

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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Concord, New Hampshire

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RE: DG 13-085
ENERGYNORTH NATURAL GAS, INC.
d/b/a LIBERTY UTILITIES, INC.:
2013 Summer Cost of Gas.

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas, Inc.
d/b/a Liberty Utilities, Inc.:
Sarah B. Knowlton, Esq.

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

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

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

ORIGINAL

I N D E X

PAGE NO.

WITNESS PANEL: MARK G. SAVOIE
 FRANCISCO C. DaFONTE

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	2013 Summer Cost of Gas filing, including testimony and schedules, etc., dated March 15, 2013 (CONFIDENTIAL & PROPRIETARY)	9
2	2013 Summer Cost of Gas filing, including testimony and schedules, etc., dated March 15, 2013 (REDACTED - For Public Use)	9
3	ENGI d/b/a Liberty corrected Proposed Eighth Revised Page 76, including Page 0025A and Page 0030A	9

1 P R O C E E D I N G

2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in Docket DG 13-085, which is EnergyNorth Natural
4 Gas, also known as Liberty Utilities, 2013 Summer Cost of
5 Gas Adjustment proceeding. On March 15th, 2013, Liberty
6 filed with the Commission its proposed cost of gas rates
7 for the Summer Period, May 1 through October 31, 2013.
8 And, by order of notice dated March 20th, we scheduled a
9 hearing for this morning.

10 So, let's begin with appearances please.

11 MR. KNOWLTON: Good morning,
12 Commissioners. My name is Sarah Knowlton. I'm here today
13 on behalf of EnergyNorth Natural Gas, Inc., which does
14 business under the name "Liberty Utilities". And, with me
15 today from the Company are the Company's two witnesses,
16 Mark Savoie and Chico DaFonte. And, also here in the
17 hearing room is ChristiAne Mason and Ann Leary, from
18 National Grid.

19 CHAIRMAN IGNATIUS: Good morning.

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

23 CHAIRMAN IGNATIUS: Good morning.

24 MR. SPEIDEL: Good morning,

1 Commissioners. Alexander Speidel, representing Staff,
2 specifically, Bob Wyatt and Steve Frink of the Gas and
3 Water Division. Thank you.

4 CHAIRMAN IGNATIUS: Good morning. We
5 have the two witnesses, I understand. Are there other
6 witnesses who will be testifying today?

7 (No verbal response)

8 CHAIRMAN IGNATIUS: It appears not.
9 And, I know that there's a request for confidentiality
10 submitted pursuant to the routine filings provisions of
11 our rules. Is there any objection or concern about that
12 request?

13 MS. HOLLENBERG: No thank you.

14 (Atty. Speidel shaking head in the
15 negative.)

16 CHAIRMAN IGNATIUS: I did have a
17 question. The folder received -- that's not the right
18 word, what's this called? Notebook. The notebook of all
19 of the testimony and exhibits came in as a confidential
20 packet. But, as I look at it, it's a combination of
21 confidential and non-confidential materials. So, are we
22 -- is it clear that the testimony of Mr. Savoie and Mr.
23 DaFonte are not confidential?

24 MR. KNOWLTON: That's correct. And,

1 we're happy to submit it in whatever form is most helpful
2 to the Commission and the parties going forward. I mean,
3 it's -- I think, you know, what we were trying to do was
4 model it after what we've done in the default service
5 proceeding, where we have one entire packet, which is
6 stamped "confidential", but it has limited pieces of
7 confidential information, but it's the whole thing
8 assembled together. And, then, you know, that we would
9 have a similar package, which is redacted. But that is
10 true. That it is -- there is limited information. It's
11 all in the schedules, and it should be shaded gray.

12 CHAIRMAN IGNATIUS: So, are there
13 redacted versions of the confidential pages also in the
14 file?

15 MR. KNOWLTON: Yes. Those have been
16 submitted.

17 CHAIRMAN IGNATIUS: Okay. We don't have
18 that, and we don't need to have that. That's fine. And,
19 I appreciate not photocopying extra pages that no one is
20 going to need. I think we still struggle a little bit on
21 what the right way to manage all of this is. And, so,
22 there's nothing wrong with what you've done. We might
23 continue to think about the best way, though, and let
24 people know if we figure out whatever the most efficient

1 way is that complies with the statute, makes materials
2 available, and doesn't overprotect anything. I know what
3 you requested did not seek protection over certain things.
4 But, whether the Clerk's office understands that, if it
5 comes in as a full binder that's described as
6 "confidential", that's my only concern.

7 MR. KNOWLTON: Right. I understand
8 that. And, certainly, I mean, one thing that we could do
9 is, and I think we used to do this years ago, is, you
10 know, actually just have the individual pages that have
11 confidential information, pull those out, and, you know,
12 put those in a sealed envelope marked "confidential". You
13 know, I think the only issue on the receiving end is that
14 then, you know, you don't have them integrated into a full
15 package. But we're certainly happy to, I mean, that's
16 less paper, we're happy to do it anyway that folks like.

17 MR. SPEIDEL: From Staff's perspective,
18 Chairman, these filings, the physical binders that are
19 marked "confidential" in the front are pretty convenient.
20 In that, instead of having to sort of cobble together
21 different schedules for the physical copies that we
22 receive for our own review, you have a nice and neat
23 binder. And, I think that the Company marks it
24 "confidential" as a convenience, and sort of in the spirit

1 of having a red binder or a red folder, it just indicates
2 that there is confidential information within. But there
3 was a redacted version that was submitted to the Clerk's
4 office and has been posted to the website that is fully
5 public.

6 CHAIRMAN IGNATIUS: Good. Well, that
7 may be sufficient.

8 MR. SPEIDEL: Yes.

9 CHAIRMAN IGNATIUS: I don't believe that
10 we -- we keep changing slightly, and we have a mix of
11 different approaches. And, they're all sort of good and
12 they're all slightly troublesome. So, we'll keep thinking
13 about it, but this is fine. So, thank you.

14 Then, unless there's anything further,
15 do you want to call your witnesses?

16 MR. KNOWLTON: I had one procedural
17 matter, if I could. Just marking for identification of
18 exhibits before the witnesses take the stand, if that's
19 acceptable.

20 I propose to mark for identification as
21 "Exhibit 1" the confidential filing, which is the
22 testimony of both witnesses and the schedules. "Exhibit
23 2" would be the redacted version of the testimony and
24 schedules. I do believe, actually, you're correct, that

[WITNESS PANEL: Savoie~DaFonte]

1 we did file the redacted schedules separately. So, that
2 may be what the Clerk has. And, as "Exhibit 3", we have
3 some corrected tariff, a clean and redlined tariff page
4 that Mr. Savoie will walk us through, which was -- it's a
5 correction to what was filed initially. And, those will
6 be all of the exhibits.

7 CHAIRMAN IGNATIUS: All right. Is there
8 any objection to marking those as described?

9 MS. HOLLENBERG: No.

10 CHAIRMAN IGNATIUS: All right. We'll
11 mark those for identification, "1" being the full binder
12 that contains both confidential and non-confidential
13 materials, number "2" being the redacted version of the
14 filing, and number "3" being the two pages that have been
15 corrected from the tariff.

16 (The documents, as described, were
17 herewith marked as **Exhibit 1**, **Exhibit 2**,
18 and **Exhibit 3**, respectively, for
19 identification.)

20 CHAIRMAN IGNATIUS: And, you may call
21 your witnesses. As you're doing so, let me double-check,
22 Ms. Knowlton. Did the publication of -- affidavit of
23 publication come in?

24 MR. KNOWLTON: Yes. It was submitted --

[WITNESS PANEL: Savoie~DaFonte]

1 CHAIRMAN IGNATIUS: Just make sure that
2 goes to the Clerk, if it hasn't already.

3 MR. KNOWLTON: Yes.

4 CHAIRMAN IGNATIUS: Thank you.

5 MR. KNOWLTON: That was submitted, I
6 believe, March 27th.

7 MS. DENO: Yes.

8 CHAIRMAN IGNATIUS: Thank you. All
9 right. Please proceed.

10 MR. KNOWLTON: Okay. The Company calls
11 Mark Savoie and Francisco DaFonte please.

12 (Whereupon **Mark G. Savoie** and
13 **Francisco C. DaFonte** were duly sworn by
14 the Court Reporter.)

15 **MARK G. SAVOIE, SWORN**

16 **FRANCISCO C. DaFONTE, SWORN**

17 **DIRECT EXAMINATION**

18 BY MR. KNOWLTON:

19 Q. Mr. Savoie, I'll start with you. Good morning.

20 A. (Savoie) Good morning.

21 Q. Would you please state your full name for the record.

22 A. (Savoie) My full name is Mark G. Savoie.

23 Q. By whom are you employed?

24 A. (Savoie) I'm employed by Liberty Energy Utilities New

[WITNESS PANEL: Savoie~DaFonte]

1 Hampshire Corp.

2 Q. What is your position with the Company?

3 A. (Savoie) I am a Utility Analyst.

4 Q. Would you describe your job responsibilities.

5 A. (Savoie) I prepare various gas regulatory duties as
6 outlined in my testimony on Page 1.

7 Q. And, do you have any responsibility with regard to the
8 Company's cost of gas filing?

9 A. (Savoie) Yes. I prepared the cost of gas filing for
10 the Summer of 2013.

11 Q. And, those would be -- that's the filing, and that's
12 marked as "Exhibits 1" and "2" today?

13 A. (Savoie) That's correct.

14 Q. Do you have any corrections to the filing?

15 A. (Savoie) Yes. I have one correction. If I could point
16 everyone please to Bates Page 0025 in the filing.
17 Please note, in the "Winter Period", there's four
18 columns. And, one of the columns being the "LDAC
19 Page 94" column. I discovered, when checking some
20 numbers after the filing, that there was an incorrect
21 cell reference calling in an incorrect number on that
22 page. The tariff page, Seventh Revised Page 76,
23 currently on file with the Commission, is correct.
24 And, rates charged to customers are correct. But only

[WITNESS PANEL: Savoie~DaFonte]

1 for purposes of this initial filing that that column
2 called in the wrong rate. So, I prepared Bates
3 Page 0025A to just call in the correct LDAC rate into
4 the "Winter" column. And, then, Bates Page 0030A is a
5 redline version of that page --

6 (Court reporter interruption.)

7 **CONTINUED BY THE WITNESS:**

8 A. (Savoie) It's Bates Page 0030A, is a redline version
9 correcting the currently effective tariff.

10 BY MR. KNOWLTON:

11 Q. And, those tariffs are -- you're referring to Exhibit
12 3? Those two tariff pages, 0025A and 0030A --

13 A. (Savoie) Yes.

14 Q. -- are Exhibit 3 today?

15 A. (Savoie) Yes. Those are Exhibit 3.

16 Q. And, would you just give us an example, just take us
17 through an example in that "LDAC" column, the "Winter
18 Period" column, just to show us, you know, one of --
19 just give us an example of one of the adjustments that
20 you've made to that column.

21 A. (Savoie) Okay. For Rate R-1, if you look at the
22 "Summer Period", the LDAC rate is "0.0258" per therm,
23 which is correct. The originally filed page, Eighth
24 Revised Page 76, the LDAC for the winter showed

[WITNESS PANEL: Savoie~DaFonte]

1 "0.0257". And, that "0.0257" was the formula error
2 that I corrected on Bates Page 0025A.

3 Q. And, you made similar corrections all the way through
4 that "LDAC" column?

5 A. (Savoie) Yes. The entire "LDAC" column for the Winter
6 Period got restated to the current LDAC rate that was
7 approved by the Commission in last winter's CGA filing.

8 CHAIRMAN IGNATIUS: Could I just ask a
9 clarification while we're here, before we get any further.
10 The top -- the change in the first five rows down is just
11 a minor adjustment, from 0.0257 to 0.0258. But, then,
12 halfway down the page it gets to be a very significant
13 difference. Could you explain why that change is there?

14 WITNESS SAVOIE: I'd have to check what
15 went wrong in the formula reference. I didn't have an
16 opportunity to find out what had gone wrong, I just knew
17 that it was calling in the wrong column for the winter
18 period. But why it changed to a rate of negative 0.0004,
19 I couldn't tell you right now.

20 CHAIRMAN IGNATIUS: All right. Thank
21 you. Please proceed.

22 BY MR. KNOWLTON:

23 Q. Mr. Savoie, subject to the corrections to the proposed
24 Eighth Revised Page 76 that you've noted, if I were to

[WITNESS PANEL: Savoie~DaFonte]

1 ask you the questions that are contained in your
2 prefiled testimony today, would your answers be the
3 same?

4 A. (Savoie) Yes.

5 Q. Would you provide a high-level overview for the
6 Commission of the Company's request with regard to the
7 cost of gas rate that's being proposed today.

8 A. (Savoie) The Company is requesting a residential cost
9 of gas rate for the summer period of 0.6732; for C&I
10 Low Winter, we're seeking a rate of 0.6661; and C&I
11 High Winter Use, a winter -- a summer rate of 0.6759.

12 Q. Mr. DaFonte, I'll turn to you next. Would you please
13 state your full name for the record.

14 A. (DaFonte) Francisco C. DaFonte.

15 Q. By whom are you employed?

16 A. (DaFonte) I am employed by Liberty Energy Utilities New
17 Hampshire Corp.

18 Q. What is your position with the Company?

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

20 Q. In that capacity, do you have responsibilities for the
21 cost of gas filing?

22 A. (DaFonte) I do.

23 Q. Would you identify which portion of the filing comes
24 within your area of responsibility?

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[WITNESS PANEL: Savoie~DaFonte]

1 A. (DaFonte) Basically, the forecasting component, the
2 supply procurement pricing, with respect to basis
3 differentials and futures pricing, as well as the
4 optimization of the portfolio itself.

5 Q. Do you have any corrections to your testimony?

6 A. (DaFonte) I do not.

7 Q. And, if I were to ask you the questions that are
8 contained in your prefiled testimony today, would your
9 answers be the same?

10 A. (DaFonte) They would.

11 MR. KNOWLTON: I have nothing further
12 for the witnesses.

13 CHAIRMAN IGNATIUS: Thank you.

14 Ms. Hollenberg, questions?

15 MS. HOLLENBERG: Thank you.

16 **CROSS-EXAMINATION**

17 BY MS. HOLLENBERG:

18 Q. I just have one question, Mr. DaFonte. We have noticed
19 through the winter period that different rate changes
20 occurred for the two different gas utilities in New
21 Hampshire. And, we spoke briefly about this issue
22 before the hearing, so that I could ask you if you
23 might just share your thoughts about why it was that we
24 had, with Northern Utilities, a cost of gas rate that

[WITNESS PANEL: Savoie~DaFonte]

1 went from about 0.8 -- 0.81, to a low, to drop to about
2 0.57. And, then, for EnergyNorth, we had a gas rate
3 that started at about 0.67, and went to the cap, the
4 25 percent cap, which was 0.8399, and then resulted in
5 an undercollection of about 3.2 or so million dollars.
6 Do you have any thoughts about why we saw different
7 directions for the two utilities?

8 A. (DaFonte) Sure. And, first, let me just state that I
9 was an employee of Northern Utilities. So, I have some
10 insight as to how the portfolio was developed, since I
11 developed it. So, I do have some information on that.
12 I think that the largest difference here would be the
13 way in which the capacity that's contracted for each of
14 the utilities occurs. For Northern Utilities, they
15 have capacity that essentially goes all the way back to
16 a liquid supply point. By doing so, the volatility at
17 that supply point is muted. It really is impacted more
18 so by the movement in the NYMEX, the New York
19 Mercantile Exchange price, as opposed to a basis
20 differential. And, so, this winter what we saw is the
21 NYMEX had actually come down a bit during the winter
22 period, which would have resulted in an adjustment, a
23 lower rate component for the cost of gas.

24 Whereas, for EnergyNorth, we have a

[WITNESS PANEL: Savoie~DaFonte]

1 larger portion of our capacity that is market-based.
2 So, therefore, the supply point is directly in the
3 market area. And, in New England, particularly for
4 this winter, where we got some cold weather in
5 January/February, we saw a significant spike in the
6 basis differential. What that means is that you're
7 really looking at the difference between where your
8 Henry Hub is, which is what the NYMEX is based on, and
9 the ultimate delivery point. And, where the Henry Hub
10 may have been at \$4, we were seeing \$25, \$30 prices up
11 here. So, that differential of \$21 and \$26 is really
12 what we're talking about in terms of the basis. And,
13 so, the market area prices just went up significantly,
14 and so much so that we did have to adjust during the
15 trigger filings. And, that's really the difference.
16 It's really how the portfolio is constructed.

17 Q. Uh-huh.

18 A. (DaFonte) And, the fact that EnergyNorth has more
19 market area supply requirements than does Northern
20 Utilities.

21 Q. Is it possible going forward that EnergyNorth will be
22 able to mitigate some of that risk from the capacity
23 market for the future? Is that something that you have
24 plans to do? Or, what are your thoughts about that?

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[WITNESS PANEL: Savoie~DaFonte]

1 A. (DaFonte) Yes. We're certainly actively looking at
2 other opportunities, new projects that are designed to
3 bring additional capacity into the region that would
4 get the Company back to a liquid purchase point.
5 That's really the goal, so that we have -- we'll have
6 access to either, you know, Gulf Coast supply or more
7 likely Marcellus supply, which is priced similar to
8 Gulf Coast, and it's just much closer to the market
9 area. But those are the things we're looking at, is
10 trying to go back to a more liquid supply point, so
11 that we can mute that basis differential and that
12 volatility that we've seen, particularly over the
13 course of this past winter.

14 MS. HOLLENBERG: Thank you. I don't
15 have anything further.

16 CHAIRMAN IGNATIUS: Thank you.
17 Mr. Speidel.

18 MR. SPEIDEL: Thank you, Chairman. I
19 have a series of questions.

20 BY MR. SPEIDEL:

21 Q. I guess, for Mr. DaFonte, just to segue off of what Ms.
22 Hollenberg was inquiring about. Would it be possible
23 for the Company to lock in its market area basis prior
24 to the winter period?

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[WITNESS PANEL: Savoie~DaFonte]

1 A. (DaFonte) It would be very difficult to. I think, in
2 our case, because our demand fluctuates so much, we
3 would not be able to sort of lock in the amount of gas
4 that we would need to purchase. And, it's not a very
5 liquid basis market. And, it's all done over the
6 counter, and you've got to find a counterparty that's
7 willing to trade that basis. And, when it's so
8 volatile, you would have to pay a significant premium
9 to do so. But, really, the point is that, when we get
10 into the month, as we see the price spikes, we, you
11 know, we really don't have an ability to mute those,
12 because it's based on demand.

13 The way we dispatch our portfolio is we
14 purchase our, you know, lowest cost, and we dispatch
15 our lowest cost supplies first. And, so, the last
16 supplies are the most volatile. And, not knowing what
17 the demand is going to be, we really can't say that on,
18 for example, "the 13th of January, we want to lock in
19 the basis." We don't know what we're going to need on
20 the 13th of January when we're looking at locking in
21 the basis for this summer, for example. So, it would
22 be very difficult. And, then, what would happen is,
23 you would almost be speculating. Because, if we don't
24 have the demand on a particular day, then we've locked

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1 in a basis, and we're not going to take delivery of any
2 gas associated with that.

3 Q. So, you have a kind of a double-end dynamic, where, not
4 only is New England at the end of the pipeline supply
5 routes, but you also have an issue related to the fact
6 that you're trying to acquire that last bit of
7 incremental supply for a very cold period of time, and
8 that's where the pricing can get quite volatile?

9 A. (DaFonte) That's correct. That's correct. And, one
10 thing I would want to make sure that folks understand,
11 though, is that, you know, the capacity that we do hold
12 is firm. So, we'll have access to that supply, it's
13 just a matter of what the price is going to be. And,
14 unfortunately, this winter, there's just so many other,
15 not just utilities, but, in many respects, the power
16 generators that are gas-fired that are competing for
17 that supply. So, they tend to drive up the price,
18 because of the need for them to be dispatched. And,
19 because the power markets are more of an -- more hourly
20 than they're spot market-based. And, so, therefore,
21 they can buy \$30 gas, knowing that they're going to get
22 an equivalent \$30 power back. So, for them, it doesn't
23 really impact them necessarily, as long as they're
24 getting the equivalent back on the energy side. So,

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[WITNESS PANEL: Savoie~DaFonte]

1 it's a bit different.

2 Whereas for the utility, you know, we
3 have to pay it and pass it through. There's no margin
4 there. They do make their margin. So, they're okay
5 with that. But that's a concern that we have. And, I
6 think the industry overall has had that concern for
7 several years now.

8 Q. Thank you. I have a series of fairly technical
9 questions for Mr. Savoie. And, if Mr. DaFonte would
10 like to jump in, he's more than welcome to. But, in
11 the first instance, Mr. Savoie, in your testimony on
12 Bates Page 0008, on Line 13, you reference the typical
13 residential heating customer using 1,250 therms per
14 year. Can you explain the genesis of the \$1,250 therm
15 -- 250, excuse me, therms per year figure and opine as
16 to whether it is reflective of today's residential
17 heating customer's load?

18 A. (Savoie) I don't know the origin of that figure. I did
19 a little research, and it appears that Northern is
20 using the same figure. It's different than what was
21 used in the late '90s, when I was doing cost of gas for
22 EnergyNorth. So, I can't tell where it comes from or
23 how somebody defined "typical". It's certainly not the
24 average usage that we experienced this past year. It's

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1 much, much higher than the average residential,
2 residential usage.

3 Q. Could you be a little more specific? I mean, based on
4 last summer's average usage, how much of a differential
5 is there between this 1,250 figure and the average
6 usage last summer?

7 A. (Savoie) Last summer, the actual usage by the
8 Residential Rate R-3 was 139 therms.
9 Weather-normalized, that would be 151 therms. So,
10 that's a little less than half of the typical that was
11 used of 318 therms. This is for the residential
12 heating customer.

13 MR. SPEIDEL: Just one moment please.

14 CHAIRMAN IGNATIUS: Can you say those
15 numbers again, because I didn't follow how half, 151,
16 could be a little less than half of 1,100? It's a lot
17 less than that. So, I think I just misunderstood.

18 WITNESS SAVOIE: Let's see, 318 was
19 typical; the average last year was 151. So, it's a 167
20 difference, for the summer only. This is for the summer
21 period only. So, 151, into the 318, is the actual
22 weather-normalized results for last summer, is 47 percent
23 of what we had indicated was "typical" usage.

24 CHAIRMAN IGNATIUS: And, the definition

[WITNESS PANEL: Savoie~DaFonte]

1 of "average" versus "typical", I think of those as -- I
2 had assumed they were the same thing, but they're
3 obviously not.

4 WITNESS SAVOIE: Yes. I don't know how
5 somebody came up with what "typical" would be. If they
6 thought "typical" meaning you're using cooking and heating
7 and something else. So, I don't know the history behind
8 that. But, the average, I just took all the volumes,
9 divided by the number of customers, and came up with an
10 average, and then weather-normalized it.

11 BY MR. SPEIDEL:

12 Q. So, Mr. Savoie, it would be fair to say that the actual
13 usage rate for the summer is around 318 therms for the
14 average residential customer. Would it be fair to say
15 that the rate impact would tend to be less severe on a
16 calculation using that basis of usage, versus the 1,250
17 therms for this current cost of gas filing?

18 A. (Savoie) Are we speaking for the summer?

19 Q. Yes.

20 A. (Savoie) The 1,250 is for the entire year.

21 Q. Correct.

22 A. (Savoie) The typical. The typical being used in the
23 past was 318. The average last year was 151. So,
24 comparing the average of 151 therms, to the typical of

[WITNESS PANEL: Savoie~DaFonte]

1 318, does show a big difference in either the increase
2 on the average bill or the percentage increase on the
3 average bill. So, using a typical usage for the summer
4 period of 318, the average cost of gas rate is 51
5 cents, roughly, equates to a \$38 increase, or a
6 10.4 percent increase, a \$38 increase, and
7 10.4 percent. Using average results,
8 weather-normalized 151 therms, is an \$18 increase, or
9 8 percent.

10 Q. Thank you. That's very helpful. Is the Company
11 considering a change in how it calculates the
12 residential bill impacts in future cost of gas filings?

13 A. (Savoie) The Company has not had those discussions.
14 But, certainly, if Staff and the OCA felt there were
15 some better figures we could use, we would certainly
16 want to hear their thoughts, and we could discuss that
17 internally.

18 Q. Thank you. Mr. Savoie, in terms of Schedule 5, on
19 Bates Page 0045, and the specific line would be Line
20 41, Column (j), as in "Jack". The forecast includes a
21 "Transportation Capacity Credit" of about \$1.5 million.
22 And, Mr. Savoie, is this credit related to the
23 mandatory capacity assignment tariff provision for
24 commercial and industrial customers that migrate from

[WITNESS PANEL: Savoie~DaFonte]

1 firm sales service to firm transportation service?

2 A. (Savoie) Yes.

3 Q. In last year's summer cost of gas forecast, the credit
4 was approximately \$1.1 million, while total demand
5 costs are about the same for the two periods. Is the
6 additional credit in the summer cost of gas forecast
7 the result of an increase in customer migration from
8 sales to transportation?

9 A. (Savoie) It's the result of the forecasted migration
10 percentage used in the prior period of 21.36 percent,
11 versus the forecasted number used in the 2013 Summer
12 filing of 29.65 percent.

13 A. (DaFonte) So, if I could add to that, I think what
14 we're looking at is a change in the ratio of
15 transportation customers to sales customers. That
16 ratio was forecast to be, as Mr. Savoie stated, about
17 21 percent last summer. Now, we're looking at the
18 ratio as being closer to 30 percent, 29.65, roughly.
19 So, it's really that ratio. So, that means there would
20 be more credits coming back to the sales customers
21 through that mandatory assignment.

22 Q. Thank you. On Schedule 6, which is at Bates Page 0066,
23 the Company's forecast shows utilization of Dracut
24 Supply 2 and Tennessee Gas Pipeline storage, or TGP

[WITNESS PANEL: Savoie~DaFonte]

1 storage supplies. Mr. Savoie, could you explain or
2 provide a little background to the Company's decision
3 to forecast the Dracut supply, when lower cost
4 alternatives could have been purchased from Dawn,
5 Niagara, Texas, Louisiana, and Marcellus, using
6 EnergyNorth's available firm pipeline capacity to
7 deliver those supplies to its city gates?

8 A. (Savoie) I believe Mr. DaFonte would like to respond.

9 Q. That would be fine.

10 A. (DaFonte) Yes. Thank you. Well, basically, what Bates
11 Page 0066 shows is the forecast of the dispatch at a
12 given point in time. So, this was -- the forecast was
13 done last fall or late last summer. And, in looking at
14 where futures prices were, along with predicted basis
15 differentials, the SENDOUT model, which is an
16 optimization model, had forecast the dispatch to
17 include mostly Dracut supply. And, that's primarily
18 because the transportation costs from the Gulf Coast to
19 New England would offset any increase in the actual
20 purchase price in the market area. That was the
21 thinking at that time, that was the sort of snapshot.

22 Since then, and based on the experience
23 that we've had from this past winter, when we saw basis
24 differentials increase significantly in the winter, we

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[WITNESS PANEL: Savoie~DaFonte]

1 also expect that that will continue in the summer as
2 well. So, while the forecast wasn't rerun, we do it
3 once. What we will do, and what we always do, is we
4 look at the actual market conditions at the time that
5 we actually make the purchases. So, this is really a
6 snapshot of what we -- what would have been expected to
7 be dispatched at that time. But, as we get to the
8 purchase periods, we will actually purchase whatever
9 the lowest cost of delivered gas is to EnergyNorth.
10 So, there will be a -- there will be a change, in terms
11 of the actuals.

12 Q. And, is it fair to say that the forecast, for lack of a
13 better word, being applied for illustrative purposes
14 only, or being produced with slightly out-of-date data,
15 was partly the result of the transition between the
16 National Grid ownership and the current Liberty
17 ownership, and that it was not possible or feasible to
18 rerun the figures using the computer program, is that
19 fair to say?

20 A. (DaFonte) Yes. What we use, and what Grid uses today,
21 is that SENDOUT optimization model. Liberty currently
22 has that model. And, we are in the process of ensuring
23 that we can run that model in the same fashion that
24 Grid does. And, we would typically run and will be

[WITNESS PANEL: Savoie~DaFonte]

1 running that semi-annually. So, we'll do it prior to
2 the winter period and then prior to the summer period,
3 so we can get that fresh data and give you that -- that
4 additional snapshot. But, again, you know, I do want
5 to emphasize that it's still a snapshot. And, you
6 know, in a matter of a month, even less, the market
7 could change significantly, and we would certainly make
8 our decisions based on what those market conditions are
9 at that time. But it would give you a better snapshot.
10 But I think, right now, the process is, you know,
11 making sure that we have all of the same data and can
12 mimic the way that Grid has been utilizing SENDOUT.
13 And, we're fairly close to getting that accomplished.

14 Q. Thank you for that response. On Schedule 7, Line 9, of
15 the filing, the six-month NYMEX, or New York Mercantile
16 Exchange, futures strip average is \$0.3587 per therm,
17 which is used to determine the supply commodity cost in
18 this cost of gas forecast.

19 CMSR. SCOTT: Can you say where we are
20 again?

21 MR. SPEIDEL: Schedule 7, Line 9,
22 Commissioner.

23 CHAIRMAN IGNATIUS: The numbers aren't
24 matching what you're reading.

[WITNESS PANEL: Savoie~DaFonte]

1 MR. SPEIDEL: Let's have a look. I
2 think the reason for that is the actual figure is
3 dekatherms. So, let me read this again.

4 CHAIRMAN IGNATIUS: What Bates number
5 are you on?

6 MR. SPEIDEL: 0082. Yes, I'll just read
7 it out the way it's written.

8 BY MR. SPEIDEL:

9 Q. The six-month NYMEX futures strip average is \$3.5875
10 per dekatherm, which is used to determine the supply
11 commodity cost in this cost of gas forecast. This
12 NYMEX strip is as of March 8th, 2013. What is the
13 current 15-day average of NYMEX strip prices?

14 A. (Savoie) As of the close Wednesday, yesterday morning I
15 looked at the 15-day average NYMEX, and it had
16 increased to \$4.073.

17 Q. Thank you. What would the impact on the residential
18 maximum rate of using the current average be?

19 A. (Savoie) The impact of that increased NYMEX would be to
20 increase the cost of gas rate from 67.32 cents, to
21 71.85 cents. That's an increase of 2.4 cents. And, I
22 believe you asked the maximum. So, if you take that
23 2.4 -- let me rephrase that. It's an increase of 4.53
24 cents. And, the maximum impact, using the cap of

[WITNESS PANEL: Savoie~DaFonte]

1 1.25 percent, makes it 5.66 cents. What I did want to
2 add to that is, in -- if the portfolio is optimized to
3 dispatch the lowest cost gas, there are some offsets to
4 that. And, that was the rate I mentioned earlier
5 erroneously. Using the revised NYMEX price and
6 optimizing the portfolio increases -- results in an
7 increase of 2.4 cents. And, applying the cap of
8 125 percent, that brings it to 3 cents.

9 Q. Could you please provide a little bit of additional
10 background on the cap issue, in terms of how that feeds
11 into the maximum?

12 A. (Savoie) Yes. If I understood your question, you were
13 asking about the "maximum" rate.

14 Q. Yes.

15 A. (Savoie) So, I was assuming what you meant was, if we
16 took the cost of gas rate to the max, what would be the
17 impact of the NYMEX?

18 Q. Okay. Thank you. On Tab 15, beginning on Bates Page
19 0105, this section of the filing provides the 2012
20 Summer Period cost of gas reconciliation.

21 A. (DaFonte) I believe that's Tab 14.

22 Q. Tab 14. Do you know if the results of this
23 reconciliation have been audited by the PUC Audit
24 Staff?

[WITNESS PANEL: Savoie~DaFonte]

1 A. (Savoie) Yes. The results were audited, and we
2 received a Draft Audit Report yesterday.

3 Q. Thank you. Can you confirm that, if the PUC Audit
4 Staff discovers any issues that require adjustments
5 related to the prior Summer 2012 cost of gas period
6 results, the adjustments are typically incorporated
7 into the monthly over and under calculations?

8 A. (Savoie) I believe that's true.

9 MR. SPEIDEL: Thank you very much. That
10 will be all for Staff. Thank you.

11 CHAIRMAN IGNATIUS: Thank you.
12 Commissioner Scott.

13 CMSR. SCOTT: Thank you. And, good
14 morning.

15 WITNESS SAVOIE: Good morning.

16 WITNESS DaFONTE: Good morning.

17 BY CMSR. SCOTT:

18 Q. So, I would like to go to Tab 15 for real. I just
19 would like a little bit of description of what confuses
20 me is the term you use in quotations, "Advanced
21 Consumption". This looks like kind of historical. So,
22 I was just curious what the intent and what it was
23 we're looking at in Tab 15?

24 A. (Savoie) Okay. Tab 15, I'm not very familiar with.

[WITNESS PANEL: Savoie~DaFonte]

1 What I do know is that this is a 12-month history of
2 the occupant billing accounts. I'm not sure about what
3 the terminology means. But what we're showing here is
4 how many occupant accounts were outstanding at October
5 of '11, and then showing every month how many of those
6 accounts got closed, how many got opened, and just
7 giving a running monthly total of how many occupant
8 accounts were outstanding.

9 Q. Thank you. It really was the title that didn't mean
10 anything to me. So, I didn't know if that was a term
11 of art or what it was supposed to connote. So, --

12 A. (Savoie) I wish I could answer. I'm not sure.

13 Q. I don't feel as lost, then. Thank you. There was some
14 discussion earlier, you recognized, for want of a
15 better word, I'll use "competition" right now between,
16 during the winter peaks, with electric generators and
17 LDCs. I was curious, obviously, and you mentioned in
18 testimony that you have LNG and propane facilities, and
19 it helps maintain pressure, and, obviously, could be
20 used to help backfill a little bit. I was curious,
21 given what's gone on last year, is the Company doing
22 some -- the utility doing some analysis? And, do you
23 feel, even though you have firm contracts for what you
24 do, do you have a high degree of confidence of gas

[WITNESS PANEL: Savoie~DaFonte]

1 availability, I guess is the question?

2 A. (DaFonte) Yes. We believe that the availability will
3 be there. We'll actually have contracts in place to
4 ensure that it's available, just as we did this winter.
5 We entered into an agreement with a supplier that would
6 provide us with supplies at our Dracut purchase point.
7 So, it was basically a call option. So that, when it
8 did get cold and we needed a pipeline supply, they
9 would be able to deliver it. It's just that it's going
10 to be market-based pricing. So, therefore, we have to,
11 we're price-takers in the market, so, we're going to
12 have to pay whatever that price is. And, so, it's not
13 negotiated up front, in terms of a fixed price or
14 anything like that, because we don't know when that --
15 when we're going to need it, it will depend on the
16 weather. So, it is index-based, which is the market
17 area. But we'll have firm contracts in place.

18 You know, and as far as the, you know,
19 propane and LNG is concerned, there were actually quite
20 a few days when propane was less expensive to dispatch
21 than market area gas. And, so, we'll continue to
22 evaluate that, and we may end up using more propane.
23 Certainly not ideal, in terms of the blending
24 properties, but, certainly, from a cost perspective, it

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[WITNESS PANEL: Savoie~DaFonte]

1 could be advantageous. But I think the longer term
2 solution is, you know, incremental capacity, and we're
3 certainly going to take a look at that.

4 Q. Thank you for that. Also, on the discussion of
5 "typical" versus "average" use, I was curious what the
6 average was for a residence on a yearly basis?

7 A. (Savoie) 1,250 was the typical. I don't think I have
8 it readily available. It was significantly lower. I
9 don't think it was to the extent of the summer being
10 off, but it was also significantly lower for the winter
11 period and for the year as a whole.

12 Q. And, if I understood the discussion, you're going to,
13 at least as a company, look at the use of average
14 versus typical. And, I guess I would suggest, for our
15 consumption, at least a definition of what you view
16 "typical" means would be helpful for our consumption or
17 public consumption. It's nice for the public to be
18 able to -- your customers to be able to know what their
19 rate change will be based on their usage.

20 A. (Savoie) It appears along the way somehow the two
21 companies got synchronized. I don't know the history.
22 So, I would think we need to talk to Staff and the OCA,
23 definitely, and get everybody on board as to what is
24 "typical", what does that mean, versus "average". And,

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[WITNESS PANEL: Savoie~DaFonte]

1 if you want uniformity, we're certainly willing to
2 figure out what is the most meaningful number.

3 A. (DaFonte) And, I would just add that, clearly, with
4 energy efficiency programs being implemented, that the
5 use per customer has gone down, particularly at the
6 residential level. Whether it's, you know, new
7 construction that gets factored into the average now
8 and all of the energy efficiency measures, and just,
9 you know, conservation measures that the individual
10 homeowner takes into account. That will certainly have
11 an impact, it's just coming up with what that average
12 should look like and identifying what that use per
13 customer is now, versus, again, a historical number
14 that I think the utilities have been relying on.

15 CMSR. SCOTT: Thank you.

16 CHAIRMAN IGNATIUS: Thank you.

17 BY CHAIRMAN IGNATIUS:

18 Q. A follow-up to that. If we're using an assumption of
19 forecasted sales that's too high, given energy
20 efficiency and your recent experience, does that mean
21 then that we are likely to see an undercollection
22 that's going to have to always be caught up, if we're
23 setting rates assuming a forecasted number of sales
24 that really isn't realistic?

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[WITNESS PANEL: Savoie~DaFonte]

- 1 A. (Savoie) No, I don't believe that would be right. The
2 forecasted volumes by the Company would take into
3 account any energy efficiency history that's out there.
4 So, the rates -- the numbers used in the filing are
5 indicative of what we expect to really happen. It's
6 just for the bill impact purposes, maybe we're using
7 some old data or some data that's estimated on the high
8 side, or, you know, whatever somebody intended by
9 "typical", we don't know, it sounds like at this point.
10 And, we can certainly redefine what is "typical", or do
11 we just go with "average". But I suspect that the
12 concept was to make the companies uniform, so they were
13 all using -- both companies are using the same number.
14 But, certainly, Northern's average is going to be
15 different than our average.
- 16 Q. All right. Well, that helps. So, that the concern,
17 the uniformity and the ability to compare
18 company-to-company is helpful, but the most important
19 thing would be that the forecasted volumes are
20 realistic. And, those you don't have the concerns
21 about. You don't see the disparity that you saw in the
22 "typical" versus "actual" that I assume is much more
23 based on actual is the average number?
- 24 A. (DaFonte) Right. As Mr. Savoie said, the 1,250 annual

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[WITNESS PANEL: Savoie~DaFonte]

1 is really just a barometer. It doesn't -- it's not
2 pulled out of any of the forecast data. And, that's
3 probably what needs to be done now is identify what the
4 use per customer is on the residential level, and then
5 a residential heating, and then residential
6 non-heating, and come up with a, you know, sort of a
7 typical bill impact or -- and an average consumption
8 level.

9 Q. All right. That's helpful. Thank you. Mr. Savoie,
10 just to be sure I'm following how we get to the rate
11 for the proposed summer cost of gas. And, I was
12 looking at your testimony, I think it's page -- Bates
13 Page 0008. It looks like we came out of the Summer
14 2011 with an overcollection, and that was carried into
15 2012. You had an undercollection in 2012. And, you
16 come into 2013 still with a net undercollection for the
17 gas costs being higher in 2012. So, even though some
18 things are decreasing, the overall effect is you're
19 bringing an undercollection into 2013 that you've got
20 to make up?

21 A. (Savoie) Yes. That's correct.

22 Q. Do you have any, either of you, have a good sense of
23 why the NYMEX six-month strip has just gone up again
24 and where you think it's heading, or the pressures that

[WITNESS PANEL: Savoie~DaFonte]

1 are making it go up, when we're looking into the summer
2 months?

3 A. (DaFonte) Well, I think some of it is just speculation
4 on the part of the market that there's going to be an
5 economic rebound. The NYMEX also has some, you know,
6 has some impact on it through gas-fired generation
7 relative to coal, okay? Because, you know, although
8 coal is not an important or key fuel source here in New
9 England, in the Midwest you do see a lot of coal-fired
10 generation. When the NYMEX gets to a certain level,
11 then it basically has -- it kicks coal-fired generation
12 on. And, so, you tend to see a swing up and down at
13 times. So, when coal-fired comes on, that means
14 there's less demand for the gas-fired, and, so, that
15 usually puts a downward pressure on price. So, what
16 we're seeing is there's sort of this band of movement
17 in the NYMEX. And, we're kind of at the top of that
18 band now. And, if the economic rebound doesn't occur,
19 and as coal-fired generating facilities start now to
20 come on and displace gas-fired generation, then that
21 demand will go down, and, therefore, that will put
22 downward pressure on the NYMEX. But, you know, that's
23 part of it.

24 There's also probably some speculation

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[WITNESS PANEL: Savoie~DaFonte]

1 in terms of whether LNG exports will be allowed.

2 There's no decision on that yet by the government, but
3 that is an issue before the FERC and DOE. And, so,
4 there is a -- there's a thought that, if that happens,
5 then, again, more demand, because there would be some
6 exports of LNG in certain locations.

7 So, I mean, it's a lot of factors.

8 Storage refill is also factored in there. We used a
9 lot more storage this winter than we did in the prior
10 winter, which was, you know, the coldest -- the warmest
11 on record. And, so, relative to last year, looks like
12 there's going to have to be more gas purchased to
13 refill storage. So, all of those things are putting,
14 you know, additional pressure on the demand-side. But,
15 and again, I think that there's only so much upside on
16 the NYMEX, and then there will be some downward
17 pressure again. And, it's a question of where that
18 will fall out, we don't know. But I think that's
19 primarily the reason why it's gone up.

20 Q. I guess, because it's in the summer period, you're not
21 having the heavy competition of heating demand and
22 electric generation demand, and had thought that it
23 would be less volatile and not be seeing those kinds of
24 changes. But I guess it's always more complicated than

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[WITNESS PANEL: Savoie~DaFonte]

1 that.

2 A. (DaFonte) No, absolutely. And, you know, the
3 interesting thing is that, you know, there is a --
4 there's a finite amount of capacity that comes into the
5 region. And, so, in the winter, you know, there's
6 competition there. In the summer, when there isn't
7 competition, on the utility side, for heating load,
8 that just makes it more available to the gas-fired
9 generators. So, they're actually running a lot more on
10 gas in the summer than they are in the winter. And, at
11 some level, they also get restricted. Meaning that, as
12 more and more gas-fired generators are coming on line,
13 being built or converted from oil, then you're going to
14 still see an upward pressure on price potentially,
15 because, again, you're getting up to the cap, in terms
16 of the amount of capacity that's available. So,
17 instead of, you know, utility competition with
18 gas-fired generators, it's going to be gas-fired
19 generators competing with each other. And, so, that
20 can also drive up prices.

21 CHAIRMAN IGNATIUS: That's helpful.
22 Thank you. We have no other questions. Any redirect?

23 MR. KNOWLTON: I have none.

24 CHAIRMAN IGNATIUS: Then, the witnesses

1 are excused, but why don't you stay put. Do we have any
2 other administrative matters, other than dealing with the
3 exhibits?

4 MS. HOLLENBERG: I just wanted to
5 comment that the occupant gas issue was something that
6 arose in the last EnergyNorth rate case. And, it's
7 something particular to EnergyNorth and how they
8 characterize certain accounts that don't have a customer
9 assigned to them. And, they're required, under that rate
10 case, to keep track of where they're at with those. And,
11 there was an attempt to have some control over the level
12 of those "occupant" accounts. So, it is sort of a term of
13 art, and I would just commend that settlement and order to
14 you in terms of just having some familiarization of what
15 that issue is.

16 CHAIRMAN IGNATIUS: Thank you. And, I
17 think the other phrase was "advanced consumption".

18 MS. HOLLENBERG: Oh, okay.

19 CHAIRMAN IGNATIUS: Actually, that
20 sounds like a disease. Maybe that isn't right. What was
21 the phrase?

22 CMSR. SCOTT: Yes, "advanced
23 consumption".

24 MR. SPEIDEL: Yeah, it's sort of the

1 Wimpy plan, the Wimpy rate plan. Where they'll gladly pay
2 for the gas never for the gas that it receives today.
3 So, --

4 CHAIRMAN IGNATIUS: I don't know if,
5 Ms. Knowlton, if you have any more information on what
6 that phrase means or --

7 MR. KNOWLTON: No, I don't. I mean, I
8 think part of what we need to do is, we certainly, you
9 know, Mr. Savoie is very familiar with the concepts and
10 the requirements underlying that schedule. And, I think
11 the nomenclature we can look at and see, you know, we've
12 inherited this. You know, if it doesn't make sense, we
13 don't know what it is, you know, let's give it a new name.
14 You know, "advanced consumption" may not need to be --
15 those words may not need to appear on that tap in the
16 future. So, we'll take a look at that.

17 CHAIRMAN IGNATIUS: All right. Then,
18 why don't we, unless there's any objection, appears that
19 there isn't, we strike the identification and make the
20 three exhibits full exhibits.

21 And, I think, unless there's anything
22 else, we have closing statements. And, we first turn to
23 Ms. Hollenberg.

24 MS. HOLLENBERG: Thank you. The Office

1 of Consumer Advocate has no objection to the Company's
2 proposed cost of gas rate. And, we appreciate their
3 cooperation and work with us, as well as the Staff's
4 assistance of our office in getting through this
5 proceeding. Thank you.

6 CHAIRMAN IGNATIUS: Mr. Speidel.

7 MR. SPEIDEL: Thank you. Staff has
8 completed its review of the filing, including Company
9 responses to Staff data requests and a technical session,
10 and recommends approval of the EnergyNorth Natural Gas,
11 Incorporated doing business as Liberty Utilities proposed
12 2013 Summer cost of gas rates. The sales forecast for the
13 2013 Summer Period appears to be consistent with past
14 experience. While the supply plan integrates actual costs
15 for hedged supplies and recent NYMEX futures average
16 prices for non-hedged supplies, the Company's supply
17 forecast included certain higher cost alternatives that
18 were called into question by Staff. It would appear that
19 the Company used, for illustrative purposes, older data
20 regarding these prices, which, when integrated into the
21 Company's computer modeling program, produced
22 counterintuitive results. The Company has assured Staff
23 that its actual dispatch of gas supplies throughout the
24 forecast period will follow traditional least cost

1 dispatch principles, and that the use of outdated pricing
2 data in its preparation of Cost of Gas Schedule 6 was a
3 result of the Company's ongoing transition from National
4 Grid's systems.

5 Staff expects that for all future cost
6 of gas filings, the Company's cost of gas forecast will
7 utilize its firm pipeline capacity assets to achieve the
8 lowest possible cost of gas rate for its customers, and
9 that the supply forecast as presented in Schedule 6 of
10 future cost of gas filings will reflect that, by using
11 up-to-date pricing data.

12 The Commission Audit Staff has not
13 completed its review -- well, actually, I'm sorry, this is
14 old. Has completed?

15 (Atty. Speidel conferring with Mr.
16 Wyatt.)

17 MR. SPEIDEL: I see. So, the Commission
18 Audit Staff has not fully completed its review of the 2012
19 Summer Cost of Gas reconciliation. If issues arise from
20 the audit of the prior summer period reconciliation, any
21 necessary adjustments are typically incorporated into the
22 monthly over/under calculations by the Company. There
23 will be a reconciliation of 2013 projected and actual gas
24 costs, and any concerns that may arise related to the 2013

1 Summer gas planning and dispatch may be raised and
2 addressed in 2014 Summer Cost of Gas proceeding.

3 Staff, the Company, and the OCA will
4 work together to address the usage bill impact issue
5 discussed today. Staff also thanks the Company for its
6 cooperation, and the OCA for its participation during this
7 filing review. Thank you.

8 CHAIRMAN IGNATIUS: Thank you.
9 Ms. Knowlton.

10 MR. KNOWLTON: Thank you. Thank you.
11 We're pleased to be here today. And, we certainly also
12 appreciate the participation of everybody, Staff and OCA
13 in this docket. And, I would say that I think, from our
14 perspective, we've made a very positive transition on cost
15 of gas matters. We're pleased that Mr. Savoie is back
16 with the Company after many years. And, I know that Mr.
17 DaFonte has testified here before. And, as Mr. DaFonte
18 indicated, you know, we are in the process still of
19 completing aspects of the transition from the National
20 Grid ownership to Liberty ownership as it relates to cost
21 of gas, but I think we're well on our way. And, as Mr.
22 DaFonte testified, that the purchases that will be made
23 will be based on least cost principles, which I think is
24 important.

1 We have received the Draft Audit Report,
2 and we look forward to responding to that. We're in the
3 process of reviewing that.

4 I do ask that the Commission approve the
5 rates for the summer cost of gas period as they are
6 proposed and as they are supported in the Company's filing
7 and by the testimony today.

8 CHAIRMAN IGNATIUS: Thank you. Then,
9 there being nothing further, we will take this under
10 advisement and issue an order forthwith. And, we stand
11 adjourned.

12 **(Whereupon the hearing ended at 11:03**
13 **a.m.)**