

1 **STATE OF NEW HAMPSHIRE**2 **PUBLIC UTILITIES COMMISSION**3
4 **October 8, 2014 - 10:12 a.m.**
5 Concord, New Hampshire

NHPUC OCT14'14 AM 8:54

6
7 **RE: DG 14-230**
8 **NEW HAMPSHIRE GAS CORPORATION:**
9 ***Winter 2014-2015 Cost of Gas.***10 **PRESENT:** Commissioner Robert R. Scott, Presiding
11 Commissioner Martin P. Honigberg

12 Sandy Deno, Clerk

13
14 **APPEARANCES:** **Reptg. New Hampshire Gas Corporation:**
15 Brian R. Maloney
16 *(appearing via video conference)*17 **Reptg. PUC Staff:**
18 Alexander F. Speidel, Esq.
19 Stephen Frink, Asst. Dir./Gas & Water Div.
20 Iqbal Al-Azad, Gas & Water Division21
22
23 Court Reporter: Steven E. Patnaude, LCR No. 52
24

ORIGINAL

I N D E X**PAGE NO.****WITNESS:****BRIAN R. MALONEY**

Direct examination by Mr. Speidel (to assist NHGC)	5
Cross-examination by Mr. Speidel	6
Interrogatories by Cmsr. Scott	11

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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	Winter 2014-2015 Cost of Gas filing, including testimony and attachments (09-04-14)	6
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CLOSING STATEMENTS BY:**PAGE NO.**

Mr. Speidel	14
Mr. Maloney	16

P R O C E E D I N G

CMSR. SCOTT: Good morning.

MR. MALONEY: Good morning.

MR. SPEIDEL: Good morning.

CMSR. SCOTT: I'd like to open this hearing on DG 14-230 for the 2014-15 Winter Cost of Gas Adjustment for the New Hampshire Steam -- excuse me, New Hampshire Gas Corporation, sorry about that. This proceeding is for approval of revisions, tariff revisions for providing cost of gas for the winter period of November 1st, 2014 through April 30th, 2015. New Hampshire Gas Corporation also requests a waiver for New Hampshire Code of Administrative Rules Puc 1203.05, in order to implement the rate change on a bill-rendered basis.

With that, I'd like to take appearances. And, for the record, we have a video teleconference set up.

MR. SPEIDEL: If I may begin as last time, Commissioners, on behalf of Staff, and then give a short explanation of the process, and then enable Mr. Maloney to appear, that would work.

CMSR. SCOTT: Please do.

MR. SPEIDEL: Thank you. This is

[WITNESS: Maloney]

1 Alexander Speidel representing the Staff of the
2 Commission. And, I have with me Stephen Frink, who is the
3 Assistant Director of the Gas and Water Division, and
4 Iqbal Al-Azad, Analyst in the Gas and Water Division.

5 And, as part of this uncontested case,
6 Staff has granted the Company's *pro se* witness, Mr. Brian
7 Maloney, to appear via teleconference, with the
8 understanding that if there had been an issue in
9 controversy, there would be an expectation that the
10 Company, number one, retain its own counsel, and, number
11 two, appear in person here in New Hampshire.

12 So, I would like to invite Mr. Maloney
13 to introduce himself as well.

14 MR. MALONEY: Good morning. My name is
15 Brian Maloney, and I am a Lead Analyst in the Rates and
16 Regulatory Economics Department at Rochester Gas &
17 Electric Corporation. RG&E provides affiliate services to
18 New Hampshire Gas Corporation.

19 CMSR. SCOTT: And, Mr. Maloney, you can
20 hear us fine now?

21 MR. MALONEY: Yes.

22 CMSR. SCOTT: Thank you.

23 MR. SPEIDEL: At this time,
24 Commissioners, I would invite Mr. Maloney to be sworn and

[WITNESS: Maloney]

1 appear as the primary witness or the only witness for this
2 hearing. And, Staff has a series of questions we would
3 like to ask of Mr. Maloney today.

4 CMSR. SCOTT: Okay. Thank you.

5 (Whereupon **Brian R. Maloney** was duly
6 sworn by the Court Reporter.)

7 **BRIAN R. MALONEY, SWORN**

8 **DIRECT EXAMINATION**

9 BY MR. SPEIDEL:

10 Q. All right. Mr. Maloney, were you responsible for
11 preparing the filing of the Cost of Gas Petition in
12 this case, DG 14-230?

13 A. Yes, I was.

14 Q. And, it was dated September 4th, and received on
15 September 5th, 2014, correct?

16 A. Correct.

17 Q. Would you have any specific corrections that you would
18 like to make to the testimony that you provided as part
19 of that filing?

20 A. I do not.

21 MR. SPEIDEL: Thank you. Commissioners,
22 I would like to request that this filing be marked as
23 "Exhibit 1" in today's hearing?

24 CMSR. SCOTT: So marked.

{DG 14-230} {10-08-14}

[WITNESS: Maloney]

1 (The document, as described, was
2 herewith marked as **Exhibit 1** for
3 identification.)

4 MR. SPEIDEL: Thank you.

5 **CROSS-EXAMINATION**

6 BY MR. SPEIDEL:

7 Q. All right. Mr. Maloney, regarding Exhibit 1, I have a
8 series of questions that Staff would like to ask in
9 terms of having some clarifications. To begin,
10 approximately what percentage of the gas supplies this
11 winter are hedged, pre-purchased or otherwise tied to a
12 predetermined fixed price?

13 A. Approximately 60 percent of our supply is pre-purchased
14 at a fixed price under our hedging program.

15 Q. Thank you. How does the cost of the hedged supplies
16 compare to the projected market prices?

17 A. The hedged supply cost is \$1.62 per therm, which is
18 five cents higher than the current estimated cost for
19 spot purchases.

20 Q. In pricing the non-hedged propane supplies, you used
21 propane futures prices as of September the 3rd of 2014.
22 If you were to recalculate the proposed cost of gas
23 rate based on current futures prices, what would the
24 rate be?

[WITNESS: Maloney]

1 A. The propane futures have remained in a very narrow band
2 over the past month, if I recalculated the prices at
3 yesterday's rates on the futures market, the proposed
4 rate would be just a half cent higher.

5 Q. Does the proposed maximum rate of \$2.1336 allow enough
6 flexibility to absorb this and other normal price
7 fluctuations through monthly rate adjustments without
8 adjusting the rate at this time?

9 A. Assuming the severe winter propane shortages don't
10 materialize again as they did last winter, I expect the
11 maximum rate will be sufficient.

12 Q. Last winter, New Hampshire Gas Corp. filed a revised
13 cost of gas due to a spike in propane costs due to
14 propane shortages, and the rate increase was not
15 accepted -- expected, excuse me, to element the
16 projected under-collection. What transpired last
17 winter, following the February 1 rate increase? Was
18 there a significant under-collection?

19 A. The spot market prices returned to a more normal level
20 faster than was anticipated at the time of the special
21 filing. So, the under-collection was avoided. In
22 fact, there was a small over-collection for the winter
23 period.

24 Q. Mr. Maloney, what measures has the propane industry

[WITNESS: Maloney]

1 taken to avoid a similar occurrence this winter?

2 A. And, I'll mention a handful of the measures. There's
3 been some new rail terminals built in the Midwest,
4 storage facilities have seen some expansion. The
5 regulatory process for approval of trucking --

6 (Court reporter interruption.)

7 **CONTINUED BY THE WITNESS:**

8 A. The regulatory process of approval of trucking hour
9 exemptions has been streamlined.

10 BY MR. SPEIDEL:

11 Q. Is that all?

12 A. In addition, the industry has promoted early season
13 tank fills for propane consumers and dealers.

14 Q. Thank you. What steps has New Hampshire Gas Corp.
15 specifically taken to protect its consumers from a
16 similar occurrence?

17 A. The two main things we have done is that we doubled our
18 off-site storage contract to 100,000 gallons. And, we
19 increased our hedging program by 25,000 gallons.

20 Q. What would be the total off-site storage capability in
21 that instance?

22 A. It's 100,000 gallons, up from 50,000 gallons.

23 Q. Thank you. Over the last two winters, New Hampshire
24 Gas Corp. contracted for off-site propane storage

[WITNESS: Maloney]

1 capacity of 50,000 gallons located 50 miles from Keene.
2 How much of that capacity did New Hampshire Gas use
3 last winter?
4 A. We used all 50,000 gallons.
5 Q. Did the Company have any problems drawing on those
6 supplies?
7 A. No, we did not.
8 Q. Under the terms of the storage contract, New Hampshire
9 Gas is required to replace those gallons before the
10 next heating season. When did New Hampshire Gas
11 replace those supplies?
12 A. We replaced them in late April, after the propane
13 market returned to normal levels.
14 Q. What were the associated savings from the storage
15 capability? Can you estimate that?
16 A. Yes. We estimated the savings at \$35,000, by drawing
17 from the storage, rather than making spot purchases at
18 the high mid-winter prices.
19 Q. How does this winter's cost for that storage capacity
20 compare to last winter's?
21 A. We doubled the amount of storage, and the price for
22 that contract also doubled.
23 Q. Was that a per unit price or is that the total gross
24 price?

{DG 14-230} {10-08-14}

[WITNESS: Maloney]

1 A. It's one total gross price.

2 Q. Thank you. Have there been any other changes in the
3 Company's trucking, suppliers, storage, and gas plant
4 arrangements since last winter?

5 A. There have been no other changes in those areas.

6 Q. You forecasted, Mr. Maloney, a slight increase in
7 enrollment this year. Twenty-three (23) percent,
8 compared to 18 to 19 percent over the past two winters
9 for the Fixed Price Option Program. When was the
10 enrollment offer for the Fixed Price Option Program
11 mailed?

12 A. It was mailed last Wednesday, October 1st.

13 Q. What is the expected Fixed Price Option enrollment as
14 of today?

15 A. It's still early in the process, but responses seem a
16 little stronger to date than they were last year.
17 That's in line with our forecasted increase in
18 participation, from 18 percent to 23 percent.

19 Q. When is the cut-off date for FPO enrollment for New
20 Hampshire Gas customers?

21 A. It is Monday, October 20th.

22 Q. Thank you. The deferred revenue surcharge component of
23 the cost of gas ends on October the 31st of this year,
24 and you forecast an over-collection of around \$3,400.

{DG 14-230} {10-08-14}

[WITNESS: Maloney]

1 When will the final reconciliation be performed and how
2 will an over-collection be treated?

3 A. The final balance will be calculated and filed with the
4 Commission in early November. And, the amount will be
5 passed back to customers by including it in the
6 November cost of gas reconciliation.

7 Q. Has the Company experienced any material changes in
8 customer total and/or load growth over the past year?

9 A. No. There hasn't been any significant customer
10 additions or losses over the past year.

11 MR. SPEIDEL: Thank you very much, Mr.
12 Maloney, for your time. I would like to offer the
13 Commissioners an opportunity to ask you questions from the
14 Bench now.

15 CMSR. SCOTT: Commissioner?

16 CMSR. HONIGBERG: I have no questions.

17 Thank you.

18 CMSR. SCOTT: I have questions.

19 BY CMSR. SCOTT:

20 Q. Mr. Maloney, on Page 9 you mention, Line -- Page 9,
21 Line 9 of your testimony, you mention the need for the
22 additional storage capability in order to meet a
23 seven-day storage requirement. I was curious, how did
24 that go last year? Was the seven-day requirement able

[WITNESS: Maloney]

1 to be met last year?

2 A. It was barely met in several of the mid-winter months,
3 due to the propane prices and the propane shortages we
4 experienced.

5 Q. Okay. And, obviously, this extra supply would cause
6 you to say instead of, hopefully, in this coming year,
7 "barely met", that you're confident of meeting it this
8 coming winter?

9 A. That's correct.

10 Q. Good.

11 A. And, also having the flexibility to draw on it for
12 sendout, while still meeting the seven-day supply
13 requirement.

14 Q. Okay. Right. For your own, when you say "sendout",
15 for your own use you mean?

16 A. Yes.

17 Q. Thank you. So, with Attorney Speidel you -- Speidel?

18 MR. SPEIDEL: Speidel, yes.

19 BY CMSR. SCOTT:

20 Q. -- you kind of outlined regional efforts to reduce the
21 issue of propane getting to the region. Are there any
22 local issues that have changed that would help increase
23 supply? Obviously, you mentioned storage, your
24 additional contracting for storage.

{DG 14-230} {10-08-14}

[WITNESS: Maloney]

1 A. We -- our hope is that the local New Hampshire market
2 participated in the public relations efforts to get
3 customers to -- and dealers to fill their tanks early.
4 The storage tanks of individual customers and
5 businesses provides the greatest storage capability in
6 the Northeast. And, if those are filled up early in
7 the season, it could potentially alleviate a situation
8 like last year.

9 Q. Okay. So, again, so, you're confident that this year
10 you won't see the same type of issues or the region
11 won't see the same type of issues?

12 A. I'm confident that a perfect storm, like as happened
13 last year, will not reoccur. The biggest problems last
14 year were, of course, the intense winter weather, and
15 also an incredibly large amount of propane being used
16 in the Midwest for crop-drying, because the crop was
17 very late and also very wet. If those two situations
18 don't occur to the magnitude that they did last year, I
19 think it's very unlikely that we'll see propane price
20 pressures and supply limits in this region of the
21 country like we did last year.

22 Q. That's good to hear. Thank you. And, I think,
23 finally, with the filing, you have listed on Page 5
24 that you're forecasting the Fixed Price offering to be

[WITNESS: Maloney]

1 in the range of 23 percent. Obviously, now you've
2 actually started that solicitation process and you're
3 midway through. Is this on track do you think?

4 A. We think it's on track. If anything, we think the
5 participation, based on just the first week of
6 receiving responses from customers, might be even a bit
7 higher than 23 percent, rather than a bit lower. But,
8 with only one week in in the three-week window, it's
9 hard to really come to any conclusions at this point.

10 Q. Okay. But it certainly seems to be within that range,
11 it sounds like?

12 A. Yes.

13 CMSR. SCOTT: Great. Thank you. That's
14 all I have for questions. Did you have anything else?

15 CMSR. HONIGBERG: No.

16 CMSR. SCOTT: I would ask you for
17 redirect, but I'm not sure to whom.

18 MR. SPEIDEL: No, it's all right,
19 Commissioners. I have a brief closing statement for
20 staff, if I may read it?

21 CMSR. SCOTT: Please.

22 MR. SPEIDEL: Thank you. Staff supports
23 the New Hampshire Gas Corporation's proposed 2014-2015
24 Winter Cost of Gas filing and FPO rates, and the waiver

1 request to allow New Hampshire Gas Corp. to continue
2 billing on a bills-rendered basis.

3 The sales forecast and supply plan for
4 the 2014-2015 Winter Period is consistent with prior
5 years, and there will be a reconciliation of forecast and
6 actual costs. Concerns that may arise related to the
7 actual usage and costs during the upcoming winter can be
8 addressed in next year's cost of gas proceeding.

9 The Commission Audit Staff has reviewed
10 the 2013-2014 Winter Cost of Gas reconciliation and found
11 no exceptions. And, we also thank Mr. Maloney for his
12 remote participation today, and for the Company's
13 cooperation. Thank you.

14 CMSR. SCOTT: Thank you. I assume
15 there's no objections to admitting the exhibit?

16 MR. SPEIDEL: None.

17 CMSR. SCOTT: Great. And, when is an
18 order on this needed by?

19 MR. SPEIDEL: By the end of this month
20 of October.

21 CMSR. SCOTT: All right. Thank you.
22 Okay. Any other issues?

23 MR. SPEIDEL: None that Staff can
24 identify. We invite Mr. Maloney to speak, if he'd like.

1 MR. MALONEY: Thank you. New Hampshire
2 Gas would like to thank the Commission Staff for its
3 thorough review of our filing. And, in addition, the
4 Company would like to again thank all the parties involved
5 for allowing the hearing to be conducted by video
6 conference.

7 We respectfully request the Commission
8 approval of the winter cost of gas rates by November 1st.
9 Thank you.

10 CMSR. SCOTT: Thank you. With that,
11 we'll close the hearing and take the matter under
12 advisement. Thank you.

13 MR. SPEIDEL: Thank you.

14 MR. MALONEY: Thank you.

15 **(Whereupon the hearing was adjourned at**
16 **10:31 a.m.)**