

PUBLIC UTILITIES COMMISSION

RE: DG 12-265
ENERGYNORTH NATURAL GAS, INC.
d/b/a LIBERTY UTILITIES:
Winter 2012-2013 Cost of Gas.

Sandy Deno, Clerk

Reptg. Residential Ratepayers:
Rorie E. P. Hollenberg, Esq.
Donna McFarland, Finance Director
Office of Consumer Advocate

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

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

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**WITNESS PANEL: ANN E. LEARY
FRANCISCO C. DaFONTE**

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1	<u>Confidential</u> Winter 2012-2013 Cost of Gas filing, including testimony, schedules & tariff pages (CONFIDENTIAL & PROPRIETARY)	7
2	<i>Redacted</i> Winter 2012-2013 Cost of Gas filing, including testimony, schedules & tariff pages (REDACTED - For public use)	7
3	<u>Confidential</u> ENGI d/b/a Liberty Utilities revised tariff pages and schedules (CONFIDENTIAL & PROPRIETARY)	7
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1 P R O C E E D I N G

2 MS. THUNBERG: Good morning. We'll open
3 today's hearing in Docket DG 12-265, EnergyNorth Natural
4 Gas, doing business as Liberty Utilities, has filed its
5 winter cost of gas. And, I'll state for the record that
6 Liberty Utilities is a regulated public utility engaged in
7 the business of distributing natural gas in 28 cities and
8 towns in southern and central New Hampshire, as well as
9 the City of Berlin. Liberty's filing was filed on
10 August 31st, 2012, and the filing updated a fixed -- or,
11 suggested a cost of gas change and a Fixed Price Option
12 rate change for the winter period beginning November 1st,
13 2012 through April 30th, 2013. It also filed a Local
14 Delivery Adjustment Clause charge change, and also changes
15 to supplier charges for the period November 1, 2012
16 through October 31st, 2013. I'm not sure if that is
17 correct, but you can correct me if I've cited the wrong
18 date from the order of notice?

19 MR. SPEIDEL: Which one? The
20 termination date?

21 MS. THUNBERG: The termination date for
22 November 1, 2012 through October 31, 2013 for supplier
23 charges. Did I cite that correctly?

24 MR. SPEIDEL: That's correct. Yes.

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1 MR. WYATT: That's correct, yes.

2 MS. THUNBERG: Thank you, Staff.

3 MR. SPEIDEL: It's annually.

4 MS. THUNBERG: On September 9th, 2012,
5 the Commission issued an order of notice setting today as
6 the hearing on this filing. The order of notice also
7 contained a summary of the proposed rate changes, so I
8 won't reiterate those here. The record indicates that
9 Liberty filed an affidavit regarding its publication of
10 the order of notice on September 24th, 2012. So, that is
11 taken care of.

12 Office of Consumer Advocate has filed a
13 letter indicating it would be participating today. The
14 Commission has not received any other petitions for
15 intervention nor any public comments. And, I would ask at
16 this time if there are any petitions to intervene?

17 (No verbal response)

18 MS. THUNBERG: There appear to be no
19 other interventions. I would also, prior to taking
20 appearances, like to note, my name is Marcia Thunberg.
21 I've been appointed as the Hearings Examiner for today.
22 It is customary for the Hearings Examiner to issue a
23 report of the hearing at the conclusion. But I would
24 also, maybe in the overabundance of caution, note that I

1 also represent Staff in another adjudicative proceeding
2 that involves Liberty. And, I would suggest that my
3 recommendation filed with the Commission on this hearing
4 will not include a recommendation from myself, it will
5 just be a presentation of what was heard today. So, I
6 just wanted to make note of that. Didn't want there to be
7 any appearance of any bias or anything, given my dual
8 roles today. So, -- or, my dual roles for the Staff.

9 So, with that, can I start with
10 appearances please?

11 MR. KNOWLTON: Good morning, Hearings
12 Examiner Thunberg. My name is Sarah Knowlton. I'm with
13 Liberty Utilities. With me today are the Company's
14 witnesses, Michele Leone, Chico Dafonte, and Ann Leary.
15 And, also here from the Company, sitting at various
16 tables, are Theodore Poe, who is here in his capacity as a
17 National Grid employee, and Kevin Baxter as well. And,
18 from Liberty, ChristiAne Mason and Mary Casey.

19 MS. THUNBERG: Thank you. OCA?

20 MS. HOLLENBERG: Good morning. Rorie
21 Hollenberg and Donna McFarland, here for the Office of
22 Consumer Advocate.

23 MS. THUNBERG: Good morning. Thank you.

24 MR. SPEIDEL: Good morning. Alexander

1 Speidel for the Staff of the Commission. I have with me
2 Staff Analyst Bob Wyatt and Steve Frink.

3 MS. THUNBERG: Now, a question for the
4 parties. Is there an agreement on marking of exhibits for
5 identification today?

6 MR. KNOWLTON: The Company has proposed
7 to mark the following exhibits for identification:
8 Exhibit 1 would be the confidential winter cost of gas
9 filing that was submitted on August 31st, 2012; Exhibit 2
10 would be the redacted version of that same filing; Exhibit
11 3 would be the confidential filing pages that were
12 submitted on October 14th to the Commission; and Exhibit 4
13 would be the redacted version of that October 14th filing.

14 MS. THUNBERG: Are there extra copies
15 for the Hearings Examiner?

16 (Atty. Knowlton handing documents to
17 Atty. Thunberg.)

18 MS. THUNBERG: Thank you.

19 (The documents, as described, were
20 herewith marked as **Exhibit 1** through
21 **Exhibit 4**, respectively, for
22 identification.)

23 MS. THUNBERG: Is there going to be a
24 presentation by the Company of a witness panel?

1 MR. KNOWLTON: Yes. The Company would
2 propose by first calling Michele Leone, and then, after
3 Ms. Leone has completed her testimony and there's been
4 cross-examination, we would present as a panel Ms. Leary
5 and Mr. DaFonte.

6 MS. THUNBERG: Any objection to
7 proceeding with that?

8 MS. HOLLENBERG: No.

9 MR. SPEIDEL: If we could just back up a
10 tiny little bit.

11 MS. THUNBERG: Uh-huh.

12 MR. SPEIDEL: Some of the Staff, we have
13 a little bit of confusion about the dates of the materials
14 that have been submitted for filing. If we could go over,
15 we have a filing dated October the 12th of 2012, which are
16 revised pages for the tariff. Would that be the
17 October 14th filing referred to by Company counsel or --

18 MR. KNOWLTON: Yes. I apologize. It's
19 October 12th.

20 MR. SPEIDEL: Thank you very much.

21 MR. KNOWLTON: Thank you for clarifying
22 that.

23 MS. THUNBERG: Any other procedural
24 issues before we start with the panel?

[WITNESS: Leone]

1 (No verbal response)

2 MS. THUNBERG: Okay. Thank you.

3 Attorney Knowlton, you may proceed.

4 MR. KNOWLTON: The Company calls Michele
5 Leone.

6 (Whereupon **Michele V. Leone** was duly
7 sworn by the Court Reporter.)

8 **MICHELE V. LEONE, SWORN**

9 **DIRECT EXAMINATION**

10 BY MR. KNOWLTON:

11 Q. Good morning, Ms. Leone. Would you state your full
12 name for the record please.

13 A. Michele V. Leone.

14 Q. By whom are you employed?

15 A. National Grid.

16 Q. In what capacity?

17 A. I am the Manager of National Grid's Upstate New York
18 and New England Site Investigation and Remediation
19 Program.

20 Q. And, are you here today in your capacity as providing
21 services to Liberty Utilities through the Amended and
22 Restated Transition Services Agreement?

23 A. I am.

24 Q. And, do you have any responsibilities in your current

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[WITNESS: Leone]

1 position that relate to this winter cost of gas filing?

2 A. The majority of the activities that were performed,
3 that are documented in the filing, were done by
4 National Grid -- or, by EnergyNorth, when was it was
5 still owned by National Grid. So, yes.

6 Q. And, you've -- and, we've marked for identification as
7 "Exhibit 1" the "EnergyNorth Natural Gas, Inc. d/b/a
8 Liberty Utilities Winter 2012 to '13 Cost of Gas"
9 filing. Do you have that before you?

10 A. I do not.

11 Q. Okay. May I give you a copy?

12 A. Sure.

13 (Atty. Knowlton handing document to
14 Witness Leone.)

15 BY MR. KNOWLTON:

16 Q. Ms. Leone, does that filing contain testimony that was
17 prepared by you or under your direction?

18 A. Yes, it does.

19 Q. And, do you have any corrections or clarifications to
20 that testimony?

21 A. I do not.

22 Q. If I were to ask you the questions that are contained
23 in that testimony today, would your answers be the
24 same?

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[WITNESS: Leone]

1 A. Yes.

2 MR. KNOWLTON: I have no further
3 questions for Ms. Leone.

4 MS. THUNBERG: OCA, do you have any
5 cross?

6 MS. HOLLENBERG: No thank you.

7 MS. THUNBERG: Attorney Speidel?

8 MR. SPEIDEL: Thank you, Attorney
9 Thunberg.

10 **CROSS-EXAMINATION**

11 BY MR. SPEIDEL:

12 Q. Ms. Leone, could you please provide a brief update on
13 the status of the Liberty Hill remediation effort.

14 A. Sure. As documented in my testimony, the State of New
15 Hampshire, the New Hampshire DES filed a final decision
16 related to Liberty Hill in November of 2011, indicating
17 that it did not concur with the Company's recommended
18 remedial alternative. In December 2011, we appealed
19 that. We are continuing with Settlement discussions
20 with the New Hampshire Attorney General's Office and
21 the New Hampshire DES to try and resolve that matter.

22 Q. To date, please identify the contaminated sites that
23 have been remediated, and total remediation costs,
24 legal costs in pursuing third party recoveries, and the

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[WITNESS: Leone]

1 amount of third party recoveries, to the best of your
2 ability.

3 A. Sure. Remedial activities have been performed on a
4 number of the sites that we're working on. The sites
5 that we are currently working on are Nashua, Concord,
6 Concord Pond, Liberty Hill, and Manchester. None of
7 the sites have been remediated to closure to date, but
8 numerous activities have been performed as approved by
9 the New Hampshire DES.

10 Our total environmental costs to date
11 are \$30.6 million. We have recovered 22.8 million in
12 insurance recoveries, and spent 7.2 million to pursue
13 those insurance companies, for a net expense of
14 \$15 million.

15 Q. Okay. Thank you. Are there any additional or
16 anticipated sites requiring remediation within the
17 Liberty system?

18 A. Yes. Numerous sites have Remedial Action Plans that
19 have been submitted to New Hampshire DES, including
20 Liberty Hill. That site will require remediation once
21 the appeal is resolved with the AG's Office and DES.
22 The Manchester MGP site also has a Remedial Action Plan
23 that has been approved by the New Hampshire DES. The
24 Company is currently completing certain investigation

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[WITNESS: Leone]

1 activities that were approved by DES as part of that
2 report. Once that -- those investigations are done and
3 documented with the state, remedial activities will be
4 required at that site. Also, the Concord Pond MGP site
5 has a presumptive approval for additional remedial
6 activities. However, we are still working through
7 access from the New Hampshire DOT and the City of
8 Concord. Those three sites we do anticipate further
9 activities. There may also be additional activities at
10 the Concord MGP site and the Nashua MGP site. We do
11 not have Remedial Action Plans that have yet been
12 submitted to the New Hampshire DES on those sites.

13 Q. Thank you. Would you be able to provide an aggregate
14 expected cost figure for those remediation efforts that
15 you just described and the potential for third party
16 recoveries?

17 A. For the Liberty Hill site, the cost or the anticipated
18 cost, as documented in the Remedial Action Plan for the
19 site for the remedy that we proposed was 10.9 million.
20 For the Manchester MGP site, that -- the cost
21 documented in the Remedial Action Plan for that site
22 were approximately 10 to 12 million. And, we don't
23 have a cost at this point for the Concord Pond work, as
24 we still are negotiating with the City of Concord and

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[WITNESS: Leone]

1 DOT as to what exactly that project will entail.

2 And, then, for third party recoveries,
3 we are currently receiving third party recoveries from
4 three entities: For the Manchester site, the Concord
5 site -- the Concord Pond site, and the Nashua site.
6 And, we anticipate that -- there are ongoing third
7 party recoveries, and we anticipate that they will
8 continue through the course of those projects.

9 MR. SPEIDEL: Thank you, Ms. Leone.

10 (Atty. Speidel conferring with Mr. Frink
11 and Mr. Wyatt.)

12 MR. SPEIDEL: Thank you. No further
13 questions from Staff.

14 MS. THUNBERG: I don't -- there are no
15 questions that I have. I don't know if, Attorney
16 Knowlton, you have any redirect?

17 MR. KNOWLTON: No. I have no redirect.

18 MS. THUNBERG: I guess we're done with
19 this witness, is that correct?

20 MR. KNOWLTON: Yes, that's correct.

21 And, I would also ask, if we're done with this witness,
22 whether she may be excused from the hearing, unless
23 there's any need for her to stay, she could return to her
24 other job duties?

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[WITNESS PANEL: Leary~DaFonte]

1 MS. HOLLENBERG: No objection.

2 MR. SPEIDEL: No objection also.

3 MS. THUNBERG: Okay. Then, yes, you can
4 be excused as the witness for today. Thank you. Do you
5 have another witness?

6 MR. KNOWLTON: Yes. The Company would
7 call Ann Leary and Chico DaFonte to sit as a panel please.

8 (Whereupon **Ann E. Leary** and
9 **Francisco C. DaFonte** were duly sworn by
10 the Court Reporter.)

11 MS. THUNBERG: Thank you for swearing
12 them in. Attorney Knowlton, would you like to start your
13 direct.

14 MR. KNOWLTON: Thank you.

15 **ANN E. LEARY, SWORN**

16 **FRANCISCO C. DaFONTE, SWORN**

17 **DIRECT EXAMINATION**

18 BY MR. KNOWLTON:

19 Q. Ms. Leary, I'll start with you. Would you please state
20 your full name for the record.

21 A. (Leary) Yes. My name is Ann Leary.

22 Q. By whom are you employed?

23 A. (Leary) National Grid.

24 Q. In what capacity?

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1 A. (Leary) I am the Manager of Gas Pricing.

2 Q. Do you have responsibility in that role for the winter
3 cost of gas filing that was submitted today -- excuse
4 me, submitted on August 31st and being considered
5 today?

6 A. (Leary) Yes, I do. In accordance with the Amended and
7 Restated Transitional Services Agreement between
8 National Grid USA and EnergyNorth, National Grid
9 employees will be providing services to EnergyNorth to
10 prepare such filings.

11 Q. And, do you have before you what we've marked as
12 "Exhibit 1", which is the confidential version of the
13 winter cost of gas filing?

14 A. (Leary) Yes, I do.

15 Q. And, that filing contains prefiled direct testimony
16 from you, correct?

17 A. (Leary) That is correct.

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

19 A. (Leary) Yes, it was.

20 Q. Do you have any corrections to your testimony today?

21 A. (Leary) Yes. I'd like to make a few corrections.
22 First, I will kind of review, as Exhibit 3 and 4, which
23 were a set of revised tariff pages that we had
24 submitted on October 12th. The first one is on Bates

1 stamp Page 0084. The Company submitted a revised
2 Dominion gas tariff, which supports some of the rates
3 included in our cost of gas filing.

4 Q. And, if I might jump in there, and that's been marked I
5 believe as "Exhibit 4", that revised Dominion tariff
6 page today?

7 A. (Leary) That's correct. In addition, for Exhibit 4, we
8 also submitted, it's a revised Bates stamp Page 0094,
9 which was the Union Gas tariff. Then, in both Exhibit
10 3 and 4, we submitted revised Schedule 6, which was
11 Bates stamped Pages 0098, 0100, 0101, and 0102, which
12 contained revisions to the redaction that the Company
13 had actually submitted in its initial filing. And, in
14 fact, in both versions, on Bates stamp Page 0102 and
15 0101, the Company has redact -- has actually no longer
16 redacted Lines 1 -- 182 to 186, and, on Bates stamp
17 0102, no longer has redacted Lines 230 through 234.
18 These were actual rates from tariff pages that were not
19 confidential.

20 In addition to these changes, the
21 Company also has a few other changes it would like to
22 make in accordance with some of the discovery that was
23 asked during this process. First, and also keeping to
24 this Schedule 6, which, again, will be on the Company,

[WITNESS PANEL: Leary~DaFonte]

1 on Schedule 6, Bates stamp Page 0114, Line 164, had an
2 incorrect fuel percentage charge.

3 MS. THUNBERG: Can I interrupt you,
4 Ms. Leary, just to ask you which exhibit you're referring
5 to? I know that multiple exhibits have the same Bates
6 stamp pages.

7 WITNESS LEARY: Okay. And, we could go
8 to Bates stamp Page 1 --

9 MR. KNOWLTON: I believe it's Exhibit 1
10 that you would be looking at, which is the confidential
11 version of the Company's initial filing at the end of
12 August.

13 WITNESS LEARY: Correct.

14 **BY THE WITNESS:**

15 A. (Leary) So, if we turn to Bates stamp Page 0114, and we
16 look at Line 164, in the month of November, the Company
17 had reflected a fuel percentage of "1.02", and it
18 should have been "1.2 percent".

19 MS. THUNBERG: I'm sorry to interrupt
20 your presentation, but I'm on Bates stamp 0114, of Exhibit
21 1, and I don't have any line numbers.

22 WITNESS LEARY: I apologize.

23 MS. HOLLENBERG: I don't either.

24 MS. THUNBERG: You don't have to rush.

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[WITNESS PANEL: Leary~DaFonte]

1 MR. SPEIDEL: And, I think, as a general
2 matter, Staff would recommend that, for the benefit of the
3 court reporter, that we slow down the reading of the
4 numbers by the witness just a little bit. We're kind of
5 zooming through a lot of figures.

6 MS. THUNBERG: Thank you, because I'm
7 writing frantically, too. Thank you.

8 WITNESS LEARY: I apologize. It was
9 Bates stamp Page 0101.

10 MS. THUNBERG: On Exhibit 1?

11 WITNESS LEARY: On Exhibit 1.

12 MS. THUNBERG: Thank you.

13 **BY THE WITNESS:**

14 A. (Leary) Line 164, the first column, under "November",
15 reads "1.2 percent". It should have been
16 "1.02 percent". This correction had no impact on the
17 cost of gas factor that the Company proposed today.
18 However, in the Company's first trigger filing, the
19 Company will incorporate this change.

20 The next change will be on Bates stamp
21 Page 0171. On this page, the Company reflected a rate
22 case -- a rate case interest of "\$4,804". It should
23 have been "\$4,303". This correction will be reflected
24 in next year's reconciliation, since this is simply a

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1 forecast of interest.

2 On testimony, Bates stamp Page 0012,
3 Line 1, it should read "LDAC filing are based on
4 Exhibit B", not "Exhibit C".

5 And, finally, in the Company's
6 reconciliation filing, the Company had omitted its 2011
7 FPO administration charges of approximately \$43,000.
8 The Company has discussed this with Staff and will
9 include it in next year's reconciliation filing.

10 BY MR. KNOWLTON:

11 Q. Ms. Leary, do you have an update on the status of the
12 FPO, the number of participants in the FPO from what
13 was provided in your testimony?

14 A. (Leary) Yes, I do. As of October 11th, the Company has
15 enrolled approximately 8,962 customers on its FPO rate.

16 Q. Ms. Leary, subject to the corrections that you've made
17 to your testimony, if I were to ask you the questions
18 today that are contained in your answers -- or, excuse
19 me, if I were to ask you the questions today contained
20 in your testimony, subject to the corrections that
21 you've made, would your answers be the same?

22 A. (Leary) Yes, they would.

23 Q. Thank you. Mr. DaFonte, I'll move to you now. If you
24 would please state your full name for the record.

1 A. (DaFonte) Francisco C. DaFonte.

2 Q. By whom are you employed?

3 A. (DaFonte) Liberty Energy Utilities (New Hampshire)
4 Corp.

5 Q. And, what is your role with that company?

6 A. (DaFonte) I am the Director of Energy Procurement.

7 Q. And, in your role as Director of Energy Procurement, do
8 you have responsibilities associated with the Company's
9 winter cost of gas filing?

10 A. (DaFonte) Yes, I do.

11 Q. What are those responsibilities?

12 A. (DaFonte) I'm responsible for providing an outline of
13 the resources that will be available to the Company in
14 order to satisfy the forecasted demands of its firm
15 customers for the winter period.

16 Q. Do you have before you what's been marked for
17 identification as "Exhibit 1", which is the
18 confidential winter cost of gas filing?

19 A. (DaFonte) Yes, I do.

20 Q. And, that filing contains your prefilled direct
21 testimony, correct?

22 A. (DaFonte) Yes, it does.

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

24 A. (DaFonte) Yes, it was.

1 Q. Do you have any clarifications or corrections to that
2 testimony?

3 A. (DaFonte) I do not.

4 Q. If I were to ask you the questions contained in that
5 testimony today, would your answers be the same?

6 A. (DaFonte) Yes, they would.

7 MR. KNOWLTON: The two witnesses are
8 available for cross-examination.

9 MS. THUNBERG: All right. Attorney
10 Hollenberg, do you have any cross?

11 MS. HOLLENBERG: No thank you.

12 MS. THUNBERG: Attorney Speidel, do you
13 have any cross?

14 MR. SPEIDEL: Yes, I do. Thank you.

15 **CROSS-EXAMINATION**

16 BY MR. SPEIDEL:

17 Q. Ms. Leary, in general terms, how does the proposed
18 2012-2013 peak period cost of gas rate compare to last
19 year's seasonal average rate?

20 A. (Leary) The proposed 2012-2013 peak cost of gas rate is
21 approximately 5.9 cents lower than last winter's
22 average cost of gas rate.

23 Q. And, what is the rate impact on a typical residential
24 heating customer expected from this change?

1 A. (Leary) Looking at both this change, which is the
2 change in the cost of gas, and the change in our LDAC
3 factor, the Company is expecting that a residential
4 heating customer will pay approximately \$96 less this
5 winter than last winter, which equates to about an
6 8.8 percent total bill decrease.

7 Q. It would seem, from your earlier testimony related to
8 the number of Fixed Price Option customers that have
9 signed up, that the Company has sent out its Fixed
10 Price Option enrollment letter for this peak period, is
11 that correct?

12 A. (Leary) That is correct.

13 Q. Okay. And, could you briefly summarize last year's FPO
14 participation and the results of the program.

15 A. (Leary) Yes. We had about 12 percent customers
16 participate in our FPO rate last year. And, a typical
17 residential heating customer paid approximately \$76
18 more than a cost of gas factor customer would have
19 paid, which was -- which averaged about, you know,
20 between \$12 and \$13 a month more.

21 Q. Thank you. Now, how do the current NYMEX natural gas
22 futures prices compare to those used to determine the
23 cost of gas rates?

24 A. (Leary) We took a look at the 15-day NYMEX ending

[WITNESS PANEL: Leary~DaFonte]

1 October 11th. And, the average NYMEX over the winter
2 period was \$3.67 versus the \$3.41 that we had in our
3 filing, which is about a 26 cents per dekatherm
4 increase over the NYMEX we had used to come up with our
5 proposed cost of gas factor.

6 Q. Would there be a difference in the cost of gas rates if
7 they were based on updated costs in futures prices?

8 A. (Leary) We took a look at a revision to the cost of gas
9 factor. We looked at not only updating the NYMEX, we
10 also updated some of the settlement hedges from the
11 initial time that we made the filing. And, those two
12 changes resulted in a change in the cost of gas factor
13 of about a penny. So, we didn't submit a revised
14 filing at this time.

15 Q. Thank you. And, that would have been an upward
16 adjustment of the --

17 A. (Leary) Oh, excuse me. It would have been an increase,
18 yes. Correct.

19 Q. Thank you. Ms. Leary, approximately what percentage of
20 the gas supplies in this forecast are hedged,
21 pre-purchased, or otherwise tied to a predetermined
22 fixed price?

23 A. (Leary) Approximately 63 percent.

24 Q. In terms of demand forecasting, how does this year's

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1 demand forecast compare to last year's, and if you
2 could provide a little background about that?

3 A. (DaFonte) I'll answer that.

4 Q. Okay.

5 A. (DaFonte) The demand forecast for this winter period is
6 approximately 6.2 percent less than last year's
7 forecast. And, that's primarily driven by the
8 assumption last year of a rebound in the economy,
9 primarily for the C&I customer group. That, obviously,
10 did not materialize, and that assumption is no longer
11 being used in this particular forecast. And, so, we're
12 looking at a relatively stagnant economic growth
13 pattern.

14 Q. Now, I guess this would be back to Ms. Leary. How does
15 the proposed LDAC rate for this year compare to last
16 year's rate?

17 A. (Leary) For both the residential heating and the
18 residential non-heating, the rate is around four cents
19 lower this year. This decrease is primarily the result
20 of a decrease in our energy efficiency factor, and also
21 a decrease in the rate case expense --

22 (Court reporter interruption.)

23 **CONTINUED BY THE WITNESS:**

24 A. (Leary) Oh. Rate case/true-up factor we had in effect

1 last year.

2 BY MR. SPEIDEL:

3 Q. Do any of the current LDAC components expire at the end
4 of October?

5 A. (Leary) Yes. One factor will expire. Last year, we
6 had a one-time factor, we had a -- for a company
7 allowance factor. It was simply an allocation of costs
8 between our sales and our transportation customers.
9 That will expire this October.

10 Q. Okay. Thank you. And, are there any new LDAC
11 components starting on November the 1st of 2012?

12 A. (Leary) There are no new factors that are starting.
13 But just wanted to point out that we will, for the
14 first time since November of 2007, actually have an
15 Environmental Surcharge Factor. It's been zero since
16 2007.

17 Q. And, you probably have this at your fingertips. The
18 Environmental Surcharge Factor is proposed as?

19 A. (Leary) Point -- it's really one-tenth of a cent.

20 Q. Thank you.

21 MS. THUNBERG: Can I interrupt at this
22 point? And just, you were referring to one of the
23 exhibits. Could you just for the record state what page
24 and which exhibit number you were getting that number

1 from?

2 WITNESS LEARY: Sure.

3 MS. THUNBERG: Thank you.

4 WITNESS LEARY: It was actually Bates
5 stamp Page 0050, and it was our "Proposed Revised Tariff
6 Page 91".

7 MS. THUNBERG: Which is in which exhibit
8 please?

9 WITNESS LEARY: Oh. Exhibit 1.

10 MS. THUNBERG: Thank you, Attorney
11 Speidel, for my interruption.

12 MR. SPEIDEL: Oh, no. That's all right.

13 MS. THUNBERG: Please continue.

14 BY MR. SPEIDEL:

15 Q. On Pages 17 and 18 of your testimony, and I'll double
16 check to make sure that I'm referring to the proper
17 specific pages, because there is some level of overlap
18 between Bates pages and numeral pages. Just one second
19 here. Yes. We'll be going with Bates stamp pages for
20 consistency. So, this would be Exhibit 1, Bates Page
21 0016 and Bates Page 0017.

22 There's a reference to the fact that the
23 Company has included the uncollected residual balance
24 of its temporary rate reconciliation adjustment and

1 calculated a surcharge to recover those expenses. Is
2 that calculation on a supporting schedule in this cost
3 of gas filing?

4 A. (Leary) Yes. That can be found on Bates stamp Page
5 0171.

6 Q. Okay. And, on Bates Page stamped 0171, the "rate case
7 expense factor" so-called is provided as what dollar
8 amount?

9 A. (Leary) The Company will be seeking to recover
10 \$430,773.

11 Q. And, the factor on a per therm basis is?

12 A. (Leary) Oh. Approximately two-tenths, it's almost --
13 well, approximately three-tenths of a cent.

14 Q. Thank you. Now, Schedule 9 of the cost of gas
15 forecast, and I will provide a Bates stamp page for the
16 hearing's participants in just a sec. Yes. This would
17 be Bates Page 0125 in Exhibit 1. Do the demand costs
18 now reflect the final Settlement rates from the
19 Tennessee Gas Pipeline rate filing?

20 A. (Leary) Yes, they do.

21 Q. Has the reconciliation of last year's cost of gas
22 results been audited by the PUC Audit Staff?

23 A. (Leary) Yes, they have.

24 Q. Were there any issues related to the audit of last

1 year's cost of gas?

2 A. (Leary) No. There were no issues.

3 Q. Has the Company provided the PUC Audit Staff with the
4 supporting documentation for environmental remediation
5 costs and litigation expenses?

6 A. (Leary) Yes, we have.

7 Q. Has the Audit Staff completed its audit of those
8 environmental remediation and litigation costs and
9 expenses?

10 A. (Leary) Not that I'm aware of.

11 Q. And, have there been any interim issues discovered or
12 brought to the attention of the Company during the
13 course of the audit?

14 A. (Leary) Not that I'm aware of.

15 Q. Okay. If any other issues arise prior to the issuance
16 of the final audit report, does the Company expect them
17 to be resolved similar to prior years?

18 A. (Leary) Yes, we do.

19 Q. And, what is that usual method of resolving these
20 issues?

21 A. (Leary) If they have -- if the audit has not been
22 completed before the time of the order, what we've
23 generally done is, you know, continue the investigation
24 past that date of November 1st, and then we will

1 incorporate any other changes that they find in our
2 next year's filing.

3 Q. Thank you. I'd like to direct these questions to Mr.
4 DaFonte. Mr. DaFonte, are you aware of any operational
5 problems or supply disruptions during the last year
6 that have affected EnergyNorth?

7 A. (DaFonte) No, I am not.

8 Q. The Company filed its annual Seven Day Peak Shaving
9 Storage Requirement Report on October the 1st of 2012,
10 pursuant to Puc Rule 509.16. Is this Peak Shaving
11 Storage Requirement Report prepared by you or under
12 your direction?

13 A. (DaFonte) Yes, it was.

14 Q. Do you foresee any likelihood of EnergyNorth
15 experiencing any liquified natural gas or propane peak
16 shaving supply issues for this winter period?

17 A. (DaFonte) No, I do not.

18 Q. Does the Company expect that there will be updated
19 capacity demand charges in the near future that will
20 impact the monthly over/under cost of gas rate
21 calculations?

22 A. (DaFonte) We're hopeful that there will be a resolution
23 to the PNGTS rate case, as well as the TransCanada rate
24 case. But, at this time, we're not expecting that

[WITNESS PANEL: Leary~DaFonte]

1 there will be any immediate decision in either of those
2 two cases.

3 Q. Mr. DaFonte, have you been able to visit and assess the
4 readiness of each of the Company's on-site liquified
5 natural gas and propane/air vaporization and storage
6 facilities?

7 A. (DaFonte) I have not been to each of the facilities
8 personally. We will be testing those facilities
9 shortly, once we get into some colder weather. And, at
10 that time, I will be present at those facilities to
11 witness some of the testing. And, I expect that there
12 will be no issues. We do have very good operational
13 employees in place to man those facilities.

14 Q. Is there a subordinate that reports to you directly
15 regarding the management of these facilities?

16 A. (DaFonte) There is no direct report to me. That is
17 under the Operations Group. But that individual
18 essentially runs the Gas Control Group, but is also the
19 primary contact for the operation of those facilities.

20 Q. Thank you. Mr. DaFonte, do you believe that the
21 Company has sufficient qualified plant operators,
22 support staff, and supervisors to maintain and operate
23 the facilities if needed this winter?

24 A. (DaFonte) Yes, I do.

{DG 12-265} {10-16-12}

1 Q. Okay. And, this would be generally for Ms. Leary or
2 Mr. DaFonte, the panel at large. This is the first
3 cost of gas filing prepared under Liberty Utilities'
4 direction. How much of the filing was prepared by
5 National Grid under the Transition Service Agreement?

6 A. (DaFonte) I'll answer that. The filing was primarily
7 prepared under National Grid's auspice, particularly
8 the unit cost of gas factor was prepared exclusively by
9 National Grid. Liberty is in the process right now of
10 hiring a rate analyst that will work with Ms. Leary
11 going forward. So that that transition process will
12 take place, at least we're hopeful that, for next
13 year's winter cost of gas filing, that the Liberty
14 analyst will be much more involved and hopefully
15 heading up that process, with review by National Grid,
16 but that is the intent.

17 On the gas supply and forecasting side,
18 again, National Grid was primarily responsible for
19 developing the forecast, and also running the SENDOUT
20 models. But there was significant review on the part
21 of Liberty Utilities.

22 With regard to asset management
23 arrangements and supply procurement for this upcoming
24 winter, National Grid developed the initial asset

[WITNESS PANEL: Leary~DaFonte]

1 management agreements, two of those. And, the last
2 one, Liberty actually took the onus of developing the
3 RFP, and also conducting the analysis, with a review by
4 National Grid.

5 Q. Thank you. So, would it be expected that the summer
6 cost of gas filing filed by Liberty Utilities will
7 still have a significant component of National Grid
8 participation in the process of developing the
9 materials, is that correct?

10 A. (DaFonte) Yes. Absolutely. Particularly, again, on
11 the cost of gas factor. I think that, on the gas
12 supply piece, we're in the process of doing more of
13 that transition, but we would still have significant
14 input from National Grid.

15 MR. SPEIDEL: Thank you very much, Ms.
16 Leary and Mr. DaFonte. I think Staff is all set with this
17 panel. Is that correct, gentlemen? Thank you very much.

18 MS. THUNBERG: I have a couple
19 questions.

20 BY MS. THUNBERG:

21 Q. Ms. Leary, when you were going through the corrections
22 to Exhibit 1, you prefaced by saying that "Staff is
23 aware of these corrections." I just want to make sure
24 I heard you correctly. Is that correct?

{DG 12-265} {10-16-12}

[WITNESS PANEL: Leary~DaFonte]

1 A. (Leary) That is correct.

2 Q. And, when you were being cross-examined by Attorney
3 Speidel, you had referred to Exhibit 1, Page 0171, and
4 the rate case expense number that, originally in the
5 exhibit, "\$4,804", you corrected that to "4,303",
6 according to my notes. But, when you responded to
7 Attorney Speidel, there was, I thought, a different
8 number that you were stating. So, I just want to make
9 sure of what number is correcting that "4,804"?

10 A. (Leary) When I was responding to Attorney Speidel, I
11 was quoting the number on Page 0171, Bates stamp 0171
12 of Exhibit 1.

13 Q. Uh-huh.

14 A. (Leary) I did not include the adjustment for the \$500.
15 So, when I -- when he asked me "what was the total rate
16 case expense?", I indicated it was "430,773". Based on
17 the correction, it should have been \$500 less.
18 However, that will not change the factor that I quoted.
19 That \$500 will not have any impact on that factor.

20 MS. THUNBERG: Those are the only
21 questions that I had. Attorney Knowlton, did you have any
22 redirect of the panel?

23 MR. KNOWLTON: I have one, one question
24 for Mr. DaFonte.

{DG 12-265} {10-16-12}

REDIRECT EXAMINATION

BY MR. KNOWLTON:

Q. Mr. DaFonte, you were asked on cross-examination by Staff about the operation of the vaporization and storage facilities of the Company, do you recall that?

A. (DaFonte) Yes, I do.

Q. Has there been any continuity among those employees from -- as the ownership of the company has changed from National Grid to Liberty ownership?

A. (DaFonte) Yes. The employees are the same employees that have been there for years. So, there's really no change in terms of the individuals that will be responsible for operating those facilities.

MR. KNOWLTON: Thank you. The Company has no further questions for the panel.

MS. THUNBERG: The witness panel may be excused. I note in the record there are no other prefiled testimony. So, is it fair to conclude that there are no other witnesses that will be offered today?

MR. SPEIDEL: As far as Staff is concerned, yes.

MS. HOLLENBERG: Yes.

MS. THUNBERG: Okay. And, OCA is "yes"?

MS. HOLLENBERG: Yes.

1 MS. THUNBERG: Okay. Well, then, at
2 this point, we have, I thought, general agreement on the
3 marking of the exhibits for identification. Is there any
4 objection to striking the identification and admitting
5 those exhibits?

6 MS. HOLLENBERG: No objection.
7 (Atty. Speidel shaking head in the
8 negative.)

9 MS. THUNBERG: Okay. No objection. So,
10 we will admit those exhibits as full exhibits as they were
11 marked in the hearing.

12 Are there any other procedural issues to
13 be raised?

14 MS. HOLLENBERG: No thank you.

15 MS. THUNBERG: Okay. None. Then, at
16 this point, I believe we would move to closing statements.
17 And, so, I think we're going in the same order, Attorney
18 Knowlton, then OCA, and then Staff, or do -- I forget, do
19 we reverse it?

20 MR. KNOWLTON: Reverse it.

21 MS. THUNBERG: Thank you, Attorney
22 Knowlton. So, Ms. Hollenberg.

23 MS. HOLLENBERG: Thank you. The Office
24 of Consumer Advocate has no objection to the proposed cost

1 of gas rate that the Company has filed.

2 MS. THUNBERG: Thank you, Attorney
3 Hollenberg. Attorney Speidel.

4 MR. SPEIDEL: Yes. Thank you. Staff
5 supports the Liberty Utilities proposed 2012-2013 peak
6 period cost of gas rates as filed. The Commission Audit
7 Staff has reviewed the 2011-2012 peak period cost of gas
8 reconciliation and found no exceptions. The sales
9 forecast for the 2012-2013 peak period cost of gas is
10 consistent with past experience. The supply plan is based
11 on the principles of least cost planning and the direct
12 gas costs are based on actual or hedged prices and
13 projected pricing that reflect market expectations. There
14 will be a reconciliation of forecasted and actual gas
15 costs for the 2012-2013 peak period that will be filed
16 prior to next winter's cost of gas proceeding, and any
17 concerns that may arise related to the 2012-2013 gas
18 planning and dispatch may be raised and addressed next
19 year in the 2013-2014 peak period cost of gas.

20 The Local Delivery Adjustment Charge, or
21 LDAC, is comprised of a number of surcharges, all of which
22 have been established in other proceedings, and the actual
23 rate determined in the winter cost of gas and effective
24 for one year. Audit Staff has not completed its review of

1 the environmental remediation costs. Any issues that may
2 arise related to the 2012-2013 environmental remediation
3 costs may be raised and addressed next year in the
4 2013-2014 peak period cost of gas.

5 Staff recommends approval of the revised
6 LDAC rate and the proposed cost of gas rates, including
7 the extension of the Temporary Rate Reconciliation
8 Adjustment rate factor approved in Docket Number DG 11-192
9 into the November 2012-October 2013 period, as just and
10 reasonable.

11 Staff has reviewed the proposed supplier
12 balancing charges, the company gas allowance factor, and
13 the capacity allocator percentages for this year for
14 reasonableness and accuracy and recommends Commission
15 approval for these charges.

16 Staff appreciates the effort of the
17 Company and OCA in this matter and recommends approval of
18 the cost of gas and LDAC rates, subject to the final
19 audits and/or reconciliations mentioned previously.

20 MS. THUNBERG: Thank you, Attorney
21 Speidel. Attorney Knowlton.

22 MR. KNOWLTON: Thank you. The Company
23 is pleased to present its first cost of gas filing under
24 its new ownership. As Attorney Speidel has indicated, the

1 filing was made consistent with prior filings and with all
2 of the Commission requirements governing the cost of gas
3 and the LDAC factor. We are also pleased that the
4 proposed rates reflect a decrease over last winter's
5 rates.

6 We heard from Ms. Leary that the
7 Environmental -- that this is the first time that the
8 Environmental Surcharge Factor has risen above zero in the
9 past five years, and that is the result of historic
10 aggressive actions by the Company to pursue recovery of
11 dollars from, you know, third parties, where appropriate,
12 to mitigate the impact of those costs on customers.

13 We would ask that the Commission approve
14 the proposed firm sales cost of gas rates for the
15 2012-2013 winter peak period, as well as the Company's
16 proposed Local Distribution Adjustment factor, both taking
17 effect on November 1st, 2012.

18 And, we very much appreciate the
19 participation of Staff and OCA in this process, as well as
20 their support for the Company's proposed rates for the
21 upcoming winter season. Thank you.

22 MS. THUNBERG: Great. Thank you. With
23 that, we'll move to close the hearing. I will be putting
24 together a summary report and filing that with the

1 Commission to be filed in the docketbook. And, as I said
2 at the outset, I will not be making a personal
3 recommendation. I will just be summarizing what was
4 presented today, and recommend that the Commission
5 consider the record and make their decision based on the
6 record that was developed today.

7 So, with that, thank you, everyone.

8 **(Whereupon the hearing ended at 10:53**
9 **a.m.)**