms of the Settlement"?

2 A. (Silvestrini) Yes, that's correct.

3 Q. Is it fair to say that, if the Company -- well, let me
4 ask you. If the Company had been asked -- been told at
5 the time of that Settlement that it was subsequently
6 going to be asked to do more than was in that
7 Settlement, would the Company have signed onto that
8 Settlement?

9 A. (Silvestrini) Probably not.

10 MR. CAMERINO: Thank you. That's all I
11 have.

12 MR. DAMON: Could I just ask one --

13 CHAIRMAN GETZ: Well, actually, were you
14 seeking to jump in here, Mr. Traum?

15 MR. TRAUM: I'd like to just ask one
16 follow-up question to the redirect.

17 RECROSS-EXAMINATION

18 BY MR. TRAUM:

19 Q. And, Mr. Silvestrini, that's for you. I believe you
20 mentioned that the Company would like to increase its
21 DSM spending activities. And, I'm just wondering, what
22 proceeding are you looking at to do that in?

23 A. (Silvestrini) Well, I know there's a generic proceeding
24 related to revenue decoupling mechanisms, with the

[Witness panel: Silvestrini|Arangio|Poe]

1 backdrop of increasing energy efficiency programs, and
2 providing companies some revenue relief for the lost
3 margins that would occur if they do that. And, I
4 believe it would be either in that proceeding or
5 perhaps in an upcoming rate case that the Company has
6 agreed to file as a result of the Settlement Agreement
7 in the National Grid merger.

8 Q. But not in an energy efficiency specific docket?

9 A. (Silvestrini) No, I don't believe so.

10 Q. And, you're not including it in an IRP proceeding?

11 A. (Silvestrini) Other than the levels that are approved
12 in the energy efficiency dockets in proceedings.

13 MR. TRAUM: Okay. Thank you.

14 CHAIRMAN GETZ: Mr. Damon, do you have
15 something prompted by the redirect?

16 MR. DAMON: Just very brief.

17 BY MR. DAMON:

18 Q. I mean, does the Company itself, quite apart from this
19 IRP process that's before the Commission, does it do
20 any strategic planning of its own?

21 A. (Silvestrini) In what sense?

22 Q. Infrastructure improvements?

23 A. (Silvestrini) Yes, we do capital distribution system
24 plans all the time, every year. Similar to the supply

[Witness panel: Silvestrini|Arangio|Poe]

1 plans, we do distribution system plans.

2 Q. And, you would, as part of those plans, also look at
3 infrastructure improvements to your on-system
4 resources?

5 A. (Silvestrini) What do you mean by "on-system
6 resources"?

7 Q. Your LNG and propane peaking facilities.

8 A. (Silvestrini) And, what do you mean by "improvements"?
9 I mean, we're always looking at what we need to
10 maintain -- to be able to maintain and operate those
11 facilities. Are you talking about expansions?

12 Q. Expansions, replacements, maintenance. Cost items that
13 affect the Company's infrastructure?

14 A. (Silvestrini) Yes, those would be part of our capital
15 -- capital projects.

16 MR. DAMON: Okay. Thank you.

17 CHAIRMAN GETZ: Mr. Camerino, anything
18 further?

19 MR. CAMERINO: No thank you.

20 CHAIRMAN GETZ: Okay. Then, the
21 witnesses are excused. Thank you very much. Just off the
22 record.

23 (Whereupon a brief off-the-record
24 discussion ensued and then a recess was

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[Witness: McCluskey]

1 taken at 3:33 p.m. and the hearing
2 resumed at 3:49 p.m.)

3 CHAIRMAN GETZ: Okay. We're back on the
4 record. Mr. Damon.

5 MR. DAMON: Thank you.

6 (Whereupon George R. McCluskey was duly
7 sworn and cautioned by the Court
8 Reporter.)

9 GEORGE R. McCLUSKEY, SWORN

10 DIRECT EXAMINATION

11 BY MR. DAMON:

12 Q. For the record, please state your name and business
13 address.

14 A. My name is George McCluskey. And, I work at the New
15 Hampshire Public Utilities Commission, 21 South Fruit
16 Street, Concord, New Hampshire.

17 Q. And, you filed direct and surrebuttal testimony in this
18 case?

19 A. I did.

20 Q. And, is your educational and professional background
21 and work responsibilities set forth in your testimony?

22 A. Yes, in my direct testimony.

23 Q. Let me show you two documents, and ask if you can
24 identify those two documents?

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[Witness: McCluskey]

1 A. Yes. The two documents refer to my direct testimony;
2 one is a redacted version and the other one is a
3 unredacted version.

4 MR. DAMON: I'd ask that these be
5 marked. And, I would suggest that the direct redacted
6 testimony be marked as the first exhibit, and then the
7 other one could be labeled that number "-C" for
8 "confidential".

9 CHAIRMAN GETZ: Okay. So, the direct
10 redated testimony will be marked for identification as
11 "Exhibit Number 8" and the unredacted portion will be
12 "8-C".

13 (The documents, as described, were
14 herewith marked as Exhibit 8 and Exhibit
15 8-C, respectively, for identification.)

16 BY MR. DAMON:

17 Q. Mr. McCluskey, do you wish to make any corrections to
18 either Exhibit 8 or Exhibit 8-C?

19 A. Yes, I've got two changes to make. The first one is on
20 Page 10, Line 9. And, it's referring to the Company's
21 proposed design day standard of "80.2", and, on Line 9,
22 I refer to that as "46.69 years", one in every 46.69
23 years, it should have been one in every "42.49 years".
24 And, my second correction is on Page 14, Line 12, where

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[Witness: McCluskey]

1 I state that the recommended design year standard is
2 "7,660 effective degree days" is equivalent to "once in
3 every 33 years", I should have said "once in every 36
4 years".

5 Q. As so corrected, is your direct testimony true and
6 accurate to the best of your knowledge and belief?

7 A. It is.

8 Q. Let me show you another document and ask if you can
9 identify that?

10 A. Yes. This is a copy of my surrebuttal testimony, filed
11 on November the 30th, 2007.

12 MR. DAMON: And, I ask that this be
13 marked as "Exhibit 9".

14 CHAIRMAN GETZ: So marked.

15 (The document, as described, was
16 herewith marked as Exhibit 9 for
17 identification.)

18 BY MR. DAMON:

19 Q. Mr. McCluskey, do you wish to make any corrections to
20 Exhibit 9?

21 A. Yes. I have one change on Page 9, Line 10. The
22 "\$103.3 per MMBtu", should have been "\$256 per MMBtu".

23 Q. Is that the only correction you wish to make?

24 A. That's correct.

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[Witness: McCluskey]

- 1 Q. Mr. McCluskey, on cross-examination of the Company's
2 witnesses regarding the design day and design year
3 planning standards, there was some testimony that may
4 have perhaps been somewhat confusing about what you
5 were recommending regarding a design day standard.
6 And, could you clarify that issue from your
7 perspective. What are you saying is your
8 recommendation for the design day standard expressed as
9 probabilities?
- 10 A. The design day standard that I'm recommending is on
11 Page 10 of my direct testimony. And, it's 79 effective
12 degree days, which is a once in every 32.26 years.
13 And, the explanation for how I arrived at that standard
14 is provided, I believe, in my direct testimony. But,
15 if there's any doubt about it, in my surrebuttal
16 testimony, I provided Exhibit 2, which is a response to
17 KeySpan Data Request 7, Set 1, where I explain how I
18 arrived at that number.
- 19 Q. And, again, could you clarify the situation regarding
20 what your opinion is regarding whether or not the 25
21 historically-observed coldest days are normally
22 distributed?
- 23 A. In my testimony, I don't analyze the 25 actual
24 observations, the effective degree days on the coldest

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[Witness: McCluskey]

1 days for the 25 years that the Company has referred to.
2 I don't address that in my testimony. However, in the
3 Liberty report, they claimed that the distribution of
4 those 25 points was not normally distributed, and
5 that's my understanding.

6 Q. And, in your testimony, do you have a view regarding
7 the normal distribution of the 3,000 Monte Carlo data
8 points?

9 A. For the -- For the coldest days?

10 Q. Yes.

11 A. Is that what you're referring to?

12 Q. Yes.

13 A. It's my understanding that it is certainly based on the
14 data that the Company provides in its report at I
15 believe it's Chapter III, Page 52, that, while not
16 normally distributed, it's fairly close in that.

17 Q. Let me show you Exhibit 4. And, I draw your attention
18 to the portions of Exhibit 4 which is Appendix 6.11,
19 regarding "Oregon Public Utility Commission IRP
20 Standards and Guidelines". And, I would ask you
21 whether those pages are the pages that you retrieved in
22 preparation for the hearing today?

23 MR. CAMERINO: Could I -- I'm a little
24 confused on what he's showing the witness. Is this --

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[Witness: McCluskey]

1 MR. DAMON: Exhibit 4.

2 MR. CAMERINO: That was Exhibit 4?

3 MR. DAMON: Yes.

4 MR. CAMERINO: Okay. Thank you.

5 BY THE WITNESS:

6 A. You're asking me where I obtained it?

7 BY MR. DAMON:

8 Q. Uh-huh.

9 A. Okay.

10 Q. The pages that describe the Oregon IRP requirements.

11 A. Yes. I obtained this from Avista, Avista's website,
12 where they had a full copy of the Integrated Resource
13 Plan that they filed with Oregon. And, I believe it
14 was with Washington and Utah.

15 Q. Idaho.

16 A. Idaho was the third state, that's correct. And, it was
17 referenced as an appendix to that filing, and it
18 actually states -- the document states it's "Appendix
19 6.11", and that's where I obtained that particular
20 document.

21 Q. Mr. McCluskey, I won't ask you to summarize your
22 testimony, but I will ask you if you have any comments
23 on the Company's testimony from this morning?

24 A. Yes. I have two comments, one statement by Mr. Poe and

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[Witness: McCluskey]

1 one by Mr. Silvestrini. I recall Mr. Poe stating that,
2 and this relates to the development of the design day
3 standard, and, in particular, the Company's use of the
4 cost/benefit analysis. I believe Mr. Poe said that
5 "the cost/benefit analysis helps the Company validate
6 the Company's design day standard." That is not my
7 understanding of the Company's process. The
8 cost/benefit analysis was not used to validate, which I
9 understand to mean "check", the design day standard
10 developed through some other process. Rather, the
11 cost/benefit analysis was actually -- was used to
12 establish the design day standard itself, not to check
13 some other result.

14 With regard to the second comment, from
15 Mr. Silvestrini, regarding his claim that "demand-side
16 resources generally have lower levels of reliability",
17 which may or may not be the case, I don't believe the
18 Company established in its filing that demand-side
19 resources -- all demand-side resources have lower
20 levels of reliability. But, even if that is the case,
21 I think good planning would actually take into account
22 the actual level of reliability and make appropriate
23 adjustments. Therefore, if demand-side resources are
24 -- let's say they are cost-effective and worth

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[Witness: McCluskey]

1 implementing, but have lower levels of reliability,
2 then, generally, what that would mean is that you would
3 have to, in order to achieve some target reliability,
4 you would have to have more demand-side resources or --
5 which would generally increase their costs. So, lower
6 levels of reliability, it can actually have an impact
7 on their cost-effectiveness. And, if you're going to
8 determine whether their cost-effective, you would have
9 to take that into account. If, after taking that lower
10 level of reliability into account, if they are
11 cost-effective, then you should consider implementing
12 them. If it causes them to be uneconomic, then you
13 wouldn't do them. But a lower level of reliability in
14 itself should not disqualify the inclusion of demand
15 resources in a portfolio.

16 Q. And, do you have any other comments on the testimony
17 you heard this morning?

18 A. No, I think -- I think my testimony speaks for itself.

19 MR. DAMON: No further questions.

20 CHAIRMAN GETZ: Mr. Traum.

21 MR. TRAUM: Thank you, sir.

22 CROSS-EXAMINATION

23 BY MR. TRAUM:

24 Q. Mr. McCluskey, today we heard the Company state several

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[Witness: McCluskey]

1 times that it used the 80 EDD standard, which was the
2 actual EDD four years ago, whereas you used 79. Now,
3 is the argument persuasive that, if 80 was the actual
4 four years ago, we shouldn't go below that?

5 A. Well, I think -- I think what the Company has actually
6 said that the 80 effective degree days is justified
7 based on its cost/benefit analysis. And, in addition
8 to that, they actually had an 80 effective degree day
9 day in a recent year, I believe it was in 2004. If the
10 cost/benefit analysis is done correctly, then maybe
11 that would be justification for having such a standard.
12 But, to justify it based on the fact that we had such
13 an event one or more years ago, to me is not -- is not
14 a strong argument for having it. For all we know, we
15 may never have another such event for another hundred
16 years. And, I don't think it would be appropriate to
17 have a standard if one in 100 years is the basis of the
18 effective degree day standard. That would be extremely
19 costly. So, I think the effective degree day standard
20 should be based on analysis, rational analysis, rather
21 than what actually happened in a recent year.

22 Q. Thank you. Do you have a copy of Exhibit 3 up there
23 with you, that's the Settlement Agreement in 04-133?

24 A. Yes, I do.

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[Witness: McCluskey]

- 1 Q. Now, in your testimony, which was just marked as
2 "Exhibit 8", on Page 2 of that testimony, starting on
3 Line 13, you state: "My testimony concludes that the
4 IRP addresses the issues required in Order Number
5 24,531." Now, there are you referring to that
6 Settlement Agreement, Exhibit 3?
- 7 A. The document you referred to, is that my surrebuttal
8 testimony?
- 9 Q. No, it's your February 7th testimony.
- 10 A. Okay. Could you give me the page?
- 11 Q. Certainly. It's Page 2, beginning on Line 13.
- 12 A. Yes. I'm referring to -- the Order number was
13 addressing, among other things, the Settlement
14 Agreement that you referred to, that you've just
15 referred to.
- 16 Q. Now, in that Settlement Agreement, in Paragraph 6,
17 there were a number of different criteria. And, I
18 guess I'd ask you to just address each of the criteria
19 in that paragraph, why you concluded that they are
20 addressed in the IRP.
- 21 A. Well, when I said they were "addressed", I wasn't
22 saying that they were necessarily addressed adequately.
23 They are addressed at some degree. In terms of the
24 very first one that they mention, that Paragraph 6

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[Witness: McCluskey]

1 mentions, "planning practices relating to long-term
2 portfolio optimization", that is addressed in the IRP.
3 The next sentence, "The section will identify available
4 and potentially available supply side resources and
5 their respective costs." If "available" is talking
6 about existing resources, those are addressed in the
7 IRP. "Potentially available supply-side resources",
8 they are not adequately addressed, in my view. The
9 Tennessee -- expansion of the Tennessee pipeline, which
10 is a prerequisite to adding additional upstream
11 pipeline capacity, is addressed in the IRP. But no
12 others in any detail, in any detailed description, of
13 how they might be used to fill the resource shortfall.
14 Their respective costs, other than the capital costs
15 associated with the Tennessee Concord Lateral
16 expansion, the respective costs are not addressed, in
17 my view. And, this is actually -- I discuss this at
18 Page 16 of my direct testimony.

19 MR. CAMERINO: I need to object at this
20 point or at least get some clarification. This witness
21 has previously testified, that's what prefiled testimony
22 is, that "the Settlement requirements have been
23 satisfied". And, I think we need clarification here on
24 whether he's saying that, "even though the Settlement

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[Witness: McCluskey]

1 terms were satisfied, he doesn't think that's adequate for
2 an IRP." That's one argument.

3 CHAIRMAN GETZ: Well, let me just
4 address it this way, though, Mr. Camerino. It seems like,
5 at the moment, he's answering questions to Mr. Traum. If
6 you think -- first of all, I think we should let Mr. Traum
7 finish his cross-examination. If you think there is some
8 conflict in what he's saying, I don't think it's really
9 through an objection, you have the opportunity through
10 cross-examination, if you think he's in conflict, to point
11 that out to us.

12 MR. CAMERINO: I understand that,
13 Mr. Chairman. But my problem is that this is very
14 technical, detailed testimony. I'm not going to have a
15 transcript in front of me. And, if the witness is
16 essentially allowed to remake his direct testimony, it's
17 very hard to cross-examine him on that. And, frankly, I'm
18 sympathetic that this is Mr. Traum, not Mr. Damon, asking
19 the questions. But, if we could at least have the witness
20 clarify, when he gives his critique, is he saying that
21 this criticism he states, whatever it is, is that it's not
22 satisfying the Settlement or that it's just not adequate
23 in his view, as a general matter, that might truncate the
24 need for additional cross.

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[Witness: McCluskey]

1 MR. TRAUM: What I was planning to do,
2 once Mr. McCluskey finished this particular question, is
3 ask him to go into the next sentence of his testimony that
4 starts with "however". And, I'm just trying to understand
5 what he means by all of this.

6 MR. CAMERINO: And, to be clear, I know
7 this is unusual, I'm not objecting to Mr. Traum's
8 question. My concern is that the witness's testimony is
9 essentially new direct, if he is now saying that "the IRP
10 filing does not satisfy the Settlement." And, so, it
11 would be helpful, at a minimum, if somebody could be clear
12 on what it is that the witness is saying here. And, I
13 know that's a bit of a confusing statement, but it's going
14 to lead us down a complicated road.

15 CHAIRMAN GETZ: Well, and I'm taking --
16 you're basically asking this as a convenience, because you
17 don't want to --

18 MR. CAMERINO: Come back on another day.

19 CHAIRMAN GETZ: Well, let's get that
20 question answered right now. I guess, you're asking, as a
21 general matter, and I assume this would be something you
22 would be doing on your cross regardless?

23 MR. CAMERINO: I'm trying to avoid cross
24 on this, frankly. And, so, I apologize, and maybe it's

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[Witness: McCluskey]

1 just in the nature of a request. If we could have clarity
2 on that, it would be helpful to this proceeding.

3 CHAIRMAN GETZ: I think, why don't you
4 pose the question, so we won't have any argument about my
5 translation.

6 MR. CAMERINO: And, if I could request,
7 to the extent they're willing to comply, of Mr. Traum and
8 the witness, if it can be clear on the record, when there
9 is a criticism of the filing, is it that "it didn't comply
10 with the Settlement in the regard that is stated" or is it
11 that "it's not sufficient for an IRP, even though it may
12 have complied with the Settlement, I would like to see
13 these additional things", that would be helpful.

14 CHAIRMAN GETZ: Well, that wasn't quite
15 where I thought --

16 MR. CAMERINO: Was that not what you
17 were looking for?

18 CHAIRMAN GETZ: -- where things were
19 going. But, basically, I think the question you're asking
20 or would like to ask Mr. McCluskey is, is he taking a
21 different position now, with respect to whether the filing
22 complied with the Settlement Agreement?

23 MR. CAMERINO: I guess so. I was not
24 trying to interrupt with my own questions, though, that's

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[Witness: McCluskey]

1 why I --

2 CHAIRMAN GETZ: Well, I think it's too
3 late for that.

4 (Laughter.)

5 MR. CAMERINO: Okay.

6 MR. TRAUM: I have no problem with that
7 question.

8 BY THE WITNESS:

9 A. The answer is, I do not believe the filing adequately
10 complies with the settlement. And, the reason I cannot
11 say that it's purely contrary to the Settlement, is
12 that, in some respects, the filing addresses some of
13 the issues. For example, I've just said that,
14 regarding the mention of "available and potentially
15 available resources", I've said the IRP filing, if
16 "available" means "existing resources", it addresses
17 them. "Potentially available", there we talk about new
18 resources, you can't say it doesn't address those,
19 because we know it addresses the Tennessee Concord
20 Lateral. And, the "respective costs", there are some
21 costs, but there are costs missing. So, I can't state
22 flat out that this IRP is contrary to the Settlement
23 Agreement, because in parts it is and parts it's not.
24 That's why I believe it does not adequately address the

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[Witness: McCluskey]

1 issues in the Settlement Agreement.

2 MR. CAMERINO: And that, to me, is a
3 correction to his testimony, which he did not give on
4 direct, and we've had no discovery on. It has been our
5 understanding since his first filing and in his
6 surrebuttal filing, and based on meetings with the Staff,
7 that the Company "complied with the Settlement". Now,
8 we're hearing something different. We don't have any
9 discovery on what those noncompliances are.

10 CHAIRMAN GETZ: All right. Well, this
11 is how we're going to proceed. We're going to get -- let
12 Mr. Traum conduct his cross. You'll have the opportunity
13 for cross. At a minimum, there seems to be a shade of
14 difference in this characterization from what I took from
15 the testimony. I'm going to have questions of my own.
16 But you'll be able to pursue cross, and then make any
17 arguments that are available to you about whether, I
18 guess, essentially, this needs to be reopened or, you
19 know, what opportunity or avenues you might pursue. But
20 we need to get going with this proceeding. So, let's turn
21 back to Mr. Traum.

22 BY MR. TRAUM:

23 Q. Mr. McCluskey, before we got into this discussion, you
24 were responding to my original question, working

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[Witness: McCluskey]

1 through Paragraph 6. And, I think you had gotten
2 through the "potentially available supply resources and
3 respective costs". Continuing in that paragraph, were
4 there -- did the Company's filing adequately, in your
5 mind, address the other aspects of the Settlement?

6 A. No, they do not. The sentence -- The next sentence:
7 "In addition, the section will discuss the
8 opportunities for utilizing these available resources,
9 either as replacements for expiring contracts or
10 meeting load growth". My testimony is very clear that
11 there is no evaluation of the question of whether
12 existing resources should be renewed or replaced,
13 renewed at existing or other levels or replaced, and --

14 (Extraneous noise over the speakers.)

15 CHAIRMAN GETZ: Wait a second.

16 MR. CAMERINO: Just like at home.

17 CHAIRMAN GETZ: Sorry for the

18 interruption. Please finish.

19 BY THE WITNESS:

20 A. And, the same with regard to meeting load growth. My
21 testimony is very clear, at Page 16, that there's no
22 evaluation of how the Company would meet the resource
23 shortfall, which they do identify in their filing, with
24 potentially available supply resources. Then, going

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[Witness: McCluskey]

1 onto the next line, "and identify the mix and timing of
2 resource additions and subtractions that are expected
3 to minimize costs over the long-term". Again, my
4 testimony is absolutely clear, see Page 27 of my direct
5 testimony, which is contrary to what's required there.

6 BY MR. TRAUM:

7 Q. Do you have any further comments on that paragraph or
8 did the Company comply with the balance of that
9 paragraph in your mind?

10 A. Certainly, with regard to the last sentence, I don't
11 recall them discussing resources unlikely to be
12 available, may have done, but I don't recall. And,
13 with regard to the prior sentence, I really don't
14 recall. I know they talk about the importance of load
15 shape and that peaking facilities would be appropriate
16 for filling a peak-type load. So, on that one, to some
17 degree, they do address that issue. I couldn't say at
18 this point to what level they do address that issue
19 mentioned in the second to the last sentence.

20 Q. And, other than this Paragraph 6, was the Company's
21 filing in compliance with the IRP, in your view, with
22 the IRP Settlement?

23 A. My notes on this, other than Item 4, which is referring
24 to Monte Carlo, in my surrebuttal testimony I do note

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[Witness: McCluskey]

1 that the Company did file a Monte Carlo simulation
2 analysis. But the design planning standard was not
3 developed from that Monte Carlo simulation. It was
4 actually developed from a cost/benefit analysis. So,
5 whether the filing is in compliance with Item 4, again,
6 that's one of those where it's not black and white.
7 Yes, they have a Monte Carlo simulation, but they don't
8 develop a design day standard from that.

9 Q. Again, referring to your testimony, Page 2 of
10 Exhibit 8, the sentence after the one that we just
11 discussed, starting on Line 14: "However, it also
12 concludes, among other things, that the Company does
13 not have a formal plan to meet at least cost the
14 projected incremental increase in customer demand over
15 the planning period." Is that specifically aimed --
16 that comment specifically aimed at the Concord Lateral,
17 which is the subject now of a separate docket?

18 A. No. I think what I'm getting at there, I'm referring
19 to my testimony, and I'm stating that the Company does
20 not have a formal plan to meet the shortfall. And,
21 essentially, if you go back to Paragraph 6, where it
22 says "identify the mix and timing of resource additions
23 and subtractions that are expected to minimize costs
24 over the long-term", that's really what I'm getting at

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[Witness: McCluskey]

1 there. They don't have a plan in the filing which
2 shows how they would meet the shortfall based on the
3 resources available to them and the cost evaluations of
4 those resources.

5 Q. Thank you. Now, starting on Page 15 and 16 of the same
6 testimony, Exhibit 8, you discuss the demand-side
7 resources and the IRP. I guess, maybe just to start,
8 could you very briefly summarize what your
9 recommendation is there.

10 A. Well, the bottom line is, this filing is about
11 integrated resource planning. And, when integrated
12 resource planning was first developed, the thing that
13 was new about it was the proponents of that type of
14 planning were recommending that demand-side resources
15 be treated on an equivalent basis with supply-side
16 resources, when it came to meeting customer needs at
17 least cost. And, so, one would expect, in an
18 integrated resource plan, that you would actually have
19 a section which first identifies the available
20 demand-side assets, and then evaluates the cost of
21 those, the cost-effectiveness of those, relative to
22 supply-side costs, and make a determination as to
23 whether it would be effective to begin to include some
24 of those programs in the Company's planning to meet

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[Witness: McCluskey]

1 loads and, importantly, minimize costs for customers.
2 And, what I don't see in the filing is that type of
3 analysis. And, I'm recommending that the Company begin
4 to do that type of analysis in the future.

5 Q. And, do you know, in the Company's DSM filing, 06-032,
6 if they did address what the entire universe of
7 cost-effective demand-side resources is or is that
8 information available to the Commission in any form at
9 this point in time?

10 A. I have not, for some time, been involved in DSM
11 proceedings, whether they be for gas or electric
12 companies. So, I can't say what KeySpan -- how KeySpan
13 went about identifying the demand-side programs that
14 are currently part of its offerings to customers. I
15 know, typically, from what -- my experience with
16 electric and gas companies, is that they don't develop
17 the technical and market potentials for demand-side
18 programs. It's quite possible that National Grid has
19 done that in the past for its electric companies. But,
20 typically, in these energy efficiency proceedings, that
21 is not done. What they do do is identify some programs
22 and test their cost-effectiveness against avoided cost
23 forecasts. And, any resources that are determined to
24 be cost-effective, based on standards laid down by the

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[Witness: McCluskey]

1 Company and the Commission, they will then decide what
2 an appropriate budget would be, and hence savings
3 targets. And, that's how they would go about it.
4 Which is different from what I'm recommending here. I
5 think the objective of integrated resource planning is
6 to determine what the optimal level of demand-side
7 resources should be in a resource portfolio. That
8 doesn't mean to say that Staff will be advocating that
9 you immediately move to that level. But, from a
10 planning standpoint, you could identify what the
11 optimum is, and then decisions could be made as to what
12 would be an appropriate level of demand-side resources
13 in the portfolio over time. That's the kind of thing
14 that I am suggesting that the Company should do.

15 Q. Okay. And, your expectation would be that it would be
16 in an IRP-type docket, not in a rate case?

17 A. That's correct. In a rate case, there are far, far too
18 many other issues going on to ensure that this would
19 get the treatment that it deserves.

20 Q. Or, in a generic revenue neutral rate redesign case or
21 a decoupling case?

22 A. Again, I think that case should be about decoupling and
23 not about -- the merits of decoupling and how
24 decoupling should be implemented, if at all, and not

[Witness: McCluskey]

1 about what is the appropriate level of demand-side
2 resources to be implemented.

3 MR. TRAUM: Thank you. I have nothing
4 else.

5 CHAIRMAN GETZ: Mr. Camerino.

6 MR. CAMERINO: I think, you know, and I
7 have to say at the moment, I think we could benefit from
8 five minutes, but, at the moment, I'm anticipating
9 probably 45 minutes of questions. But I'd rather, we have
10 some concerns, as I noted, about what we perceive is new
11 testimony from Mr. McCluskey. So, we'd still like to
12 reconvene, and just sort of -- in case the Commission was
13 thinking about not finishing today, we'd like to reconvene
14 to talk potentially about how we might deal with that
15 procedurally.

16 CHAIRMAN GETZ: Okay. Let's go off the
17 record for a second.

18 (Whereupon a brief off-the record
19 discussion ensued.)

20 CHAIRMAN GETZ: Well, let's take five
21 minutes, if you want to discuss it among yourselves.

22 MR. CAMERINO: Yes, that would be great.
23 Thanks.

24 (Recess taken at 4:27 p.m. and the

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[Witness: McCluskey]

1 hearing resumed at 4:34 p.m.)

2 CHAIRMAN GETZ: Okay. We're back on the
3 record. I guess, Mr. Camerino, you had some thoughts
4 about how to proceed?

5 MR. CAMERINO: Yes. We have an idea
6 that may be will bring us to a conclusion, in terms of the
7 hearing, right now. We're prepared to waive our cross of
8 Mr. McCluskey, on two bases. One is, I have four
9 exhibits, which I believe will be noncontroversial, that I
10 would just like to mark and get in the record, and I can
11 explain what those are in a minute. And, the second is,
12 we had had a request from Mr. Damon that, instead of
13 closing arguments, that we file briefs. We're prepared to
14 agree to that, as long as the Staff and Consumer Advocate
15 file their briefs first, so that we know what the Staff's
16 position is in this case. And, just as in an oral
17 closing, we would have an opportunity to respond to that.
18 Because, as you can tell, we're very concerned that we
19 don't know what this witness's position is anymore. So,
20 we don't need to ask him any questions, as long as there
21 are briefs and we get to respond to the Staff's position.

22 CHAIRMAN GETZ: Any objection to that
23 procedure?

24 MR. TRAUM: No, sir.

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[Witness: McCluskey]

1 MR. DAMON: Staff does not. However, I
2 think the Staff would propose that there be the
3 opportunity for a rebuttal brief, if necessary, and
4 hopefully it wouldn't be. But, if we hear something from
5 the Company that we're unaware of and unable to deal with
6 in our direct brief, we'd like an opportunity to respond
7 to that.

8 CHAIRMAN GETZ: Well, I guess I find
9 persuasive Mr. Camerino's position that the Company should
10 have the chance to go last, like it would in any closing
11 in a proceeding. And, so, I hesitate then to provide, as
12 a matter of right, that there's going to be another round
13 for Staff. If something comes up, you're free to make a
14 motion to us to have another round. But, if we grant that
15 motion, then part of that will be the opportunity for the
16 Company to go last.

17 MR. DAMON: After the Staff?

18 CHAIRMAN GETZ: Yes.

19 MR. DAMON: Okay.

20 MR. CAMERINO: And, then, if you'd like,
21 I would just identify what the four exhibits are, --

22 CHAIRMAN GETZ: Please.

23 MR. CAMERINO: -- and make sure that the
24 Staff and the Consumer Advocate don't have any objection.

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[Witness: McCluskey]

1 There have been some references today to the NARUC Primer
2 on Integrated Resource Planning. I'd like to mark four
3 pages, four or five pages from that. And, this is true of
4 the other documents I'm referring to. I'm prepared to
5 mark the whole document, it's just I'm trying to avoid a
6 lot of copying. So, my proposal would be to mark some
7 excerpts from that document. The second is, I'd like to
8 mark several pages from the Liberty slide presentation
9 that was given in the settlement proceeding.

10 MR. DAMON: Which is that?

11 MR. CAMERINO: When Liberty testified in
12 04-133, as part of their presentation, they had some
13 slides, and those were marked in the prior proceeding.
14 So, as I mentioned before, administrative notice has been
15 taken of those, but I think, just so that the Commission
16 sees what were referred to, I think it would be helpful to
17 mark it again as an exhibit. So, there are a couple of
18 slides from that. And, I have -- I have copies of all of
19 this here now. The third thing is a copy of two pages
20 from the order in that docket, again, just so that the
21 Commission has the relevant portion. And, the final is,
22 Mr. McCluskey's testimony refers to the Northern IRP, I
23 have about four pages as an excerpt from that IRP that he
24 was referring to that I'd like to mark. So, these are all

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[Witness: McCluskey]

1 documents that have been referred to in one way or
2 another. If the Commission or anyone else feels that, for
3 completeness, the full document should be marked, I'd
4 certainly be willing to do that, but my proposal was just
5 excerpts.

6 CHAIRMAN GETZ: Any objection to doing
7 excerpts?

8 MR. DAMON: The Staff would, does object
9 to that. I think that, if any pages of those are going to
10 be admitted, the whole thing should be, just for the sake
11 of completeness.

12 MR. CAMERINO: That's fine.

13 CHAIRMAN GETZ: Okay. And, these are, I
14 guess, going to be numbered "Exhibits 10", "11", "12", and
15 "13". And, if you can give a written description to the
16 Clerk, and then we'll have the full body of all four of
17 those exhibits will become the exhibits in the proceeding.

18 MR. CAMERINO: And, maybe what I can do
19 today, I'll give the Clerk a cover sheet of each one, and
20 then I'll provide the complete document and sufficient
21 copies subsequently.

22 CHAIRMAN GETZ: Okay. Thank you.

23 (The documents, as described, were
24 herewith marked as Exhibits 10, 11, 12

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[Witness: McCluskey]

1 and 13, respectively, for
2 identification.)

3 CHAIRMAN GETZ: All right. Then --
4 well, I guess your excused, Mr. McCluskey. I just want to
5 wrap up a few administrative things. Is there any
6 objection to striking identifications and admitting the
7 exhibits as full exhibits?

8 (No verbal response)

9 CHAIRMAN GETZ: Hearing no objection,
10 they will be admitted as full exhibits. I expect that the
11 parties want to see the transcripts before the briefs.
12 Why don't we do this, in terms of a schedule. If the
13 parties can discuss dates, then, Mr. Damon, if you could
14 just submit something in writing about what the briefing
15 schedule is and whatever the parties agree to, then we
16 will approve that as the briefing schedule.

17 Is there anything else that we need to
18 address today?

19 (No verbal response)

20 CHAIRMAN GETZ: Hearing nothing, then
21 we'll close the hearing, await for the briefs, and take
22 the matter under advisement. Thank you, everyone.

23 (Whereupon the hearing ended at 4:41 p.m.)

24

