STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 22, 2018 - 11:14 a.m.
Concord, New Hampshire

RE: DG 18-137
LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP. d/b/a LIBERTY UTILITIES: Winter 2018/2019 Cost of Gas and Summer 2019 Cost of Gas
(Hearing on the Merits)

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Commissioner Michael S. Giaimo

Sandy Deno, Clerk

APPEARANCES: **Reptg. Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities:**
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Reptg. Residential Ratepayers:
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Court Reporter: Susan J. Robidas, NH LCR No. 44

I N D E X

WITNESS PANEL: MARY E. CASEY
DEBORAH M. GILBERTSON
DAVID B. SIMEK
CATHERINE A. McNAMARA

I N D E X (CONT'D)

P R O C E E D I N G S

CHAIRMAN HONIGBERG: Good morning, everyone. Please be seated. We are here in Docket DG 18-137, which is Liberty Utilities (EnergyNorth Natural Gas) Winter Cost of Gas proceeding. Before we do anything else, let's take appearances.

MR. SHEEHAN: Good morning, Commissioners. Mike Sheehan for Liberty Utilities (EnergyNorth Natural Gas).

MR. KREIS: Good morning, Mr. Chairman, Commissioners. D. Maurice Kreis, the Consumer Advocate, here on behalf of residential utility customers. The distinguished gentleman to my left is Pradip Chattopadhyay, who is the able Assistant Consumer Advocate.

MS. FABRIZIO: Good morning, Mr. Chairman, Commissioners. Lynn Fabrizio, on behalf of Staff. And with me today are utility analyst, Iqbal Al-Azad, and co-counsel, Paul Dexter.

CHAIRMAN HONIGBERG: All right, Mr. Sheehan. I see witnesses are prepositioned.

We have a slew of exhibits up here on the table. What do I need to know before we proceed?

MR. SHEEHAN: Sure. First, clarification to your opening statement. This is both the winter and summer cost of gas in our yearly. The second, on confidentiality, just to put on the record, we have filed a confidential version of the initial filing, and we assert confidentiality under PUC 201.04(a)(5) and 201.06(a)(11). It does not require Commission action. It's just presumed confidential until someone requests them.

We have marked as Exhibit 1 the confidential version of the original filing; 2, the redacted version of the original filing; Exhibit 3 would be the amended technical statement filed October 9. And the only difference between the amended technical statement and the original is we neglected to add the attachment. So the original amended -- the original technical statement of October 5 can be disregarded in the docket book, but the October 9th amended with attachment that will be Exhibit 3. And then I have Exhibits 4 through 9 that I will walk through with Mr. Simek. He will give a brief description of each and we can take you through there.

(The documents, as described, were marked as Exhibits 1 through 9 for identification.)

MR. SHEEHAN: Briefly, the exhibits -- cost of gas rate as filed -- proposed cost of gas rate as filed has not changed. The exhibits that we will walk through incorporate LDAC changes arising out of 17-048 through Friday's discussion, and final rates, including changes to distribution rates arising out of 17-048 that we proposed to put in effect on November 1. And we'll walk through with the witnesses those numbers and the exhibits that support them.

CHAIRMAN HONIGBERG: Anything else before we have the witnesses sworn in?

All right. Sue, would you take

care of that, please.

(WHEREUPON, MARY E. CASEY, DEBORAH M. GILBERTSON, DAVID B. SIMEK, CATHERINE A. McNAMARA were duly sworn and cautioned by the Court Reporter.)

CHAIRMAN HONIGBERG: Mr. Sheehan.

MR. SHEEHAN: Thank you.

DIRECT EXAMINATION

BY MR. SHEEHAN:

Q. I will take you left to right.

Ms. Casey, please introduce yourself and your position with the Company.

A. (Casey) My name is Mary Casey. I'm the senior manager of environment for Liberty Utilities (EnergyNorth Natural Gas).

Q. And did you prepare testimony that was filed in this docket?

A. (Casey) I did.

MR. SHEEHAN: And for the record, it appears as part of Exhibits 1 and 2 at Bates 037.

BY MR. SHEEHAN:

Q. Do you have any changes to your testimony?

A. (Casey) Not at this time.

Q. And do you adopt your written testimony as your sworn testimony here today?
A. (Casey) Yes, I do.
Q. Ms. Gilbertson, same questions. Your name and position with the Company, please.
A. (Gilbertson) My name is Deborah Gilbertson. I'm senior manager of energy procurement for Liberty Utilities.
Q. And you also filed a separate piece of testimony in this docket; is that correct?
A. (Gilbertson) Yes, I did.
MR. SHEEHAN: And for the record, that appears at Bates 021.
BY MR. SHEEHAN:
Q. Do you have any changes to your testimony?
A. (Gilbertson) Yes, I do. On Bates Page 034, Line 9 -- this is for the off-peak design period -- the number of 19,368,472 needs to be stricken and the number 17,220,159 therms should be in its place.
CHAIRMAN HONIGBERG: Can you repeat the number, please?
A. (Gilbertson) 17,220,159 therms is what should be there. And on Line 11, the word "lower"

should be stricken, and the word "higher" should be put in place.

Q. Does that change on Line 9 affect anything else in your testimony or schedules?

A. (Gilbertson) No, it does not.

Q. Can you just explain what that change is?

A. (Gilbertson) It is the off-peak portfolio volumes for design weather. There was just a mistake made. It has no effect on the cost of gas.

Q. Including that change, do you adopt your prefiled testimony as your sworn testimony here today?

A. (Gilbertson) Yes.

Q. Jump to Ms. McNamara because I will be spending a little time with Mr. Simek.

Could you identify yourself, please, and your position with the Company.

A. (McNamara) Catherine McNamara. I'm a rates analyst for rates and regulatory affairs.

Q. And did you prepare with Mr. Simek testimony that was filed in this case?

A. (McNamara) Yes, I did.

Q. And that appears beginning at Bates Page 001.

Do you have any changes to your portion or the portion of the testimony for which you are responsible?
A. (McNamara) No, I do not.
Q. And do you adopt that testimony as your sworn testimony here today?
A. (McNamara) Yes, I do.
Q. Thank you.
Mr. Simek, your name and position with the Company.
WITNESS SIMEK:
A. (Simek) David Simek, manager of rates and regulatory affairs.
Q. And you also with Ms. McNamara prepared that portion of Exhibit 1, beginning at Page 1; correct?
A. (Simek) Correct.
Q. And aside from the changes that we will talk about flowing from -- well, strike that.
Did you also prepare a technical statement that we've marked as Exhibit 3?
A. (Simek) Yes.
Q. And putting aside the changes that we will talk about that are arising from the rate

case, 17-048, which I understand changed the LDAC and changed distribution rates, do you have any other changes to your testimony?

A. (Simek) I do not.

Q. Okay. And you adopt your testimony as your sworn testimony here today?

A. (Simek) I do.

Q. So I'm going to walk through with you, Mr. Simek, the exhibits, beginning with the technical statement, through Exhibit 9. And just give us a high-level description of what each of them show.

A. (Simek) Sure.

Q. So the purpose of filing the technical statement was what?

A. (Simek) The Company had discovered that there was a portion of energy efficiency LDAC that was counted twice in our calculation for this, for this period. So we went back and removed the double count and went ahead and calculated what the energy efficiency rate should be.

Q. And the numbers we'll be talking about for the rest of today include that change.

A. (Simek) Correct.
Q. Okay. Let's turn to Exhibit 4, which on the top left says "NHPUC No. 10 - Gas"; correct?
A. Correct.
Q. "First Revised Page 97."
A. (Simek) Correct.
Q. What is the purpose of this document?
A. (Simek) No. 4, or Exhibit 4, sorry, is a summary of what the LDAC charges are. And this is taking into account not only the adjustment that was made to the technical statement in Exhibit 3, but also all LDAC changes that are accounted for in 17-048, as of changes through Friday of last week.
Q. And this includes the LDAC for all the various customer classes?
A. (Simek) Correct.
Q. Turning to Exhibit 5, what is that?
A. (Simek) So, Exhibit 5 and Exhibit 6 are the backup to the calculations of changes that happened for the LDAC for 17-048 that are included in the summary in Exhibit 4.
Q. Going back to Exhibit 4, is there a companion version of that in the original filing?

A. (Simek) Could you repeat that, please?
Q. Exhibit 4, Proposed First Revised Page 97, was an earlier version of that included in the original filing?
A. (Simek) Correct. Yes.
Q. So this supercedes that.
A. (Simek) Correct.
Q. Same with Exhibits 5 and 6? Are there companion versions in the original filing?
A. (Simek) Yes, these would supersede the original filing.
Q. Turning now to what's been marked as Exhibit 7, which is a five-page document, what is this?
A. (Simek) Exhibit 7 is the updated -- I'm sorry. Excuse me. Exhibit 7 is the updated revenue per customer, which would be used as the base for the decoupling mechanism going forward that will be part of the reconciliation in November 1st, 2019.
Q. So, Exhibit 7 plays no role in the rates that we're asking the Commission to set today.
A. (Simek) Correct.
Q. I think in a prior hearing it was sort of the

benchmark or starting point to do the future decoupling adjustment; is that correct?

A. (Simek) Yes, it is.

Q. And the purpose for filing it today was simply to put this number on the record, have it subject to review at this stage, knowing full well we'll come back to it next year.

A. (Simek) Correct, and to set the precedence that going forward this benchmark will be included within the cost of gas filing.

Q. So what we're looking at as Exhibit 7 will become a routine part of the future cost of gas filings.

A. (Simek) Correct.

Q. And what is Exhibit 8?

A. (Simek) Exhibit 8 shows both the winter period and summer period rates that the Company has proposed -- well, for the winter period, that the Company has proposed will be effective November 1, which takes into account the cost of gas in this proceeding; all LDAC changes, including the technical statement from this proceeding; and the LDAC changes that were through Friday of DG

17-048, and the distribution changes as of Friday for DG 17-048. And then for the summer period it's the same thing, with an effective date of May 1st.

Q. And at the end of this proceeding, is it correct that the Company's asking the Commission approve the rates that essentially appear on Exhibit 8 --

A. (Simek) Correct.

Q. -- for November 1, 2018?

A. (Simek) Correct.

Q. And last, tell us what Exhibit 9 is.

A. (Simek) Exhibit 9 is the residential heating customer rate comparison with all these new proposed rates combining both DG 17-048 and this proceeding. And it's a comparison for November '18 through April '19, compared to last year, November '17 through April '18 actuals. And then on the right side of the exhibit is for the summer period, May '19 through October '19 proposed, comparing the bill difference for actuals from May '18 through October of '18.

Q. So this shows the difference between the proposed rates, starting November 1 for the next year, compared to the actual rates ending November 1 of this year.

A. (Simek) Correct.

Q. Can you tell me what the -- either for you or Ms. McNamara -- what the proposed cost of gas rates are for the period beginning November 1, 2018?

A. (Simek) Yes. The proposed --

Q. And where can we find that? Where are you reading from?

A. (Simek) One place we can find it is on Exhibit 8. And it's in the Winter portion, and it has the Cost of Gas Rate column. And for the Residential rate, it's 0.7411 per therm.

Q. And you go down that same column to pick up the cost of gas rates for the other customer classes.

A. (Simek) Correct. For the high winter use customers, the ones in the G-40 class, it's 0.7403 per therm. For the low winter use customers in the G-50 class, it's 0.7456 per therm.

And then we're also asking the Commission to approve the rates for May 1st for the summer, which are in the Cost of Gas Rate column under the Summer period, which has the Residential of 0.4445 per therm, and the G-40 class is 0.4417 per therm, and the G-50 class at 0.4506 per therm.

Q. And can you compare that customer -- or cost of gas rate for residential customers of 0.7411 to either last year's proposed or last year's actual, whichever is the appropriate comparison?

A. (Simek) Yes. That's on Exhibit 9. So if we look at Exhibit 9 and we look at the left side of the page, that's the Winter comparison, with the top parts being the proposed rates. And you can see about halfway through, that's where the 0.7411 is. And I just want to state that that 0.7411 is for the non-FPO. The proposed FPO rate is 2 cents higher, at 0.7611.

But regardless, that 0.7411 compares to the same spot on the box below which, in November, the beginning rate was 0.6445. And then we have actuals going out for the remainder -- well, for all those months, which came out to a weighted average of 0.7321. So I guess the comparison between our proposed November '18 of 0.7411 per therm compared to the actual weighted average of last winter of 0.7321, that difference looks like it's about $5 over a full winter. And you can see that right below it shows for the proposed of $470.98 compared to the $465.28.

Q. You mentioned the FPO rate is 2 cents higher than the .74 figure?

A. (Simek) Correct.

Q. Do you have information on the participation in the FPO program yet?

A. (Simek) We do. So, I do have some information. We have that -- oh, I'm sorry. Give me one second, please.

(Witness reviews document.)

A. (Simek) Okay. So the enrollment letters for FPO program were mailed out on September 18th, and enrollment ended on October 18th. So they needed to be postmarked October 18. The response to date has been 8,846, but we still of course have some to process from now until November 1st. And this compares to last year, as we had approximately 10,000 last year. So with this being year to date 8,846, and we still have several to process, we're assuming we're going to end up around the same level.

Q.   Thank you.

MR. SHEEHAN: I think that's all I have.

CHAIRMAN HONIGBERG: Mr. Kreis.

MR. KREIS: I think I just have a couple of questions. My microphone is on; is it not?

CROSS-EXAMINATION

BY MR. KREIS:

Q.   I'm looking at Ms. Gilbertson's testimony, so I guess my questions are for her.

On Page 7 of your testimony, which is Bates Page 29 for the record, and I believe I'm talking about Exhibit 1, you mention down on Line 16 and 17 that the Company contracted with ENGIE, which was formerly known as Distrigas --

CHAIRMAN HONIGBERG: Off the record.

(Discussion off the record.)

BY MR. KREIS:

Q. Okay. Ms. Gilbertson, at Line 17, you mention the ENGIE facility, formerly known as Distrigas, as a source of combination liquid/vapor service. Could you comment on what would happen if the Distrigas facility were no longer available to you?

A. (Gilbertson) Well, we do have other options. They're not close by. If Distrigas went away, I think that the Company would feel it, as would any other LDC in the Northeast. We all depend somewhat on Distrigas, given the proximity that it's only in Everett. But there are other vendors that, when we solicit bids for -- it isn't just ENGIE. We have -- there's a few others.

Q. Are you concerned about the possible loss of that facility?

A. (Gilbertson) I think everyone's concerned about the possible loss of that facility.

Q. Thank you. But I guess what I'm really trying to figure out is how much of a threat you regard that as.

A. (Gilbertson) Well, we did meet with Constellation just a couple weeks ago, actually, and they clearly intend to honor any commitment they have with us for the next few years, anyways. And that's really all I know.

Q. And just to close that particular loop, having raised this particular subject, you just mentioned Constellation. What's their role?

A. (Gilbertson) They purchased Distrigas, or ENGIE.

Q. At least they purchased the Distrigas facility --

A. Correct.

Q. -- not ENGIE.

A. Correct.

Q. Looking at Bates Page 33, which is Page 11 of Ms. Gilbertson's testimony, at the very end of that page you said, and this is at Lines 19, 20 and 21, that the results of a comprehensive forecast review concluded that certain customer additions forecasted for the 2017-2018 plan year were being double-counted. How big of a double count was there?

A. (Gilbertson) There were about 300 customers. This was a result of Concord Steam, the customers behind Concord Steam and the expectation for the Windham/Pelham expansion. So about 300 customers.

MR. KREIS: I think those are the only questions I have.

CHAIRMAN HONIGBERG: Ms. Fabrizio.

MS. FABRIZIO: Thank you, Mr. Chairman. I have a number of questions that are really aimed at clarifying the record, just to make sure we're all on the same page.

CROSS-EXAMINATION

BY MS. FABRIZIO:

Q. Now, we've heard and walked through Exhibit 8 preliminarily. These are the rates that the Company is asking the Commission to approve; is that correct?

A. (Simek) Yes, it is.

Q. And we also heard, Mr. Simek, you spoke about

the fixed price option that is also up for approval.
A. (Simek) Yes, it is.
Q. Are there any other rates that the Company is asking the Commission to approve?
A. (Simek) Within this hearing, we asked for both LDAC and the cost of gas to be approved. And they're both included on this exhibit.
Q. And can I refer you to revised Page 147 in the Schedule of Administrative Fees and Charges. Are we -- are you seeking approval of changes in those fees and charges as well?
A. (Simek) I'm sorry. I'm not sure what page you're referring to.
Q. Bates Page 56 at the bottom.
(Witness reviews document.)
Q. It's labeled "Attachment B, Schedule of Administrative Fees and Charges."
(Witness reviews document.)
A. (Simek) Yes. I'm sorry. We're also asking for approval of those rates as well.
Q. Great. Thank you.
Now, you also discussed comparison of the winter and summer cost of gas rates that

we're looking at today and how this compared to last year. Could you point out or just sort of sum up the main reasons for these changes.

A. (Simek) If you look at -- I'm sorry. If you look at Exhibit 9, and again, when we were looking at the weighted average residential cost of gas rate as actuals for last winter compared to the proposed rate of this winter, it was only about a $5 difference for the full winter. One thing I -- that difference has to do with the $470 that's under the proposed rate, the $470.98 around the middle of the first box towards the last column, compared to the same spot on the middle box for the weighted average actual. And one thing I -- so, again, our proposed rate is fairly close to what the weighted average weight ended up being for the cost of gas for last winter.

But also, one thing I just want to point out is a lot of it has to do with timing. And if you can see under the Residential Heating Rate, cost of gas for last winter started at 0.6445, and for three months we stayed consistent at that rate. A lot of that has to do with the timing of when actuals come in and when we receive true signals of what's going on in the market. We're already about a month or two behind. And then when we started really getting everything, we had to jump the rate all the way up to the maximum of 0.8056, because our calculations, once we started receiving actuals, put us over the 25 percent increase from last winter, and so we kept it at the cap for the remaining three months. So, although the dollar amount really isn't that big of a difference between this winter and last winter, I believe that this just shows that there is a -- part of the way that our recovery mechanism is set up, there is a timing issue here that is really out of the Company's control.

Q. Thank you.

A. You're welcome.

Q. Okay. What is the total anticipated capacity exempt forecast for this winter, and what is the amount of the capacity exempt load expected to switch to firm sales service this winter?

A. (Gilbertson) The capacity exempt load is anticipated to be just what it was last year, which is about 1.2 million decatherms, or 12 million therms over the course of the winter. And the expectation is that none of them will return to sales, and that's because it's a very stable program. And last year we had just one customer return, and that was because that customer went out of business and the new customer that took over the building went to sales. So the anticipation would be none will return. It's been very flat for years.

Q. Okay. Thank you.

I wanted to turn to Bates Page 33 in the original filing. This is a language clarification question.

On Line 15, could you read that sentence, please? I think that is Ms. Gilbertson.

A. (Gilbertson) Yes, Line 15. "The decline in the sales forecast in general reflects the impact of increased sales due to customer growth, the inclusion of volumes from iNATGAS compressed natural gas facility and modifications which were made to the demand forecast as part of its comprehensive forecast review in two filings before the Commission: Docket DG 17-152 and Docket No. DG 17-198." It's a run-on sentence as I'm reading it.

Q. That's why I'm just asking for clarification for the record.

And the first line is the decline in the sales forecast reflects an impact in increased sales. Could you explain that language?

A. (Gilbertson) Right. So, over the last year the Company anticipated a 2 percent growth in its sales forecast, as well as the inclusion of iNATGAS. And because of a question that was posed at a tech conference in May, the Company had pretty much an audit performed on our demand forecast to really take a hard look at the sales and marketing forecast, and that's when we discovered that there were approximately 300 customers that were double-counted. And those customers were from Concord Steam and the Windham/Pelham expansion.

Q. And following up on that, how did you forecast for the iNATGAS, given the nature of its usage last year?

A. (Gilbertson) Last year they burned approximately a hundred -- well, they burned 121,514 decatherms last winter, and this year we have 300,000 forecasted for their usage because they have a contract with us which states that they have to pay for 300,000, whether they use it or not. And given that they did use gas last year, the expectation will be that they will use gas again this year. And that 300 equates to about 2.3 percent of the overall forecast for the winter -- I mean for the year.

Q. Okay. Let's see. Here's a more general question: How has your portfolio changed compared to last year?

A. (Gilbertson) Well, we've added a new supply path with a new contract -- a new path from Dawn, Ontario to Dracut via Union and TransCanada pipelines which connect to Portland Natural Gas Pipeline. This will allow us to purchase gas at the Dawn price point as opposed to the Dracut price point. The Dawn price is much less volatile, and it's much less expensive. The Dracut price point is very volatile and can get very expensive in the winter period. So this allows us some flexibility on purchasing. It does not allow us more entitlement at the gate, but it does give us the ability to purchase at a cheaper price point.

Q. Thank you.

Ms. Gilbertson, on Bates Page 30, you referred to "seven-day storage." Could you just explain what that refers to, the "seven-day storage requirement"?

A. (Gilbertson) Yes. The seven-day storage requirement is a PUC on-site storage rule that we need to follow. And it's PUC. 03 [sic]. And the requirement mandates that we have to have enough supplemental supply on hand, a hundred percent of our supplemental supply to meet a seven-day cold snap.

Q. Thank you. And did this seven-day storage requirement change this year compared to last year?

A. (Gilbertson) Yes, it did. What the Company does is they do a 30-year look-back on weather patterns. And up until just last winter, that weather pattern that we were modeling was in January of 2004. But last year, with the unprecedented cold that we experienced from December 27th through January, I think 4th or 5th, we have to model a new weather pattern for our supplemental requirement.

Q. Thank you.

Okay. On Schedule 7, Bates Page 94 for winter and Bates Page 223 for summer, this calculates the average Nymex futures prices for the winter months based on a 15-day average used forecast commodity cost for the upcoming winter. How do those prices compare to the most recent Nymex future prices for the winter months?

A. (Simek) Based on the October 18th close, the current Nymex prices are 5.36 percent higher than the winter strip. I did not run it for the summer strip.
Q. And if the Company were to use those more recent prices, how would that impact the cost of gas rate?
A. (Simek) The cost of gas rate for all three classes would go up 1.7 percent if that was the only change that we made.
Q. Thank you.
A. (Simek) You're welcome.
Q. And do the proposed maximum rates that you've provided allow enough flexibility to absorb this change and other normal price fluctuations through monthly rate adjustments without adjusting the rate at this time?
A. (Gilbertson) Are you asking if the 25 percent cap over the proposed rates is sufficient?
Q. Yes.
A. (Gilbertson) Recently the National Weather Service came out with their prediction for the weather for the next winter, and they are proposing normal to above average

temperatures for the winter. So if that is the case, likely the prices will be moderate. But we can't say for sure. Likely it would be enough.

Q. All right. Thank you. Okay. I think it's time to turn to Ms. Casey.

Could you please provide a brief account of changes in environmental remediation that the Company is undertaking compared to last year.

A. (Casey) This year we had some activity in Manchester. There were actual direct remediations that were done on four or five different underground structures that we had to empty materials from to keep from getting into the groundwater. So the costs incurred at Manchester reflect that and the disposal of those materials. We expect to remove this year, which will be apparent in next year's case cost of gas hearing, another, one more structure.

We also, this year, reflected by the the numbers that I've presented in this testimony, we installed three new groundwater monitoring wells and an extraction well. So most of my active remediations have occurred in Manchester, as reflected by the numbers.

There's also been activity with the Concord Pond site, in that we have been working on the design ongoing. We've been working with the city and the New Hampshire Department of Transportation for access because that site does not belong to us. It's the site where contaminants were deposited from the Concord holder site across the road. So we're actively pursuing design on that, and we're finally making some headway, looking forward to doing that remediation in year 2020 during the dry season, August, September.

Q. Thank you. And what were the total environmental remediation costs for the year ending June 30th, 2018?

A. (Casey) $591,321.

Q. And where in the record would we find that?

A. (Simek) That's on Bates Page 158.

Q. Thank you.

Now, on Bates Page 14 of the initial

filing, Line 10 refers to "third-party recoveries" with respect to the environmental surcharge. What does that refer to specifically?

A. (Casey) Those are cost-sharing agreements that we have with other utilities that were found to be cooperators of the manufactured gas plant sites. I have cost-sharing agreements for the Concord sites, the Concord Pond and the MGP site. I have a cost-sharing agreement with another utility for Manchester, and I have a cost-sharing agreement for the Nashua manufactured gas plant sites. So each quarter I bill them based on the invoices I've paid through the Company to the agreed-upon percentage in the cost-sharing agreement.

Q. And that's removed from the ultimate cost?

A. (Casey) Yeah, the number that I'm reporting are a net of.

Q. Great. And I think related to that on Bates 43 in your testimony, Ms. Casey, you refer -- you state on Line 11 that insurance recovery efforts are complete with respect to

all of the Company's former MGP sites. Could you elaborate on that statement.
A. (Casey) I will, yes. In the '90s, I believe it was the late '90s, when EnergyNorth went to a bunch of insurance hearings that were investigating who was responsible for the operation and cooperation of these manufactured gas plant facilities, we did have settlements, lump sum settlements in those days, and they've already been accrued.
Q. And were any of those recoupments gained in the past year? Are they reflected in the cost --
A. No, that's all --
(Court Reporter interrupts.)
Q. -- costs that we're looking at today?
A. (Casey) They are not.
Q. Great. Thank you.
MS. FABRIZIO: I have no further questions.
INTERROGATORIES BY COMMISSIONERS:
BY COMMISSIONER BAILEY:
Q. Could we go back to Bates Page 33 and follow up on a question that Ms. Fabrizio asked you

that I didn't understand the answer to.

Line 15, the sentence says the decline in the sales forecast reflects increases.

A. (Gilbertson) Well, it's a combination of increased sales of 2 percent and then the inclusion of iNatGas and then the modifications that they made, which were about 6 percent, that decreased. So, all in all, the forecast actually this year is 2 percent lower than it was last year.

Q. And basically that's because of the modifications in the demand forecast from 17-152 and 17-198 --

A. (Gilbertson) Yes.

(Court Reporter interrupts.)

Q. From 17-152 and 17-198.

A. Yes.

Q. Okay. Thank you.

CHAIRMAN HONIGBERG: And just to close the loop, it's because those decreases are larger than the increases that are described in the first two clauses of the long sentence.

WITNESS GILBERTSON: Correct.

BY COMMISSIONER BAILEY:
Q.   Did iNatGas meet its threshold last year?
A.   (Gilbertson) No.
Q.   But they paid?
A.   (Gilbertson) They did.
Q.   Because they had a one-time "get out of jail free card." Did they use that the year before where --
A.   (Gilbertson) I don't know. I know that we -- last year we didn't have them included because they hadn't burned the year before or the year before that. So I'm not sure when the "get out of jail free card" came to play. But my understanding is that they've been paying the 300,000 at least last year and plan to this year, too.
Q.   Okay. So they used 121,000 and they paid for 300,000.
A.   (Gilbertson) Correct.
Q.   Okay. Thanks.
     Do you know, can you tell me what percentage of your supply you get from Distrigas, from Dawn, and from Dracut?
A.   (Gilbertson) Dracut is almost 50 percent of

the portfolio. Probably more. It's 50,000 decatherms at Dracut. And the pipeline altogether is 79,000.

Q. Which pipeline? The pipeline from Dracut?

A. (Gilbertson) From Tennessee. Our entitlements.

Q. Okay.

A. (Gilbertson) Our entitlements for strictly pipeline from the Gulf and from Dracut is about 79,000, 50,000 of which is located in Dracut. So a big portion of our pipeline is at a price point that is very expensive.

Q. I get that. That's why I'm asking the question.

A. (Gilbertson) Yes.

Q. Okay. How much do you get from Dawn? Or how much can you get from Dawn? Because that's coming up a different route; right?

A. (Gilbertson) We get, on our existing Canadian contract, we get 4,000. That's the contract that goes Union, TransCanada to Iroquois, where we pick up on the U.S. border 4,000. And then this new one, this new path is going to be Union, TransCanada to Portland. It's phased in over five years. It's supposed to be 5,000 at the end of the three years. Did I say five years? I mean three years. Three years, 5,000. This year, Phase 1, it's 1855 is what we can get. Next year, I'm not sure what it is. But by the end the third year it should be 5,000.

COMMISSIONER BAILEY: Go ahead.

COMMISSIONER GIAIMO: Just to clarify, so what comes in through Portland does not get delivered to Dracut?

WITNESS GILBERTSON: It will get delivered to Dracut. Yes, it will. It will go from Union, TransCanada to Portland, and then to Dracut, the new contract.

COMMISSIONER GIAIMO: The new contract will still be delivered to Dracut.

WITNESS GILBERTSON: Yes.

COMMISSIONER GIAIMO: But the price point will be at Dawn.

WITNESS GILBERTSON: Correct.

COMMISSIONER GIAIMO: Thus avoiding the premiums or the volatility associated with Dracut.

WITNESS GILBERTSON: Correct.

COMMISSIONER GIAIMO: Thank you.

BY COMMISSIONER BAILEY:

Q. But only for 10 percent of what you normally get at Dracut.

A. (Gilbertson) Right.

Q. Can you increase that capacity or -- go ahead.

A. (Gilbertson) They have open seasons with this is what we could get, how much we could get. And as I said, it's going to be a -- it's phased in over three years. I don't even think the pipeline is built yet for the full expansion of it.

COMMISSIONER GIAIMO: Is this a different project that's colloquially referred to as the "Sea to Sea Project"? It may be a different project. I'm asking.

WITNESS GILBERTSON: I'm thinking no. I think this is the Portland Xpress Project.

BY COMMISSIONER BAILEY:

Q. And how much do you get from Distrigas?

A. (Gilbertson) Distrigas, with the combination package, we can get either 7,000 trucked or 7,000 vapor. So six is guaranteed. The seven -- the extra is if they can do it.

Q. Okay. Say that again. You said 7,000 trucked.

A. (Gilbertson) It's 7,000 per day. Either we can take it by truck or we can take it by pipe.

Q. Oh, either/or.

A. (Gilbertson) Either/or. Correct. But if I take it by pipe, they don't guarantee the extra thousand. But you could get it trucked. So, in other words, 7,000 a day.

Q. Okay. So you can get 6,000 by pipe and a 1,000 by truck.

A. (Gilbertson) Correct.

Q. All right. Six thousand by pipe --

A. (Gilbertson) Correct.

Q. -- and an additional thousand by truck --

A. (Gilbertson) Correct.

Q. -- or 7,000 trucked --

A. (Gilbertson) Correct.

Q. -- every day.

A. (Gilbertson) Yes.

Q. Okay. How often do you need that?

A. (Gilbertson) Like all the time. It's fairly reasonably priced. We typically -- anything that we use out of the facility has to be put right back in out of the three tanks that we have. The tanks only hold 12,400, the three tanks. It's not a lot. So we're constantly, as we're, you know, vaporizing out of the tanks, we're trucking it right back in.

Q. Okay. Mr. Simek, what was the summer rate based on?

A. (Simek) The summer cost of gas rate that we're proposing in this filing?

Q. Yes.

A. (Simek) It was based on the future look at the time we did the filing, based on our existing over/under balance that we have on the books for the summer period, and then we just plug everything into the model. And the outcome that we got was the 0.4445 per therm proposal for the residential customer.

Q. Okay. And if the Nymex prices go down over the next six months, you have the authority to decrease that rate to only collect what

you think you need to collect.
A. (Simek) Correct.
Q. Okay. All right. I want to go to Exhibit 8, I think it is. No, it's the exhibit that shows the revenue per customer calculation.
A. (Simek) Okay. I believe that's 7.
Q. No. 7. I'll put my glasses on so I can read it. Can you walk me through that, please. Actually, what I want to understand is what the benchmark base revenue per customer that you're going to use in next year's filing is, based on this exhibit.
A. (Simek) Sure. If you look at Page 5 of 5, the last page --
Q. Okay.
A. (Simek) -- for the total residential line that's bolded there, the third line -- or the fourth line down, and then the Total C/I one is bolded. Those will be what we're proposing to use for the base revenue per customer.
Q. But that's not a revenue per customer. That's revenue for a customer group or --
A. (Simek)Per customer group. Correct. And

then above that you can see the calculation per customer class.

Q. Show me that.

A. (Simek)The R-1 customer 26.012.

Q. I see that number. But don't you have to calculate -- in order to come up with the revenue decoupling adjustment factor, you calculate the actual compared to the base revenue per customer?

A. (Simek)Correct.

Q. But this is not per customer, is it?

A. (Simek) For the R-3 customers, they would all have the same benchmark.

Q. So let's use R-3. For January, is that 88 dollars and 80 point [sic] 1 cents --

A. (Simek) Correct.

Q. -- or is that $88 --

A. (Simek) No, no, it's $88.

Q. Oh, okay. I couldn't tell if that was a period or --

A. (Simek) I had the same issue at first.

Q. Okay. So in January, for an R-3 customer that's a residential heating customer, you would expect to collect $88.80?

A. (Simek) In distribution revenue. Correct.

Q. In distribution revenue. And that's based on the fixed charge and the --

A. (Simek) Volumetric charge, yes.

Q. -- volumetric charge.

Can you tell me what the difference between the RDAC and the RDAF, R-D-A-F, is?

A. (Simek) Without having it in front of me, I believe RDAC is the -- I'd have to look at the formula. I have it on my -- I can just grab it if you'd like.

Q. That would be helpful if you can 'cause I don't --

MR. SHEEHAN: Want me to --

WITNESS SIMEK: I can grab it. I have it sitting right there.

(Pause)

A. (Simek) So the RDAF includes what would be the revenue decoupling adjustment plus the prior year over/under, I believe. And then we just divide that by the projected therms to come up with the factor.

Q. That's the factor?

A. (Simek) Yeah. And the other part of your question was?

Q. What's the RDAC? What's the clause? How does the RDAF fit into the RDAC?

A. (Simek) Yeah, I understand your question now, I believe. It really references the clause and talks about the clause, but really the outcome is RDAF. Is that --

Q. So it's the same thing?

A. (Simek) Yeah, I believe so.

Q. So maybe we can get rid of the "clause."

A. (Simek) Okay. Yes.

Q. And the RDAF, the factor, would be included in the LDAC.

A. (Simek) Correct.

Q. Okay.

CHAIRMAN HONIGBERG: Except I think for you guys the C in LDAC is "clause," isn't it? There's a charge that results from implementing the clause.

WITNESS SIMEK: It is the clause, yeah.

CHAIRMAN HONIGBERG: We talked about this before.

WITNESS SIMEK: It is. But the

different factors that are made up within the LDAC are not all necessarily called a "clause." There's the --

BY COMMISSIONER BAILEY:

Q. But it all results in one charge.

A. (Simek) Correct. But I guess to your point, we could change it, I believe, to the RDAF for the revenue decoupling piece that will roll up to the LDAC because there would be no difference as the RLIAP for the residential low income or any of these, really. The conservation charge for EE, none of them you're using "clause" in their name, so --

CHAIRMAN HONIGBERG: You won't get any argument here. If you can clarify the language so that it linguistically makes sense, that would be a good thing.

WITNESS SIMEK: Okay.

BY COMMISSIONER BAILEY:

Q. So you have all these elements that add up to a charge.

A. (Simek) Correct.

Q. And you call it a "clause."

A. (Simek) Correct.

Q. Yeah, so if you could change that to "charge," we'd appreciate that, too. The RDAC could be "charge" instead of "clause." But that's, you know, another day, I guess. But...

A. (Simek) Yeah, we'll work on cleaning that all up.

Q. It's really confusing. Thank you.

COMMISSIONER BAILEY: I think that's all I have. Thanks.

CHAIRMAN HONIGBERG: Commissioner Giaimo.

COMMISSIONER GIAIMO: I'm ill-prepared because I thought Commissioner Bailey was going to go a little longer.

COMMISSIONER BAILEY: Sorry.

COMMISSIONER GIAIMO: That's okay.

BY COMMISSIONER GIAIMO:

Q. For the fixed price offering, what I thought I heard you say, Mr. Simek, is that you have about 8800 now, and last year you had about 10,000. You expect that number to be similar. You expect 10,000 when everything gets processed from what gets received that

was postmarked as of the 18th.
A. (Simek) Correct.
Q. Okay. And what percent of the total is that? Is it 19 percent, 20 percent? Do you know?
A. (Simek) I don't know off the top of my head. I'll find out.
Q. Okay. I only mention that because I believe that number was bantered about in our prior docket.

Okay. Ms. Gilbertson, you and the Consumer Advocate had a discussion about the value of Distrigas, and I just want to clarify here.

Your comments that the Company is concerned came from an LDC perspective with respect to getting enhanced reliability for the local distribution network, the gas network, not necessarily a larger statement by the Company with respect to fuel and regional availability in the larger bulk power system sense.
A. (Gilbertson) I'm not sure I understand what you --
Q. There was discussion going on about the value

of Distrigas to the bulk power system, and by that I mean the regional electric grid. It sounded like your comments, when you said -- I think you said something to the effect that you'd be very concerned with Distrigas leaving in the long run. Your comments were gas-related --

A. (Gilbertson) Correct.

Q. -- not necessarily a larger, holistic energy fuel availability situation for power plants.

A. (Gilbertson) Correct. That's right.

Q. Okay. It was just a subtle distinction which I thought needed to be noted. So, thank you.

A. (Gilbertson) Okay.

Q. So can we go to Page 10 of the initial filing. Mr. Simek, I'm guessing this is coming to you, so I'll take my cue from the head nod.

A. (Simek) One of us, yes.

Q. Sounds good. Okay.

So, right around Lines 4 and 5, you talk about the three months within a six-month period from last year that was higher than the 25 percent increase. Can you articulate what those months were, and were they a function of the significant cold that came in January and February?

A. (McNamara) It was for the last three months of the winter period.

Q. So that's March, April -- February, March April?

A. (McNamara) Correct.

Q. Is there a lag? Is the lag as a result of the cold from the prior months? Or the cold has nothing to do with it?

A. (McNamara) Correct. The actual is about two months later than the date when we can file for a rate.

Q. Forgive me for my naiveté of not knowing. But where does that 25 percent cap come from? Is it just an agreed-upon number that's been historically accepted? Is there a specific reason for that or just it is what it is?

A. (Simek) I'm sorry. I know in it's our tariff. Where it actually came from, I'm not sure, initially.

CHAIRMAN HONIGBERG: It goes in each of the orders that we issue in these dockets. I don't know if there's a -- I'm sure there's some history there. They can take and adjust the price on a monthly basis as they need to up to a cap of 25. They can go down as far as they need to.

COMMISSIONER GIAIMO: Great.

I think that's all I have. Thank you.

CHAIRMAN HONIGBERG: I have no questions that haven't already been answered.

Mr. Sheehan, do you have any questions for your panel?

MR. SHEEHAN: I would just like Ms. Gilbertson to clarify the obvious, which I think is obvious to everyone.

REDIRECT EXAMINATION

BY MR. SHEEHAN:

Q. But all of our pipeline gas goes through Dracut; is that correct? Not priced there. But it physically travels through Dracut on to the Concord Lateral --

A. (Gilbertson) That's correct.

(Court Reporter interrupts.)

Q. To the Concord Lateral.

A. (Gilbertson) Oh, no. Wait a minute. Say that again?
Q. We have pipeline gas that we buy.
A. (Gilbertson) Correct.
Q. All of that pipeline gas has to physically go through Dracut to get onto the Concord Lateral?
A. (Gilbertson) Yes, it does. Sorry.
Q. And the whole discussion of where is that pipeline priced, some of it is priced at Dracut and some is priced at other places.
A. (Gilbertson) Correct.
Q. And right now a large chunk of our gas is priced at Dracut.
A. (Gilbertson) That's right.
Q. And the ability to get away from that and get pricing at other locations is a function of what contracts were available and can we sign up for them over the years.
A. (Gilbertson) That's right.
Q. Okay. And the Company explores when it can moving away from Dracut-priced gas to other-priced gas.
A. (Gilbertson) Yes.

Q. And any chance we get, we avoid Dracut.
A. (Gilbertson) We try.
Q. Okay.

MR. SHEEHAN: Thank you. That's all.

CHAIRMAN HONIGBERG: All right. If there's nothing else -- and there are no other witnesses; correct?

[No verbal response]

CHAIRMAN HONIGBERG: Seeing none, that's where we'll go. We're done with witnesses.

Without objection, we'll strike I.D. in Exhibits 1 through 9 and have the parties sum up.

Mr. Kreis, why don't you start us off.

MR. KREIS: Sure.

CLOSING STATEMENTS

MR. KREIS: So, LDAC and LDAF, whether it's "clause," "factor" or "charge," is an interesting example of a mixed acronym and abbreviation, just to be clear about that. But we support the Commission's effort to clarify the somewhat muddy distinction that one sees sometimes between "factors," "clauses" and "charges." And I agree with the Commissioners, that anything that the Company can do to make the tariffs and everything that emanates from the tariffs more clear and comprehensible to consumers and everybody else who has to read this stuff would be really helpful.

Apart from that, the record deduced today amply demonstrates that the proposed charges that are reflected in the Company's filing and technical statement are just and reasonable and should be approved by the Commission. So that is what the OCA recommends the Commission do.

CHAIRMAN HONIGBERG: Thank you, Mr. Kreis.

Ms. Fabrizio.

MS. FABRIZIO: Thank you, Mr. Chairman. Staff also supports the proposed cost of gas rates as revised by the amended technical statement filed on October 9th and as revised by the exhibits that we received today.

Thank you, Ms. Fabrizio.

Mr. Sheehan.

MR. SHEEHAN: Thank you. I e-mailed quickly Commissioner Giaimo's question about percentage, and someone responded that we have about 77,000 residential customers. So the 10 is whatever percentage that works out to be.

Otherwise, we ask the Commission to approve the rates as set forth in, try to say the right exhibit, Exhibit 8, and the charges on Bates Page 56. We thank you for your time today.

CHAIRMAN HONIGBERG: All right. Thank you. We will close the hearing and take the matter under advisement and issue an order as quickly as we can. We are adjourned.

(Where upon the Hearing was adjourned at 12:18 p.m.)

C E R T I F I C A T E

I, Susan J. Robidas, a Licensed Shorthand Court Reporter and Notary Public of the State of New Hampshire, do hereby certify that the foregoing is a true and accurate transcript of my stenographic notes of these proceedings taken at the place and on the date hereinbefore set forth, to the best of my skill and ability under the conditions present at the time.

I further certify that I am neither attorney or counsel for, nor related to or employed by any of the parties to the action; and further, that I am not a relative or employee of any attorney or counsel employed in this case, nor am I financially interested in this action.

Susan J. Robidas, LCR/RPR
Licensed Shorthand Court Reporter
Registered Professional Reporter
N.H. LCR No. 44 (RSA 310-A:173)

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