

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 23, 2012 - 1:37 p.m.  
Concord, New Hampshire

NHPUC OCT31'12 AM 8:13

RE: DG 12-284  
NEW HAMPSHIRE GAS CORPORATION:  
*Winter 2012-2013 Cost of Gas.*

**PRESENT:** Chairman Amy L. Ignatius, Presiding  
Commissioner Robert R. Scott  
Commissioner Michael D. Harrington

Sandy Deno, Clerk

**APPEARANCES:** Reptg. New Hampshire Gas Corporation:  
Meabh Purcell, Esq. (Holland & Knight)

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

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

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**WITNESS:                      BRIAN R. MALONEY**

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**P R O C E E D I N G**

CHAIRMAN IGNATIUS: I'd like to open the hearing in Docket DG 12-284, which is New Hampshire Gas Corporation's 2012-2013 Winter Period Cost of Gas Adjustment. On September 24th, 2012, New Hampshire Gas Corporation, which serves customers in Keene, New Hampshire, filed revisions to its tariff, providing for cost of gas rates for the winter period November 1, 2012 through April 30, 2013. The proposed rates are a decrease from the weighted average cost of gas rate for last winter's period. New Hampshire Gas also filed its Fixed Price Option Program. And, it seeks also a deferred revenue surcharge for all customers for the November 1, 2012 through October 31, 2013 period. The cumulative effect of all of these adjustments, if approved, would be a reduction of approximately \$514, or 17 percent, from last winter's period. And, all of this the Company seeks to have implemented on a bills rendered basis.

So, let's begin with appearances please.

MS. PURCELL: Good afternoon, Commissioners. My name is Meabh Purcell, with Holland & Knight, in Boston, representing the New Hampshire Gas Corporation.

CHAIRMAN IGNATIUS: Good afternoon.

1 MR. DAMON: Good afternoon,  
2 Commissioners. Edward Damon, for the Staff. And, with me  
3 this afternoon are Robert Wyatt and Steve Frink.

4 CHAIRMAN IGNATIUS: Good afternoon. I  
5 notice an affidavit of publication has been submitted.  
6 Thank you. Are there any other administrative matters to  
7 take up, before we begin with testimony?

8 (No verbal response)

9 CHAIRMAN IGNATIUS: I see that a Motion  
10 for Protective Order was filed by the Company. And, has  
11 Staff had a chance to review the motion?

12 MS. PURCELL: Actually, madam Chairman,  
13 I filed two motions. But, then, yesterday, I filed a  
14 letter essentially withdrawing the motion, and going onto  
15 the more streamlined procedure, and apologizing for my  
16 error. So, --

17 CHAIRMAN IGNATIUS: No problem. And,  
18 we're still getting accustomed to the new rules. I was  
19 wondering about that, if it fit within the standard terms  
20 for certain --

21 MS. PURCELL: I believe it does.

22 CHAIRMAN IGNATIUS: Okay. And, your  
23 letter hasn't made it to our file.

24 MS. PURCELL: Okay. Okay.

[WITNESS: Maloney]

1 CHAIRMAN IGNATIUS: So, it's hard to  
2 tell. Unless there's any reason to think, on Staff's  
3 part, that it doesn't meet the criteria for the automatic  
4 protection standards in the new rules, we can not -- we  
5 don't have to take up that motion?

6 (No verbal response)

7 CHAIRMAN IGNATIUS: All right. Then,  
8 why don't we begin with testimony.

9 MS. PURCELL: Thank you. I'd like to  
10 ask Mr. Maloney to take the stand.

11 (Whereupon **Brian Maloney** was duly sworn  
12 by the Court Reporter.)

13 **BRIAN MALONEY, SWORN**

14 **DIRECT EXAMINATION**

15 BY MS. PURCELL:

16 Q. Good afternoon, Mr. Maloney. Could you please state  
17 your full name, your position, and your business  
18 address for the record.

19 A. I am Brian Maloney, Lead Analyst for Rochester Gas &  
20 Electric Corporation. RG&E provides affiliate services  
21 to New Hampshire Gas Corporation.

22 Q. Thank you. And, I'm showing you a copy of a filing  
23 under cover letter of Holland & Knight, dated  
24 September 21st. Could you identify this document

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[WITNESS: Maloney]

1 please.

2 A. That's the NHG filing for the winter cost of gas rate  
3 for the period October 2012 through April 2013.

4 MS. PURCELL: Thank you. I'd like this  
5 to be marked for identification purposes as New Hampshire  
6 Gas Exhibit Number 1.

7 CHAIRMAN IGNATIUS: So marked.

8 (The document, as described, was  
9 herewith marked as **Exhibit 1** for  
10 identification.)

11 CHAIRMAN IGNATIUS: Does that include  
12 the schedules or is that a separate document?

13 MS. PURCELL: It includes the schedules,  
14 yes. Testimony and schedules.

15 CHAIRMAN IGNATIUS: That's fine.

16 BY MS. PURCELL:

17 Q. Mr. Maloney, was the filing, consisting of the  
18 testimony and schedules, prepared by you or under your  
19 direction and supervision?

20 A. Yes, they were.

21 Q. And, could you just quickly point to where in the  
22 filing is the Company's proposed CGA rate?

23 A. The proposed rates can be seen on the tariff page,  
24 \$1.5017 for the Non-FPO rate, and \$1.5217 for the FPO

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[WITNESS: Maloney]

1 rate.

2 Q. And, could you point to where the impact of the  
3 proposed rates on a typical customer bill would appear?

4 A. That information is contained in Schedules K and L.

5 Q. Okay.

6 A. The schedules show bill decreases of 17 to 19 percent.

7 MS. PURCELL: Okay. Thank you. I don't  
8 think I have anything further for Mr. Maloney.

9 CHAIRMAN IGNATIUS: Thank you.

10 Mr. Damon.

11 MR. DAMON: Thank you. I don't know if  
12 this microphone is on? The light is on.

13 CHAIRMAN IGNATIUS: The mike is on.

14 **CROSS-EXAMINATION**

15 BY MR. DAMON:

16 Q. Mr. Maloney, how does the proposed cost of gas rate  
17 compare to last year's seasonal average rate?

18 A. This year's proposed Non-FPO cost of gas rate of 1.5017  
19 per therm is 62 cents lower than last year's average  
20 rate of 2.1253.

21 Q. And, approximately what percentage of the gas supplies  
22 in this forecast are hedged, pre-purchased, or  
23 otherwise tied to a predetermined fixed price?

24 A. Approximately 65 percent of the forecasted winter

[WITNESS: Maloney]

1 supply is pre-purchased at a fixed rate under our PS --  
2 PPSP hedging program.

3 (Court reporter interruption.)

4 BY THE WITNESS:

5 A. Propane Purchasing Stabilization Program.

6 BY MR. DAMON:

7 Q. And, that's a program that's further described in your  
8 testimony, I believe?

9 A. Yes.

10 Q. Has the Company experienced any load growth over the  
11 past year?

12 A. We've recently connected a shopping center, an existing  
13 shopping center, and a newly built college housing  
14 facility. Those are the only two noteworthy additions  
15 to the system over the past year.

16 Q. Do you have any idea, in percentage terms, how much  
17 sales growth that might represent?

18 A. It could represent just slightly less than 5 percent.

19 Q. And, on the other hand, has the Company been able to  
20 retain its existing customer base?

21 A. The Company's been generally successful in maintaining  
22 the existing customer base. There's been a few  
23 commercial customers over the last couple of years that  
24 had space available for storage tanks on their property

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[WITNESS: Maloney]

1 and have left the system. But, for the most part, the  
2 customer base has been quite stable.

3 Q. So, overall, between the decreases in the customer base  
4 and the load growth, where is the Company today, in  
5 relation to where it was last year, in approximate  
6 terms?

7 A. In approximate terms, we're at a neutral position.

8 Q. And, in the coming year, does the Company anticipate  
9 any new growth opportunities?

10 A. No. There's nothing known at this point. Just the  
11 shopping center and the college housing facility are  
12 right now ramping up their usage with the winter  
13 approaching. And, so, we'll see some additional usage  
14 there.

15 Q. Okay. And, could you briefly summarize the Company's  
16 calculation of the deferred revenue surcharge?

17 A. The deferred revenue surcharge is designed to collect  
18 the revenue that was forgone over the first two years  
19 of the 2009 rate agreement, because of a phase-in of  
20 the revenue requirements. The calculation looks at  
21 actual usage for those two years, and it compares the  
22 revenue at actual rates to the revenues that would have  
23 been collected at maximum rates. That incremental  
24 amount will be collected through the deferred revenue

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1 surcharge.

2 Q. Okay. And, the deferred revenue surcharge relates to  
3 distribution rates that were set a couple of years ago,  
4 is that right?

5 A. That's correct.

6 Q. Is the Company in this docket requesting approval of  
7 the amount of the deferred revenue surcharge or only  
8 providing this information for the benefit of the  
9 Commission and Staff?

10 A. I believe we're asking for approval. Although, the  
11 structure was specifically laid out in a prior rate  
12 agreement and discussed in an order.

13 Q. Okay. So, effectively then, I take it that the  
14 Settlement Agreement terms would prevail and determine  
15 whether or not approval is necessary at this time?

16 A. That's correct.

17 MS. PURCELL: I believe that's correct.  
18 This was provided more for informational purposes. And,  
19 the structure and the Company's ability to implement this  
20 was approved in a -- approved by the Commission in part of  
21 a settlement agreement in the rate case.

22 BY THE WITNESS:

23 A. And, it was specified in the order that this deferred  
24 revenue surcharge should be calculated and presented in

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[WITNESS: Maloney]

1           this winter's cost -- in this winter's cost of gas  
2           filing.

3 BY MR. DAMON:

4 Q.    Sure.  For how many more years does the Company expect  
5           to bill its customers for this deferred revenue?

6 A.    Per the order, it's scheduled to be collected over the  
7           next two years.

8 Q.    Regarding the Company's FPO Program, could you provide  
9           the Commission with an update on the enrollment numbers  
10          to date for the upcoming winter period?

11 A.    Right now, approximately 17 percent of the therm sales  
12          have enrolled in the FPO Program.

13 Q.    And, has the cut-off date for enrolling in the program  
14          passed already?

15 A.    The cut-off date was a postmark of last Friday,  
16          October 19th.

17 Q.    Comparing the 17 percent of therm sales enrolled in the  
18          program this year, how does that compare with last  
19          year?

20 A.    Last year, it was approximately 18 percent.

21 Q.    And, does this year's cost of gas filing have an  
22          historical summary of the FPO Program?

23 A.    Yes.  Schedule M contains nine years of historical  
24          information on the FPO Program.

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[WITNESS: Maloney]

1 Q. Okay. To your knowledge, were there any unresolved  
2 issues related to the Commission audit of the Company's  
3 cost of gas reconciliation for -- from last winter?

4 A. We have not received a Final Audit Report yet, but  
5 there's been ongoing communication, and no material  
6 issues have been communicated to us.

7 Q. Okay. And, in terms of New Hampshire Gas operations,  
8 have there been any changes in the Company's trucking  
9 supplier, on-site storage, and gas plant arrangements  
10 since last winter?

11 A. No. There's been no changes in those areas.

12 Q. And, could you summarize the change related to the  
13 supplemental off-site storage for this winter period,  
14 which I believe you addressed briefly at least in your  
15 testimony?

16 A. Yes. This winter we've entered into an arrangement in  
17 which we have a contractual right to withdraw from a  
18 large storage facility about 50 miles from Keene, up to  
19 50,000 gallons of propane. In previous winters, we  
20 would simply purchase propane and store it in an  
21 off-site location. So, we do not have title to this  
22 propane, just a contractual right to withdraw from this  
23 large storage facility.

24 Q. And, who is the contract with?

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1 A. It's Liberty Utilities.

2 Q. And, is Liberty Utilities the same Liberty Utilities  
3 that has acquired EnergyNorth and Granite State  
4 Electric Company?

5 A. Yes, it is.

6 Q. Okay. And, as I understand it, this off-site storage  
7 facility is in Amherst, New Hampshire?

8 A. I believe it is. I would have to check. We recently  
9 filed a response to a data request just yesterday with  
10 that contract. And, I believe that may be -- yes.  
11 Amherst, New Hampshire.

12 Q. Okay. So, is that data response in the mail or --

13 A. It's been emailed.

14 MS. PURCELL: It was filed by e-mail  
15 yesterday. And, I apologize, Ed, it probably went to  
16 Mr. Speidel.

17 MR. DAMON: Okay.

18 MS. PURCELL: And, then, the hard copy  
19 of the confidential, there was one small item redacted,  
20 which was just the confidential pricing, but the entire --  
21 I have a copy of it here, though. I can just give it to  
22 you, the redacted one.

23 MR. DAMON: Okay.

24 MS. PURCELL: I have a couple copies, if

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1 the Commissioners would like to see it? It should be --

2 CHAIRMAN IGNATIUS: Well, let's see if  
3 we already do. We do have a couple of confidential pages,  
4 one that's from Bolen Drive, in West Orange, New Jersey.  
5 Is that the right document?

6 MS. PURCELL: That's a different --

7 WITNESS MALONEY: That would be the  
8 hedging program contract.

9 MS. PURCELL: Yes. This is the storage  
10 contract. I have a few copies of it, I'll just give it to  
11 you. We literally filed it yesterday. It wasn't executed  
12 when the first round of data requests were filed, though.  
13 And, there's one item blacked out on the next page, but  
14 it's only the pricing. So, --

15 CHAIRMAN IGNATIUS: All right. Thank  
16 you. And, Mr. Damon, you have a copy of that?

17 MR. DAMON: I do. Thank you.

18 BY MR. DAMON:

19 Q. Mr. Maloney, how does the Company assess the usefulness  
20 of this contract for propane storage compared to the  
21 arrangements that were made last year?

22 A. We believe this new arrangement is a more  
23 cost-effective and a more flexible solution for our  
24 storage requirements.

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[WITNESS: Maloney]

1 Q. Are the costs of that contract or the expected costs of  
2 that contract included in the cost of gas rate  
3 calculations in the filing?

4 A. Yes.

5 Q. And, I take it I'm right, that the Company's primary  
6 source of propane storage continues to be located in  
7 Keene?

8 A. Yes. Approximately 75 percent of the effective storage  
9 under the Seven Day calculation is on-site in Keene.

10 Q. Okay. Has the Company experienced any changes in  
11 management or operations personal at or related to New  
12 Hampshire Gas during the past year?

13 A. Yes. The Service Supervisor left earlier this year.  
14 And, the Operation Supervisor was named General Manager  
15 to oversee both areas. At the same time, a new service  
16 technician was added on. So, head count remains the  
17 same.

18 Q. And, who was the Operations Supervisor who was named  
19 General Manager? Who is that?

20 A. That's Steven Rokes, R-o-k-e-s.

21 Q. How long has he been with the Company?

22 A. I think it's approximately 10 to 12 years.

23 Q. And, who does he report to?

24 A. He reports to the Treasurer of New Hampshire Gas, and

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1 NYSEG and RG&E, Michael Eastman.

2 Q. Okay. And, did his predecessor also report to the  
3 Treasurer of New Hampshire Gas?

4 A. Yes. Both the Operations Supervisor and the Service  
5 Supervisor both reported to the Treasurer of New  
6 Hampshire Gas, before this new General Manager position  
7 was created.

8 Q. Okay. So, anyway, that's -- apart from the change that  
9 you've just described, there's been no other changes to  
10 management or operations?

11 A. No, there hasn't.

12 Q. Have the financial and operational management functions  
13 related to New Hampshire Gas, in your opinion, been  
14 successfully transferred from Berkshire Gas to the  
15 NYSEG/Rochester Gas & Electric management team?

16 A. Yes. I would say the transition is successful, and at  
17 this point 100 percent complete.

18 Q. Okay. So, to me, that means then the fact that, where  
19 you typically go to work, in Rochester, New York, which  
20 is quite far from Keene, obviously, doesn't detract  
21 from your ability to prepare these cost of gas filings  
22 and that type of thing?

23 A. No, it doesn't. I'm in regular communications with the  
24 primary staff people in Keene.

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[WITNESS: Maloney]

1 MR. DAMON: Thank you. I have no  
2 further questions.

3 CHAIRMAN IGNATIUS: Thank you.  
4 Ms. Purcell? Oh, I'm sorry. We've got Commissioner  
5 questions?

6 CMSR. HARRINGTON: Just a couple of  
7 quick questions.

8 BY CMSR. HARRINGTON:

9 Q. Just, obviously, the price has gone down this year,  
10 which is good, projected to go down. And, looking at  
11 your Schedule M, and just looking at the rates over the  
12 years, they seem to be up, down, up, down, up down, up  
13 up, up, and then down. Is there any logic that we can  
14 follow that we see on these in particular why they  
15 change so much?

16 A. The propane rates tend to closely track the crude oil  
17 prices.

18 Q. Uh-huh.

19 A. And, the volatility in those prices are seen  
20 accordingly with these propane rates.

21 Q. But you don't see crude oil prices coming down  
22 substantially, yet your rates are -- you're talking are  
23 coming down quite a bit for this winter?

24 A. Compared to one year ago, both crude oil and --

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[WITNESS: Maloney]

1 Q. Okay.

2 A. -- and propane is down, particularly in the hedging  
3 season of this -- for this winter versus last winter.

4 Q. Okay. And, just one other thing, I'm just not -- just  
5 don't know what the term means, what is "PERC",  
6 P-E-R-C?

7 A. That's the Propane Education & Research Council.

8 Q. And, they have fees that they assess you?

9 A. Yes. Mandated by the federal government. It was an  
10 organization established by an act of law.

11 Q. So, it's like a certain percentage you pay to them for  
12 them to do their thing?

13 A. It's a 0.4 cents per gallon of propane that's assessed  
14 to all propane companies in the country.

15 CMSR. HARRINGTON: All right. Thank  
16 you. That's all I have.

17 CHAIRMAN IGNATIUS: Commissioner Scott,  
18 any questions?

19 CMSR. SCOTT: Yes. Good afternoon.

20 BY CMSR. SCOTT:

21 Q. I was curious, obviously, last winter was a very mild  
22 winter. Does the fluctuations in the temperatures for  
23 the seasons -- let me rephrase that. Does a warm  
24 winter versus cold winter have much impact on the

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1 Company?

2 A. Yes, it does, from a delivery rate standpoint. The  
3 Company brings in more revenue in a cold winter in it's  
4 delivery rates. In a cold winter, higher delivery  
5 rates -- or, higher delivery revenues, I'm sorry, and,  
6 in a warm winter, substantially lower delivery  
7 revenues.

8 Q. So, given last winter was fairly warm, so that was a --  
9 that had a negative revenue impact for you?

10 A. It did.

11 Q. And, that was obviously unanticipated, I assume?

12 A. It was.

13 Q. Okay. Thank you. I see what Schedule B, I guess it  
14 is, talks about "unaccounted for gas volumes"?

15 A. Yes.

16 Q. Just makes reference to that, I believe. And, I think  
17 your testimony has that also. Your testimony mentions  
18 that, compared to five or ten years ago, I think it was  
19 your testimony, maybe it was the interrogatories?

20 A. It was the testimony.

21 Q. It noticed an improvement from five to ten years ago on  
22 unaccounted for volumes. Do you have an idea how --  
23 and that's good to hear and see. Do you have an idea  
24 how your current unaccounted for gas volume rates

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[WITNESS: Maloney]

1 compare to similar utilities? I don't know if there  
2 are similar utilities, but --

3 A. Compared to similar utilities in New York State, the  
4 current lost and unaccounted for rate of about  
5 1.13 percent I'd say would be standard for a large  
6 natural gas utility. That rate of 1.13 percent is much  
7 better than New Hampshire Gas's prior performance of,  
8 say, ten years ago, which may have been upwards of an  
9 8 percent loss factor.

10 CMSR. SCOTT: Wow. Okay. Well, that's  
11 good news. Again, it's hard to judge some of these  
12 figures sometimes without being able to compare. So,  
13 that's helpful. Thank you.

14 BY CHAIRMAN IGNATIUS:

15 Q. Mr. Maloney, when I saw that unaccounted for number in  
16 the testimony, I thought it was a typo, because it's  
17 never been anywhere close to that.

18 A. So did our Operations Manager.

19 Q. Yes. Well, I congratulate --

20 MS. PURCELL: We like to brag.

21 BY CHAIRMAN IGNATIUS:

22 Q. -- whoever has been working at leak repairs and meters  
23 and all of the things, that it -- the work it took to  
24 get there, because it's a huge drop and just a really

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[WITNESS: Maloney]

1           terrific result.

2                       A couple of questions just to clarify a  
3           few things. You had proposed -- you had anticipated in  
4           your testimony that the Fixed Price Option might be  
5           even greater this year than last, it was 18.2 you said  
6           last year, and you thought it might be 20 percent. It  
7           actually came in at 17, which isn't a significant  
8           difference. But do you have any idea of why people  
9           didn't sign up in greater numbers?

10   A.   It just seems that over the past couple of years  
11       there's been a declining interest in general in the FPO  
12       Program. And, it's just ticked down just a little bit  
13       more this year, despite the attractive level of the  
14       rate.

15   Q.   All right. And, you're seeking a waiver of the  
16       Commission standard of doing rate changes on a service  
17       rendered basis, and instead do it on a bills rendered  
18       basis?

19   A.   That's correct.

20   Q.   Can you explain the reasons why you feel a waiver is  
21       necessary and appropriate?

22   A.   Well, we think there's two reasons. One is that the  
23       Company's customers have always been billed on a bills  
24       rendered basis. And, it might cause some confusion to

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1           them to make such a change. And, also, the billing  
2           system that's in place right now for New Hampshire Gas  
3           could not accommodate a change to billing on a service  
4           rendered basis, and it would require substantial cost  
5           to either modify or replace that system.

6                         CHAIRMAN IGNATIUS: All right. I have  
7           no other questions. Any redirect, Ms. Purcell?

8                         MS. PURCELL: Could I just have one  
9           word?

10                        CHAIRMAN IGNATIUS: Sure.

11                        MS. PURCELL: I just wanted to make sure  
12           I don't need to clarify something.

13                        (Atty. Purcell conferring with Witness  
14           Maloney.)

15                        MS. PURCELL: Could I have one -- ask  
16           one clarifying question?

17                        CHAIRMAN IGNATIUS: Certainly.

18                        **REDIRECT EXAMINATION**

19           BY MS. PURCELL:

20           Q. Mr. Maloney, I believe Mr. Damon asked you whether New  
21           Hampshire Gas was seeking approval of the deferred  
22           revenue surcharge in this proceeding. Could you just  
23           clarify the reason for presenting it in this  
24           proceeding.

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[WITNESS: Maloney]

1 A. Okay. I would say we are not seeking approval of that  
2 deferred revenue surcharge rate in this proceeding,  
3 because it was previously approved in the 2009 rate  
4 order. What we are doing is just complying with the  
5 requirements of that order to present that calculation  
6 and that rate at this winter cost of gas hearing.

7 MS. PURCELL: Thank you. That's all I  
8 have.

9 CHAIRMAN IGNATIUS: Thank you. We  
10 should probably mark the Propane Storage Agreement. It  
11 was testified to. It may not be necessary, but, if we  
12 distributed them, why don't we go ahead and mark that as  
13 "Exhibit 2"?

14 MS. PURCELL: Yes.

15 CHAIRMAN IGNATIUS: I'm sorry?

16 MS. DENO: I need one.

17 MS. PURCELL: Okay. I can give you a  
18 copy. Just I don't know if we need to sort of clarify  
19 this, that's a redacted copy, but it is what it is, to the  
20 extent --

21 (The document, as described, was  
22 herewith marked as **Exhibit 2** for  
23 identification.)

24 CHAIRMAN IGNATIUS: Yes. That's fine.

{DG 12-284} {10-23-12}

1 All right. And, then, is there any objection to striking  
2 identifications and making the exhibits full exhibits?

3 MR. DAMON: No objections.

4 CHAIRMAN IGNATIUS: All right. Then, we  
5 shall do so. Are there any other procedural matters to  
6 address before closings?

7 (No verbal response)

8 CHAIRMAN IGNATIUS: Sounds like not.  
9 Mr. Maloney, you're excused, but why don't you just stay  
10 put. It's easier that way. So, Mr. Damon.

11 MR. DAMON: Yes. Staff has reviewed the  
12 filing and listened to the testimony today, and has looked  
13 at the discovery that has been undergone in this docket.  
14 And, on the basis of all that, supports the proposed peak  
15 period cost of gas rate as filed.

16 The Commission Audit Staff apparently  
17 has not yet issued a Final Report regarding the expenses  
18 and so forth. So, I think any approval by the Commission  
19 should be made subject, I guess, to affirmation and the  
20 Audit Staff finds no exceptions.

21 The sales forecast for this upcoming  
22 winter is consistent with normalized results from the  
23 prior year. The supply plan, such as it is presented in  
24 the filing, is consistent with those from prior years.



1 The propane costs are based on actual or hedged prices and  
2 projected pricing that reflect market expectations. And,  
3 as usual, there will be a reconciliation of forecast and  
4 actual propane costs for the upcoming peak period that  
5 will be filed prior to the next winter's cost of gas  
6 proceeding. And, any concerns that may arise related to  
7 this year's winter period costs -- gas costs may be raised  
8 and addressed in the future.

9 The Company apparently has been  
10 successful in finding a reliable off-site supplemental  
11 propane supply, securing access to an additional  
12 50,000 gallons. The supply will be sourced from an  
13 off-site storage tank that is within a reasonable distance  
14 of the gas operations facility in Keene. And, this  
15 supplemental supply replaces off-site storage arrangements  
16 the Company has had with other entities, such as Berkshire  
17 Gas Company, over the past several years. And, in Staff's  
18 view, the arrangement provides an additional level of  
19 supply reliability and assurance that the Company will be  
20 able to meet its Seven Day storage requirement for the  
21 winter period.

22 In short, Staff recommends approval of  
23 the cost of gas and FPO rates, again, subject to a  
24 positive report, a Final Report from the Audit Staff.

1                   CHAIRMAN IGNATIUS:  And, Mr. Damon, if  
2                   there are any audit findings, would those be worked  
3                   through in a future case and any changes reconciled?

4                   MR. DAMON:  I think the Staff would --  
5                   it would probably depend a little bit on what those  
6                   changes were.  If they were relatively minor, I don't know  
7                   why it couldn't wait to be incorporated in the future.  I  
8                   suppose, if they were more major, the Staff would have to  
9                   look to see whether it made sense to try to incorporate  
10                  changes sooner than that.

11                  CHAIRMAN IGNATIUS:  But you're not  
12                  asking that this rate be held up for receipt of the audit  
13                  report, if it goes beyond November 1st?

14                  MR. DAMON:  No.  No, not at all.

15                  CHAIRMAN IGNATIUS:  Ms. Purcell.

16                  MS. PURCELL:  Thank you.  New Hampshire  
17                  Gas Company respectfully requests approval of the proposed  
18                  FPO and Non-FPO rates for the upcoming winter.  We believe  
19                  they're reasonable and have been calculated in accordance  
20                  with the Commission's rules and procedures.

21                  Staff -- or, New Hampshire Gas also  
22                  appreciates the Staff's and the Commission's time and  
23                  efforts in relation to its filing over the last few weeks.  
24                  And, we look forward to approval of the proposed rates by

1 November 1st. Thank you very much.

2 CHAIRMAN IGNATIUS: Thank you. If  
3 there's nothing further, we will take this under  
4 advisement. We understand you have a November 1st  
5 deadline, which we will meet. And, appreciate everyone's  
6 time this afternoon.

7 MR. DAMON: One brief final comment.

8 CHAIRMAN IGNATIUS: Yes.

9 MR. DAMON: The Staff has reviewed the  
10 calculation of the deferred revenue surcharge, and doesn't  
11 have a problem with it.

12 CHAIRMAN IGNATIUS: Good. Thank you.  
13 Appreciate that. All right. We stand adjourned.

14 MS. PURCELL: Thank you.

15 **(Whereupon the hearing ended at 2:12**  
16 **p.m.)**

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