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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

October 21, 2008 - 10:10 a.m.
Concord, New Hampshire

NHPUC OCT28'08 AM11:29

RE: DG 08-106
ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH:
Winter 2008-2009 Cost of Gas.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Graham J. Morrison
Commissioner Clifton C. Below

Connie Fillion, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas, Inc.
d/b/a National Grid NH:
Steven V. Camerino, Esq. (McLane, Graf...)
Thomas P. O'Neill, Esq.

Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Rorie Hollenberg, Esq.
Kenneth E. Traum, Asst. Consumer Advocate
Office of Consumer Advocate

Reptg. PUC Staff:
Edward N. Damon, Esq.

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

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P R O C E E D I N G S

1
2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll open the hearing in docket DG 08-106. On
4 August 29, 2008, National Grid New Hampshire filed its
5 proposed Cost of Gas and Fixed Price Option rates for the
6 Winter Period November 1, 2008 through April 30, 2009, and
7 Local Delivery Adjustment Clause charges and certain
8 supplier charges for the period November 1, 2008 through
9 October 31, 2009. The proposed residential cost of gas
10 rate is \$1.2635 per therm, an 8.89 cent per therm increase
11 over the weighted rate from last winter. The proposed
12 change to the COG and the LDAC charges, combined with the
13 recent increase for temporary rates in Docket 08-009,
14 results in a 9.4 percent increase to a typical residential
15 heating customer's winter bill. Order of notice was
16 issued on September 5 setting the hearing for this
17 morning.

18 Can we take appearances please.

19 MR. CAMERINO: Good morning,
20 Commissioners. Steve Camerino, from McLane, Graf,
21 Raulerson & Middleton, on behalf of National Grid NH.
22 And, with me today is Thomas O'Neill, counsel for National
23 Grid.

24 CHAIRMAN GETZ: Good morning.

1 CMSR. BELOW: Good morning.

2 CMSR. MORRISON: Good morning.

3 MS. HATFIELD: Good morning,
4 Commissioners. Meredith Hatfield, for the Office of
5 Consumer Advocate, on behalf of residential ratepayers.
6 And, me today is Rorie Hollenberg and Ken Traum from our
7 office. And, we also have a guest with us today, Sandy
8 Torget, who is here just watching the hearing.

9 CHAIRMAN GETZ: Okay. Good morning.

10 CMSR. BELOW: Good morning.

11 CMSR. MORRISON: Good morning.

12 MR. DAMON: Good morning, Commissioners.
13 Edward Damon, for the Staff, and with me this morning are
14 Robert Wyatt and Stephen Frink.

15 CMSR. BELOW: Good morning.

16 CMSR. MORRISON: Good morning.

17 CHAIRMAN GETZ: Good morning. Mr.
18 Camerino.

19 MR. CAMERINO: A couple of housekeeping
20 details, one is just for the Commission's information.
21 The rates that you recited earlier, those are from the
22 Company's initial filing. But Ms. Leary will be
23 testifying regarding an updated filing that was made on
24 Friday, which actually has lower rates. And, then, the

1 way we plan to proceed is to have Ms. Leone testify first
2 regarding the environmental matters, and then have a panel
3 with Mr. Poe and Ms. Leary. And, then, lastly, I filed
4 earlier this morning with the Commission a Motion for a
5 Protective Order, that's just a routine motion covering
6 all of the discovery materials that we've submitted under
7 a request for confidentiality. And, we don't need any
8 ruling on that today. But, as we've done in the past, we
9 accumulated those during the course of discovery and filed
10 a single motion to cover that.

11 CHAIRMAN GETZ: Okay. Thank you. Is
12 there anything to address before we hear from the
13 Company's witnesses?

14 (No verbal response)

15 CHAIRMAN GETZ: Hearing nothing, then
16 please proceed.

17 MR. CAMERINO: Thank you. The Company
18 calls Michele Leone.

19 (Whereupon **Michele V. Leone** was duly
20 sworn and cautioned by the Court
21 Reporter.)

22 **MICHELE V. LEONE, SWORN**

23 **DIRECT EXAMINATION**

24 BY MR. CAMERINO:

[WITNESS: Leone]

1 Q. Ms. Leone, would you state your name and business
2 address please.

3 A. Sure. My name is Michele Leone. My business address
4 is 25 Research Drive, Westborough, Massachusetts 01582.

5 Q. And, what is your position with National Grid?

6 A. I am the Manager of the New England Site Investigation
7 and Remediation Program for National Grid. In that
8 position, I oversee the management of the investigation
9 and remediation of manufactured gas plant sites in New
10 Hampshire, as well as for the Company's affiliates in
11 Rhode Island and Massachusetts.

12 Q. And, I'm going to show you testimony from you dated,
13 just want to make sure I show you the right testimony,
14 your testimony from August 29, 2008 that was included
15 in the filing. And, ask you if that was prepared by
16 you or under your direction?

17 A. Yes, it was.

18 Q. Okay. And, is that true and accurate to the best of
19 your knowledge and belief?

20 A. Yes, it is.

21 MR. CAMERINO: Okay. And, Mr. Chairman,
22 I think what we'd like to do is, as we've done in the
23 past, mark the Company's entire filing in confidential and
24 redacted form. We're going to be working -- as opposed to

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[WITNESS: Leone]

1 each document separately. We're going to be working off
2 of the filing that was made on Friday, October 17th, the
3 updated filing. And, so, if we can mark the confidential
4 version as "Exhibit 1" for identification and the redacted
5 one as "Exhibit 2" please?

6 CHAIRMAN GETZ: So marked.

7 (The documents, as described, were
8 herewith marked as **Exhibit 1** and **Exhibit**
9 **2**, respectively, for identification.)

10 MR. CAMERINO: Thank you.

11 BY MR. CAMERINO:

12 Q. Ms. Leone, your educational and professional background
13 are set forth in that testimony, is that correct?

14 A. Yes, they are.

15 Q. And, they are correct as well?

16 A. Yes.

17 Q. I'd like to ask you to start by summarizing the
18 Company's site investigation and remediation efforts at
19 the manufactured gas sites that it has in New
20 Hampshire. Is that information contained in the
21 filing?

22 A. Yes. A summary of each of the six sites is in Tab 20
23 in the filing.

24 Q. And, have you, during the course of the last year, been

[WITNESS: Leone]

1 updating the Commission Staff with regard to the
2 ongoing activities at those sites?

3 A. Yes, I met with the Staff and the OCA in July 2008 to
4 update them on the status of the sites.

5 Q. Okay. In your testimony, you describe a few sites
6 where there are significant ongoing activities, and I'd
7 like to ask you about those. Would you start with the
8 Liberty Hill site in Gilford.

9 A. Uh-huh. This past year, at the Liberty Hill site in
10 Gilford, in September 2007, we received a response from
11 the New Hampshire DES regarding our February 2007
12 Remedial Action Plan, in which we had recommended a
13 remedial alternative. In that letter, DES requested
14 that the Company look at additional remedial
15 alternatives that involves further soil excavation.
16 So, in November 2007, the Company filed an amended
17 Remedial Action Plan with DES, which recommended a
18 remedial alternative that included containment outside
19 contamination, removal of tar-saturated material to a
20 depth of 45 feet, and capping of the site. In February
21 2008, we received a preliminary decision from DES, in
22 which they indicated that the recommended remedial
23 alternative was consistent with their rules, but that
24 they were delaying a final decision until a public

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[WITNESS: Leone]

1 meeting and a public comment period. Following the
2 public -- The meeting was in March, following the six
3 week public comment period. In June 2008, DES issued a
4 letter delaying their decision, pending some additional
5 field work and environmental modeling activity by the
6 Company. So, in July and August 2008, the Company met
7 with DES with representatives from the Town of Gilford
8 and a local resident to talk through the comments
9 received during the public comment period and also
10 develop a plan for moving forward with the additional
11 work that DES had requested.

12 Q. Is there any risk to drinking water or the public
13 health more generally at the Liberty Hill site?

14 A. No, there are not. The soil -- The impacts on the site
15 are to deeper soil and groundwater. So, there is no
16 current risk.

17 Q. That site has had a fair amount of publicity. Could
18 you just give the Commission an overview of what
19 activity you anticipate there during the coming year?

20 A. The Company submitted three scopes of work to DES in
21 September and October 2008. Two of those came out of
22 the technical meetings. One was to perform some
23 additional site data collection activities, another was
24 to perform groundwater modeling in support of the

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[WITNESS: Leone]

1 recommended remedial alternative, and a third was to
2 address a seep down near Jewitt Brook, which is a
3 potential exposure pathway. We have received comments
4 back from DES and approval to do the additional field
5 work. That work should start in November and be
6 completed by the end of December. We are expecting a
7 decision from DES or approval from DES on the
8 groundwater modeling scope and seep scope this fall, in
9 which case we'll start that work at the beginning of
10 2009. We anticipate completing the modeling in Spring
11 -- I mean 2008. We anticipate completing the modeling
12 in 2008, and being able to issue a report to DES
13 requesting them to make a decision regarding the
14 remedial action alternative we've recommended.

15 Q. Okay. I see our stenographer, Mr. Patnaude, starting
16 to break into a sweat. So, if you can just slow down a
17 little bit, --

18 A. Yes.

19 Q. -- especially given the environmental terminology.
20 With regard to the Manchester MGP site, can you update
21 the Commission on the status of the remediation efforts
22 at that state?

23 A. The Company completed the river sediment remediation
24 activities in late 2007. We also completed the

[WITNESS: Leone]

1 restoration activities in May of 2008. In May, we
2 submitted a Draft Remedy Implementation Report to the
3 New Hampshire DES documenting the activities we
4 performed. And, we submitted a final report to them in
5 August 2008. In addition, we're currently working on a
6 Remedial Action Plan for the upland portion of the
7 site. And, in addition, we are also implementing some
8 interim remedial action at the site, which we've begun
9 this fall.

10 Q. Okay. And, then, the Nashua site, you indicate in your
11 testimony has had some activity. Could you summarize
12 that please.

13 A. On the Nashua site, we submitted a workplan to do coal
14 tar recovery from that site in November 2007, DES also
15 approved that in November 2007. We submitted requests
16 for two local permits and one state permit in late
17 2007. We received those permit applications -- those
18 permits in April and May of 2008. In June of 2008, we
19 began installing extraction wells, six of them, on the
20 Nashua site. And, we're currently constructing the
21 recovery system that will be used to extract coal tar
22 out of the ground on that site.

23 Q. And, are there any other New Hampshire MGP sites where
24 there's ongoing activity?

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[WITNESS: Leone]

1 A. We're currently doing some limited activities on the
2 Concord MGP site and the Concord Pond site. For the
3 Concord MGP site this past summer we bid, competitively
4 bid an additional scope of work that had been approved
5 by DES to do some off-site investigation activities.
6 That work was bid in July and awarded in August, and
7 the work has begun this past September. In addition,
8 we're doing groundwater monitoring in accordance with
9 our groundwater management zone permit for DES at the
10 Concord Pond site.

11 Q. Okay. With regard to the Company's third party
12 recovery efforts, recovery of its expenses from others,
13 where does that stand? What's the status of those
14 efforts?

15 A. Those efforts are being handled by outside counsel.
16 But I understand that the Company had a decision issued
17 by the New Hampshire Supreme Court in October 2007
18 regarding the American Re Insurance Company. In that
19 case, the Company did -- the Company received
20 attorneys' fees from American Re, although we did not
21 recover expenses for MGP sites from them for
22 Manchester.

23 Q. And, the reasons for that, that the Company was able to
24 recover its costs, its litigation costs, but not its

[WITNESS: Leone]

1 remediation costs, are discussed in your testimony?

2 A. Yes, they are.

3 Q. Okay. In terms of going forward, what should we expect
4 for activity in terms of third party recovery efforts?

5 A. My understanding is the only remaining case is Keene,
6 and that has been stayed, but we expect that the stay
7 will be lifted this year, and that the rulemaking on
8 the Manchester case will help us settle on the Keene
9 case.

10 MR. CAMERINO: Okay. Thank you. That
11 completes my examination.

12 CHAIRMAN GETZ: Okay. Ms. Hatfield.

13 MS. HATFIELD: Thank you. Good morning,
14 Ms. Leone.

15 **CROSS-EXAMINATION**

16 BY MS. HATFIELD:

17 Q. I just had one follow-up question for you. In your
18 discussion of the Concord MGP site, you referred to
19 some off-site investigation activities. Can you just
20 talk a little bit more about what the Company is doing
21 and why?

22 A. As a result of the investigations on the MGP -- the
23 former MGP holdings, the Company had reason to believe
24 that some of the impacts may have extended beyond the

[WITNESS: Leone]

1 former site boundary. So, we submitted a scope to DES
2 to do some additional work off of the former holdings,
3 and that's the work we're doing now. We received
4 access from several other property owners and installed
5 wells and borings on their property this past fall.

6 Q. And, if the Company does find that that contamination
7 has spread, would that follow the usual process with
8 DES, where you would do a Remedial Action Plan?

9 A. Yes.

10 Q. Can you also just expand a little bit on the Concord
11 Pond site? You mentioned that you're doing groundwater
12 monitoring there. Can you talk a little bit about that
13 site?

14 A. The Concord Pond site, a portion of that site was
15 remediated during a DOT project, I believe, in the late
16 '90s. Right now, we're doing groundwater monitoring in
17 accordance with our permit, and we're also actually
18 trying to negotiate a memorandum of understanding with
19 the New Hampshire DOT, the City of Concord, DES, and
20 the Company, in order to do some additional remediation
21 activities at the Concord Pond site.

22 Q. And, the Concord Pond is located at Exit 13, off of
23 I-93, is that correct?

24 A. Yes.

[WITNESS: Leone]

1 Q. And, do you know how far that is, in terms of distance,
2 from the Concord MGP site, the original site?

3 A. I don't know the distance. I could get back to you on
4 that.

5 MS. HOLLENBERG: And, if I might just
6 ask a question.

7 WITNESS LEONE: Uh-huh.

8 MS. HOLLENBERG: Good morning.

9 BY MS. HOLLENBERG:

10 Q. We had a tech session with the Company last week, and
11 at that time the Company brought to our attention a
12 notice letter that the Company had received for the
13 LWD -- excuse me for one moment. I guess, for
14 clarification, that this issue was raised in July with
15 the parties, but we also received last week a copy of a
16 letter, the general notice letter for the LWD, Inc.
17 site in Culver City, Kentucky. Could you just explain
18 basically, generally, what that -- the issues are
19 related to that site and what the status of that, those
20 issues are at this time please?

21 A. We received a letter in August 2008 regarding -- from
22 EPA regarding the LWD disposal site in Kentucky. The
23 letter indicated that we were one of 400 third tier
24 respondents that they were getting in touch with

[WITNESS: Leone]

1 regarding this site. From a review of the letter, it
2 appears that the material that they're indicated that
3 EnergyNorth or the Company sent to the site was from
4 remediation activities at the Concord MGP in the early
5 '90s. Our outside counsel is currently investigating
6 this. And, that's the status of it.

7 Q. Is this something that you'll include in your future
8 updates with regard to the investigation/remediation
9 activities of the Company to the OCA and the Staff?

10 A. Yes.

11 MS. HOLLENBERG: Thank you.

12 MS. HATFIELD: Nothing further. Thank
13 you.

14 CHAIRMAN GETZ: Mr. Damon.

15 MR. DAMON: Thank you.

16 BY MR. DAMON:

17 Q. Yes, the letter from the EPA, as I understand it, is a
18 notice that EPA has determined that the Company may be
19 responsible under the Superfund law for costs EPA has
20 incurred in cleaning up the site. That's the gist of
21 that letter.

22 A. Uh-huh.

23 Q. And, when you say the Company is a "third tier
24 participant", what are the tiers?

[WITNESS: Leone]

1 A. The letter indicates that the EPA has settled with 58
2 original PRPs, or Potentially Responsible Parties, that
3 it contacted regarding this site. I don't -- The
4 letter doesn't clearly define what the other tiers are.
5 But, typically, those tiers tend to be lesser PRPs to
6 the site.

7 Q. Okay. Regarding Liberty Hill, you mentioned that the
8 impacts that have been determined to date are to the
9 deeper soil and the groundwater, but not to the
10 drinking water supplies. Can you explain that please?

11 A. The coal tar impacts tend to be in the -- sitting above
12 the bedrock on the site, in the soils above bedrock.
13 The drinking water wells in this area are drilled into
14 bedrock, and that's where the local residents are
15 extracting their groundwater from. And, we have
16 sampled those wells to confirm that there are no
17 impacts in the drinking water wells.

18 Q. Now, you mentioned several steps that have gone on
19 recently and you expect to complete in the future. But
20 is there, at this point in time, any decision on what
21 the remediation work at this site will consist of?

22 A. The Company has recommended that the remedy include a
23 subsurface containment wall, digging coal tar-saturated
24 soil down to 45 feet, removing the top three feet of

[WITNESS: Leone]

1 soil on the site and conducting a cap. The work we're
2 doing right now we anticipate will support that remedy.
3 And, at that point, we will request that DES issue a
4 decision. If our modeling does not indicate that, then
5 per the rule -- per the DES rules, we will look at
6 other remedial alternatives that would be feasible at
7 the site.

8 Q. So, it seems like it's premature for the Company to
9 state when it expects the remediation work on the site
10 to be completed. It sounds like that depends on what
11 the modeling --

12 A. Yes.

13 Q. -- results are and what the DES decides?

14 A. Yes.

15 MR. DAMON: No further questions.

16 CHAIRMAN GETZ: Redirect, Mr. Camerino?

17 MR. CAMERINO: No questions for Ms.

18 Leone. I did want to just clarify one thing that
19 Ms. Hollenberg said. She indicated that the Company had
20 first disclosed the Kentucky Superfund site in July, and I
21 am not quite sure what she's referring to. But I believe
22 we first disclosed it just in the last couple of weeks,
23 and I don't think we were aware of it in July. I don't
24 think that matters, but just wanted the record to be clear

[WITNESS: Leone]

1 on that.

2 CHAIRMAN GETZ: Anything further for
3 this witness?

4 (No verbal response)

5 CHAIRMAN GETZ: Hearing nothing, then
6 thank you. You're excused.

7 MR. CAMERINO: Mr. Chairman, may we
8 excuse Ms. Leone for the day? She doesn't have anything
9 urgent to go to, so if you wanted to retain her, she can
10 stay but --

11 CHAIRMAN GETZ: I think we're done with
12 Ms. Leone. Thank you.

13 MR. CAMERINO: Thank you. The Company
14 calls Theodore Poe Jr. and Ann Leary.

15 (Whereupon **Ann E. Leary** and **Theodore**
16 **Poe, Jr.** was duly sworn and cautioned by
17 the Court Reporter.)

18 **ANN E. LEARY, SWORN**

19 **THEODORE POE, JR., SWORN**

20 **DIRECT EXAMINATION**

21 BY MR. CAMERINO:

22 Q. Mr. Poe, would you state your name and business address
23 please.

24 A. (Poe) My name is Theodore Poe, Jr. My address is 201

[WITNESS PANEL: Leary|Poe]

1 Jones Road, Waltham, Massachusetts 02451.

2 Q. And, Ms. Leary, would you do the same please.

3 A. (Leary) Yes. My name is Ann Leary. My business
4 address is 201 Jones Road, Waltham, Massachusetts
5 02451.

6 Q. And, Mr. Poe, would you state your position with
7 National Grid and summarize your responsibilities in
8 that regard.

9 A. (Poe) Yes. Currently, with National Grid, I'm a Lead
10 Analyst, and I'm responsible for forecasting the
11 sendout requirements for the Company.

12 Q. And, you included testimony dated August 29, 2008 with
13 the Company's filing in this case?

14 A. (Poe) Yes, I did.

15 Q. Okay. And, that testimony includes your background and
16 professional qualifications?

17 A. (Poe) Yes, it does.

18 Q. And, let me show you that testimony and ask you if it
19 was prepared by you or under your direction?

20 A. (Poe) Yes, it was.

21 Q. Okay. And, is it true and accurate to the best of your
22 knowledge and belief?

23 A. (Poe) Yes, with the exception of one very minor
24 correction that has to be made within it.

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[WITNESS PANEL: Leary|Poe]

1 Q. And would you provide that?

2 A. Certainly. On Page 12 of my testimony, Line 18, I
3 quote a figure for the forecasted design year sendout
4 of "103,985,815 therms".

5 Q. Just to be clear, mine says it is on Line 16?

6 A. (Poe) Line 16?

7 Q. I think so.

8 A. (Poe) Thank you. Line 16.

9 MR. CAMERINO: You might want to check
10 with the Chair. Is that -- Yes. Okay. I think that's
11 where everyone else has their's so --

12 WITNESS POE: Okay.

13 **BY THE WITNESS:**

14 A. (Poe) That figure in the Company's filing is
15 103,986,716 therms. So, it's a change of roughly a
16 thousand therms at most.

17 BY MR. CAMERINO:

18 Q. Okay. So, I'm not asking you at this point for updates
19 in your testimony or additions, but, in terms of
20 changes, that's all you have?

21 A. (Poe) That is correct.

22 Q. Okay. Would you summarize for the Commission the
23 Company's transportation contract portfolio and where
24 that's located in the filing?

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[WITNESS PANEL: Leary|Poe]

1 A. (Poe) Certainly. The Company's transportation
2 portfolio is found, there's a listing of a table of the
3 contracts in Schedule 12, Page 2, and the Company holds
4 cumulated capacity of 76,833 MMBtus per day on
5 Tennessee Gas Pipeline and 1,000 MMBtus per day on
6 PNGTS. These are the same figures as last year at this
7 time. There have been no changes to the transportation
8 portfolio.

9 Q. And, individual contracts are discussed in your
10 testimony?

11 A. (Poe) Yes, they are.

12 Q. Okay. Would you give the Commission an overview of the
13 projected load for the Company for this coming winter?

14 A. (Poe) Certainly. For the upcoming 2008-2009 peak
15 period November through April, Schedule 11A shows that,
16 under normal weather, the Company forecasts sendout of
17 95,368,818 therms, and that figure is down 5.4 percent
18 from last year's figure of 100,833,527 therms.
19 Schedule 11B shows the same information under design
20 weather conditions. And, the projected figure, as I
21 stated earlier in the correction to my testimony, is
22 103,986,716 therms, which is 9 percent higher with
23 weather that's assumed to be 8.5 percent colder than
24 normal. That figure is down 6.3 percent from last

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[WITNESS PANEL: Leary|Poe]

1 year's figure of 111,010,897 therms. And, lastly,
2 Schedule 11D shows the design forecasted -- the
3 forecasted design day of 1,306,916 therms, down
4 1.4 percent from last year's figure of 1,325,706
5 therms.

6 Q. So, the Company's load is actually shrinking?

7 A. (Poe) Yes. The Company has observed, and were
8 associated with the higher prices that the customers
9 have seen, shoulder period conservation, which has been
10 reducing the forecasted load.

11 Q. Okay. Would you summarize the Company's commodity
12 contracts?

13 A. (Poe) Certainly. With respect to the transportation
14 contracts, the Company holds that capacity to move
15 supplies to New Hampshire. And, those supplies are
16 8,122 MMBtus per day of Canadian gas, up to 41,596
17 MMBtus per day of domestic gas. And, in addition,
18 28,115 MMBtus per day of underground storage supply
19 from the market area storage in New York and
20 Pennsylvania.

21 Q. Now, your testimony discusses some changes in the
22 supply portfolio since last winter. Would you review
23 those for the Commission please.

24 A. (Poe) Certainly. As is the Company's process, on an

[WITNESS PANEL: Leary|Poe]

1 annual basis, the Company, in summer and fall, will
2 issue RFPs for supplies that we'll need for the
3 upcoming period. It will issue the requirements, it
4 will receive responses from potential bidders, prepare
5 a summary of responses, and then make a decision based
6 on combined price and nonprice factors. A summary of
7 those results are then provided to Staff during the
8 discovery process. For the upcoming winter, the
9 Company has a number of different supply contracts, and
10 I'll go through them one at a time.

11 For its long-haul Tennessee capacity, it
12 has received a bid from Chevron, the winning bid, which
13 is a six-month supply, with both baseload and swing
14 nomination provisions, and it's price is index based.
15 For the Company's capacity from Dracut, Massachusetts
16 on Tennessee, the Company awarded the contract to FPL
17 Energy, which is a five-month supply, with both
18 baseload and swing nomination provisions. This will be
19 baseloaded in December, January, and February, and has
20 flexibility in the nominated amounts in the shoulder
21 months of November and March.

22 Then, for its Canadian capacity, the
23 Company has supply from Dawn, Ontario, from Sempra
24 Energy Trading. And, this will be a baseload supply

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[WITNESS PANEL: Leary|Poe]

1 November through March, indexed to NYMEX. And, this
2 RFP was actually conducted, since the Company is part
3 of the Northeast Gas Markets Association, it was
4 conducted under the NEGM.

5 In addition, the Company has two
6 citygate supply contracts for the upcoming winter. For
7 its traditional 8,000 a day supply that it has had in
8 the past, it awarded this year a contract to Virginia
9 Power Energy Marketing. This is, as I said, MDQ of
10 8,000 per day. It's a 151-day service that can be
11 taken over the 365 day period November of 2008 through
12 October 2009, with both baseload and swing provisions.
13 And, in addition, the Company has a new contract with
14 Virginia Power Energy Marketing for 5,000 a day for ten
15 days of supply. And, this is a citygate supply to help
16 meet the seven-day storage rule requirement. Lastly,
17 the Company just awarded a contract for its propane
18 supply for the wintertime to Eastern Propane for
19 380,000 gallons, with associated trucking.

20 Q. And, just to be clear, those last two contracts have
21 been entered into since your testimony was originally
22 filed?

23 A. (Poe) That is correct.

24 Q. And, so, they're not discussed there?

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[WITNESS PANEL: Leary|Poe]

1 A. (Poe) That's right. Those would be additional
2 supplements to my testimony.

3 Q. Okay. Thank you.

4 A. (Poe) Uh-huh.

5 Q. I'm going to turn to Ms. Leary now. And, Ms. Leary,
6 would you just state your position with the Company and
7 your responsibilities in that regard.

8 A. (Leary) Yes. I am Manager of Pricing for New England.
9 And, I am primarily responsible for submitting various
10 regulatory filings, both in Massachusetts and New
11 Hampshire.

12 Q. Now, with the October 17th filing, you updated your
13 testimony?

14 A. (Leary) Yes, I did.

15 Q. Okay. And, let me show you a copy of that. And, ask
16 you if it was prepared by you or under your direction?

17 A. (Leary) Yes, it was.

18 Q. And, is it true and accurate to the best of your
19 knowledge and belief?

20 A. (Leary) Yes, it is.

21 MR. CAMERINO: And, that testimony, Mr.
22 Chairman, is contained in Exhibits 1 and 2 that have been
23 previously marked for identification.

24 BY MR. CAMERINO:

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[WITNESS PANEL: Leary|Poe]

1 Q. And, your educational and professional experience are
2 also set forth in that testimony?

3 A. (Leary) Yes, it is.

4 Q. Okay. Do you have any changes that you want to make to
5 your October 17th testimony?

6 A. (Leary) No, I do not.

7 Q. Okay. Can you just, before we get into the specifics
8 of the testimony, explain why you filed revised
9 testimony and an updated filing for the Company on
10 October 17th?

11 A. (Leary) Yes. Basically, we filed an updated filing on
12 October 17th to reflect the drastic decrease in the
13 price of the NYMEX that we've experienced over the past
14 month. The cost of gas filing that we filed on
15 October 17th will reflect approximately an eight cents
16 per therm reduction from the filing made on
17 September 1st. This is a result of, as I said, the
18 NYMEX that we had originally used in our filing on
19 September 1st averaged approximately \$9.14. The NYMEX
20 that we're reflecting in this filing is approximately
21 \$7.51. So, we wanted to reflect those lower prices to
22 our customers. That equated to about six out of the
23 eight cents reduction that we experienced. There also
24 was a reduction as a result of us now billing on a dry

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[WITNESS PANEL: Leary|Poe]

1 basis, as opposed to a wet basis. The original filing
2 that we had submitted, the therms were represented in
3 wet. As a result of the temporary base rate that had
4 been approved at the end of August, we can now start
5 billing customers on a dry basis. So, we wanted to
6 reflect that also in the filing. That accounted for
7 about a two cent. We've also made, through the
8 discovery process, there was some, you know, small
9 corrections that were identified by both the Staff and
10 the OCA. And, we have incorporated those small
11 changes. They will reflect less than half a cent, and
12 they will be an increase.

13 Q. Okay.

14 A. (Leary) And, one other thing. We also did make a
15 change to our LDAC. The LDAC will change by less than
16 5/100ths of a cent from the original filing. But we
17 wanted to incorporate two changes. One was Staff had
18 identified that our DSM shareholder incentive needed to
19 be corrected. So, we reflected that in this filing.
20 And, also, the OCA had identified some corrections to
21 our lost base margin calculation.

22 Q. Thank you. You heard at the outset of the proceeding,
23 the Chairman read from the order of notice and the
24 rates that were cited there. What are the new proposed

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[WITNESS PANEL: Leary|Poe]

1 rates that the Company has included in its updated
2 filing?

3 A. (Leary) The proposed cost of gas factor for the
4 residential customers will be \$1.1837 per therm. The
5 factor for the commercial and industrial low winter use
6 customers will be \$1.1826 per therm. The COG factor
7 for the commercial and industrial high winter use
8 customers will be \$1.1839 per therm. The rate for the
9 firm transportation customers will actually be a very,
10 very small credit of 1/100th of a cent.

11 Q. Okay. How do those rates compare to last winter's
12 average rates?

13 A. (Leary) These rates are very similar to the rates that
14 were approved for November 1st of 2007. The rate that
15 was approved last year was \$1.1843 per therm. So,
16 actually, we're talking about these rates will be about
17 6/100ths of a cent lower than that initial rate from
18 last winter.

19 Q. Can you compare the rates to last winter's weighted
20 average cost of gas?

21 A. (Leary) Yes. Actually, even the weighted average cost
22 of gas came in very similar to this rate. The weighted
23 average cost of gas for the 2007/2008 period, for a
24 residential customer, was \$1.1746 per therm. This is

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[WITNESS PANEL: Leary|Poe]

1 about 9/10ths of a cent higher than the average -- our
2 proposed rate is about 9/10ths of a cent higher than
3 this average for the last winter.

4 Q. Okay. Would you summarize the bill impacts of the
5 proposed rates, and just indicate to the Commission
6 where in the filing they can find those in more detail?

7 A. (Leary) Yes. The bill impacts can be found on Tab 8 or
8 Schedule 8 of this filing. For the residential
9 customers, we are anticipating an increase of about
10 4 percent, or \$57. But, please note, this increase
11 also reflects the increase from the implementation and
12 approval of the temporary base rates that were approved
13 on August 24th. So, to break it down, the base rate
14 increase would be about \$42, or 3 percent of the
15 4 percent increase, with a cost of gas and the LDAC
16 will account for about 1 percent of the increase, or
17 \$15, on a typical residential customer's bill.

18 For a small C&I commercial customer on
19 the G-41 rate, their increase will be about a
20 5.3 percent increase, or about \$117. And, again, if we
21 break this down, about \$75, or 3 percent, is a result
22 of the increase in the temporary base rates, \$41, or
23 2 percent, is a result from the increase in the cost of
24 gas.

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[WITNESS PANEL: Leary|Poe]

1 Q. Now, you discussed the transportation cost of gas rate
2 as being a credit. Can you just refresh us on why
3 transportation customers pay a cost of gas rate at all?

4 A. (Leary) Yes. Part of our gas supply, specifically our
5 LNG and propane production, is needed not only to
6 maintain the gas supply requirements of our customers,
7 but also to maintain the pressure in our distribution
8 system. So, as a result, we need to bill our
9 transportation customers for this pressure -- to
10 maintain the pressure in our distribution system.

11 Q. Now, could you explain why the cost of gas rate would
12 actually be a credit back to these customers, rather
13 than a charge?

14 A. (Leary) The reason why it's a credit is because we
15 actually over collected last year's transportation
16 rate. This is a result of the fact that we had more
17 customers on our transportation rate than we had
18 initially anticipated when we had made our filing.

19 Q. Okay. I'd like you to just give an overview of the
20 reasons for the change in the cost of gas rate from
21 last year.

22 A. (Leary) Okay. As we talked about, the rate is very
23 similar to last year's rates. But, if you looked at
24 just the total cost that we're collecting, it's about

[WITNESS PANEL: Leary|Poe]

1 \$4.2 million less than last year, but that also
2 coincides with about a 5.5 million therm reduction.
3 So, we had both a volume reduction and a cost
4 reduction. But, if we looked at some of the details of
5 what made up that \$4.2 million, we'll see that 3
6 million of it is a result of a decrease in our indirect
7 gas costs. That resulted as a result of the approval
8 of the settlement in DG 07-050, where we set new bad
9 debt and working capital percentages. Also, we had to
10 incorporate the fact that we had to go back in there to
11 November of '06 and restate our reconciliation. We
12 also had, as I said, out of the 4.2 million, 3 million
13 was for indirect and about 1.2 was for our direct gas
14 costs. Out of that 1.2, we had about 700,000 reduction
15 for supplemental supplies. That would have been a
16 combination of both a reduction in volume and some
17 reduction in price -- offset by an increase in prices.
18 And, we also had a decrease of 1.7 million in our
19 demand related costs. Finally, this was offset by
20 about a \$1.2 million increase in our, you know, gas
21 cost adjustments, primarily driving that would have
22 been the difference in our prior period reconciliation
23 balances.

24 Q. So, that last item means that you're starting from a

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[WITNESS PANEL: Leary|Poe]

1 different position, in terms of it being an
2 undercollection or overcollection from the prior
3 period?

4 A. (Leary) That is correct.

5 Q. Okay. With regard to the Fixed Price Option rates that
6 the Company is proposing, could you just indicate what
7 those rates are and give the Commission a sense of
8 where enrollment is in the FPO Program?

9 A. (Leary) Sure. As you know, as a result of DG 05-127,
10 the FPO rate is set at two cents above the cost of gas
11 rate that we file on September 1st. So, for the
12 residential customers, the FPO rate will be \$1.2835
13 cents per therm. The C&I low winter use customers, the
14 FPO rate will be \$1.2830 per therm. And, finally, the
15 C&I high winter use customers, the FPO rate will be
16 \$1.2836 per therm.

17 Currently, we have 13,192 customers
18 enrolled on our FPO rate. This compares to last year,
19 where we had enrolled 14,563 customers. So, we're
20 about right now 91 percent of the level that we had
21 last year.

22 Q. Okay. I'm going to walk you through the Company's
23 proposal with regard to its Local Distribution
24 Adjustment Charge. And, would you just start by

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[WITNESS PANEL: Leary|Poe]

1 identifying what surcharges are included within the
2 LDAC?

3 A. (Leary) Yes. There are four major components of our
4 LDAC. We recover a Conservation Charge, an Energy
5 Efficiency Charge, a Residential Low Income Assistance
6 Program Charge, and, finally, an Environmental
7 Surcharge.

8 Q. Okay. And, those all total up into what we call the
9 "LDAC"?

10 A. (Leary) That is correct.

11 Q. Okay. Would you indicate what the level of the LDAC is
12 for this year, as proposed by the Company, and how that
13 compares to last year?

14 A. (Leary) Yes. The LDAC proposed for this upcoming year
15 for a residential non-heating customer will be 2.54
16 cents per therm. And, this will be an increase over
17 the factor we had last year, which was 1.87 cents per
18 therm. For the residential heating customers, the LDAC
19 will be 2.6 cents per therm, versus the 1.92 cents per
20 therm for last year. And, finally, for commercial and
21 industrial customers, the factor will be 2.78 cents per
22 therm, versus the factor of 1.01 cents per therm last
23 year.

24 Q. Okay. The Commission heard previously from Ms. Leone

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[WITNESS PANEL: Leary|Poe]

1 and the activity that's going on with regard to the MGP
2 sites. Is any of this change related to the
3 environmental portion of the LDAC?

4 A. (Leary) No.

5 Q. And, what is the environmental portion of the LDAC?

6 A. (Leary) The factor for this upcoming period will be
7 zero.

8 Q. Okay. What other tariff changes is the Company
9 proposing for the coming winter?

10 A. (Leary) The Company is also proposing changes on Tariff
11 Page 153 for our supplier balancing and peaking demand
12 charges. These charges are updated annually based on
13 volumes and costs as shown on Tab 21 of the filing.
14 The balancing charges that we are proposing is going to
15 go from 10 cents for last year's rate to 12 cents.
16 And, this is a charge that is paid by our suppliers.
17 The peaking demand rates will actually decrease from
18 \$14.41 per MMBtu from last year, to \$10.02 an MMBtu
19 this year.

20 Also, we have, on Tariff Page 155, we
21 have updated our capacity allocator percentages. And,
22 these are used to allocate the pipeline, storage, and
23 local peaking capacity costs to our transportation
24 customers who have to take the mandatory

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[WITNESS PANEL: Leary|Poe]

1 transportation. These calculations are set forth on
2 Tab 22.

3 Q. All right. And, then, I want to go back to the
4 Environmental Charge for one second, just to be clear.
5 Can you just explain why the Environmental Charge is
6 proposed to be zero for the coming year?

7 A. (Leary) Yes. We're proposing a zero charge this year
8 due to the funds that we have received through
9 successful third party claims brought by the Company to
10 contain indemnification for investigation and
11 remediation costs incurred.

12 Q. A couple of issues that we have not discussed in prior
13 cost of gas proceedings. First, your -- the filing
14 provides information regarding the Company's proposed
15 short-term debt limits. Could you explain why that's
16 included and where that information can be found?

17 A. (Leary) Yes. That can be found in Tab -- Tab 24. And,
18 basically, as a result of the Order 24,824, in docket
19 DG 06-122, a mechanism was established for allowing the
20 Company to update its short-term debt limit on an
21 annual basis as part of the winter cost of gas filing.
22 The Company here in this calculation has two different
23 short-term debt limits. One is for purposes of fuel
24 financing and one is for other non-fuel financing

[WITNESS PANEL: Leary|Poe]

1 purposes. The Company has laid out its calculation on
2 this schedule included in Tab 24. The Company is going
3 to be seeking approval of these new short-term
4 borrowing limits identified here.

5 Q. And, then, how long would those limits remain in
6 effect?

7 A. (Leary) Till the next cost of gas filing.

8 Q. And, then, lastly, in prior cost of gas proceedings
9 recently, there has been discussion about an issue
10 related to so-called "occupant accounts". Can you just
11 update the Commission on the status of that issue and
12 what the Company's expectation is at this point?

13 A. (Leary) Yes. The status -- The Staff and the parties
14 have, in principle, reached a settlement, but we are
15 kind of working out the fine details of the actual
16 settlement agreement. We are expecting that, within
17 the next week or two, we'll be able to make that
18 submission with the Commission.

19 MR. CAMERINO: Thank you. Thank you,
20 Mr. Chairman.

21 CHAIRMAN GETZ: Ms. Hatfield.

22 MS. HOLLENBERG: Thank you. I'm going
23 to do the questioning. Good morning.

24 **CROSS-EXAMINATION**

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[WITNESS PANEL: Leary|Poe]

1 BY MS. HOLLENBERG:

2 Q. Could you explain why the cost of gas filing was not
3 --did not revise the Fixed Price offering?

4 A. (Leary) The Fixed Price offering, according to the
5 order that came out in DG 05-127, was established to,
6 you set the rate at the time that you make the
7 September 1st filing, add two cents to it, and that's
8 the rate that we're going to offer to the customers.
9 The way the mechanism works is the customers then -- we
10 will send out the letter to the customers, and then
11 over the next, before -- over the next month, they have
12 the right to decide whether or not they want to sign up
13 for this fixed rate. We have it set up that we don't
14 actually update this cost of gas filing for all other
15 customers until just about the end of that four-week
16 window. So, I mean, this is something that can occur
17 throughout the year that these rates for our customers
18 that opt not to choose this rate can change. So, we
19 had no intentions of updating this FPO rate in this
20 filing.

21 Q. And, the Staff has filed testimony proposing a new
22 process to be followed if the Company needs to revise
23 its CGA beyond the 20 percent bandwidth. And, I'm
24 wondering when the Company -- the Company has received

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[WITNESS PANEL: Leary|Poe]

1 that testimony, and I presume that the Company has
2 considered that testimony. When would the Company know
3 if it needed to request any kind of permission like
4 that above the 20 percent, how soon before it would ask
5 for that permission would the Company know that?

6 A. (Leary) The Company is always monitoring daily the
7 price of the NYMEX. And, I would say that by mid month
8 the Company would have a pretty good handle on whether
9 or not they would -- the proposed factor would exceed
10 the 20 percent limit established by the Commission.

11 Q. Okay. Mr. Poe, I just have a couple of questions. You
12 discussed the -- in your prefiled testimony, on Pages
13 12 to 13, you talked about the difference between this
14 year's forecasted sendout requirements as shown in the
15 various schedules included in Schedule A, and you
16 identified as a reason for that shoulder period
17 conservation?

18 A. (Poe) Yes, that's what I stated just a moment ago.

19 Q. On Page 13, however, at Lines 3 to 5, you state that
20 "The principal factor driving the year-to-year
21 decreases is the increased shift from sales service to
22 the Company's Customer Choice transportation program."
23 Could you explain the difference between that statement
24 and the statement that you indicated before that

[WITNESS PANEL: Leary|Poe]

1 "conservation was the driving factor" -- or, I'm sorry,
2 I didn't mean to characterize your -- that
3 "conversation was a factor"?

4 A. (Poe) Perhaps I should also make one further correction
5 to my testimony, where the verb was conjugated
6 incorrectly. "The principal driving factor driving the
7 year-to-year decrease" is that, and it was referring to
8 the Design Day. The Design Day has seen the most
9 effect due to the switch between sales and Customer
10 Choice customers. But, overall, if you look at the
11 heating season or if you look at the annual period,
12 there are two factors that are driving it, both the
13 switch from sales to Customer Choice, plus, in
14 addition, conservation. And, I think I discussed that
15 in one of the data responses during the discovery
16 process.

17 Q. And, what -- you mentioned that you were seeing
18 "shoulder period conservation". Are you seeing
19 non-shoulder period conservation?

20 A. (Poe) Well, we haven't gotten into the winter, into the
21 cold part of the winter yet, so I can't say that. But,
22 historically, what we have been seeing, for the '07/08
23 Winter, for instance, was reductions in consumption in
24 the shoulder months of October/November and

[WITNESS PANEL: Leary|Poe]

1 March/April. Whereas, December, January, and February
2 were pretty much right on forecast with higher usage,
3 the traditional usage.

4 MS. HOLLENBERG: Thank you. If I could
5 have a moment please?

6 (Short pause.)

7 BY MS. HOLLENBERG:

8 Q. I just want to make sure that I understand your
9 testimony. You're saying that the forecasted Design
10 Day sendout for sales customers for the upcoming
11 winter, that the principal factor driving that
12 year-to-year decrease is a shift to transportation?

13 A. (Poe) That is correct. And, then, with regard to the
14 other periods, the season and the year, it's more
15 balanced between the cause being the shift and also the
16 cause being conservation.

17 Q. Okay. Thank you.

18 A. (Poe) You're welcome.

19 Q. And, Ms. Leary, I believe you testified earlier that
20 you will be seeing approval for the -- you will be
21 seeking approval for the new short-term debt identified
22 in Schedule 24. Are you, just to clarify, are you
23 seeking that approval now in this filing?

24 A. (Leary) Yes, I am.

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[WITNESS PANEL: Leary|Poe]

1 Q. And, what is the new amount of short-term debt?

2 A. (Leary) For purposes of fuel financing, the new
3 short-term debt will be \$32,660,530. For purposes
4 other than fuel financing, the short-term debt limit
5 will be \$47,780,000.

6 Q. And, do you know how that compares to the prior level
7 of short-term debt approved level?

8 A. (Leary) No, I do not.

9 MS. HOLLENBERG: We don't have any other
10 questions. Thank you.

11 CHAIRMAN GETZ: Mr. Damon.

12 BY MR. DAMON:

13 Q. Ms. Leary, you've testified to changes in the NYMEX
14 pricing as being a major reason why the revised filing
15 was made. Just so I'm clear, the NYMEX pricing you're
16 talking about are pricing related to the expected
17 future cost of gas supply, is that right?

18 A. (Leary) That is correct.

19 Q. Could you then, in addition, identify how those
20 expected future costs relate to what the Company
21 expects for its own gas supply costs during the period?
22 What is the relation between the NYMEX pricing and the
23 Company's actual expected cost of gas? Because you
24 don't buy those contracts, but you do use them to help

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[WITNESS PANEL: Leary|Poe]

1 you predict what your own costs will be, right?

2 A. (Leary) Right. Generally, because the Company has
3 hedged, well, 67 percent of its gas supply, the rule of
4 thumb we use is, for every dollar change in NYMEX, we
5 will expect about a 40 cent change in the cost of gas
6 filing.

7 Q. Looking at your testimony on Page 6, Line 16, of your
8 revised testimony, you show a "Hedge Contract Loss" of
9 about \$10.4 million. And, can you tell us what is the
10 primary cause of that loss?

11 A. (Leary) The way we determine that loss is we compare
12 the hedge contracts that we actually have locked in
13 over the past 18 months to the current NYMEX pricing.
14 And, as a result, the current NYMEX pricing is now
15 lower than the actual hedged prices that we've locked
16 in over the past 18 months. That equates to about
17 \$10.4 million. That can actually be seen in Schedule 7
18 -- excuse me, yes, Schedule 7, Tab 7, where we do that
19 actual calculation.

20 Q. And, in the Company's experience from year to year,
21 does this number, between a loss and savings, tend to
22 equal out pretty much regarding losses and savings to
23 customers?

24 A. (Leary) Well, just remember, the whole purpose of this

[WITNESS PANEL: Leary|Poe]

1 is not really for loss and savings for customers. The
2 whole reason why we hedge is, really, it's to mitigate
3 volatility. So, we're really looking here to, you
4 know, remove the swings in the gas prices that
5 customers would experience based on swings in the
6 NYMEX. We're not really looking to, you know, I mean,
7 save customers money. We hope that's the outcome, but
8 that's not the purpose of the hedging.

9 Q. Okay. If we look at the variance analysis schedule on
10 Page 53, that's the Bates stamp Page 53, which is
11 Tab 9, can you tell us what is the net impact of the
12 hedging loss on the proposed cost of gas rate for this
13 winter?

14 A. (Leary) This, again, this analysis is based on the, as
15 we talked about, the recent NYMEX that we just
16 submitted. And, that would be an additional -- the
17 customers will actually be paying an additional 11
18 cents. Had we looked at the NYMEX this summer, this
19 would have actually been the opposite, the customers
20 would have gotten a huge credit.

21 Q. And, on Page 7, Line 3, you identify \$400,000
22 approximately of capacity release margins. And, are
23 those margins credited 100 percent back to the
24 ratepayers?

[WITNESS PANEL: Leary|Poe]

1 A. (Leary) Yes. Page 7 of my testimony? Where are we
2 looking, for clarification please?

3 Q. Yes, Line 3, I believe, Page 7 of your testimony.
4 Excuse me, it's almost \$411,000.

5 A. (Leary) Yes, those are returned to the firm ratepayers.

6 Q. And, those margins are generated from the release of
7 unused pipeline capacity to the open market during the
8 off-peak period, right?

9 A. (Leary) During the peak and the off-peak period,
10 correct.

11 Q. And, has the Company continued to manage all of its
12 upstream supply and capacity assets during the past
13 year?

14 A. (Leary) Yes, it has.

15 Q. Turning to Page 9 of your testimony, on Line 7, you
16 refer to a -- almost a \$1.2 million undercollection
17 there, and you referenced the reconciliation analysis
18 for the prior winter period as being in Tab 18. And,
19 if we go to Tab 18, which is the cover letter to the
20 reconciliation letter, the cover letter just after the
21 first paragraph indicates an undercollection of what,
22 almost \$2.9 million. And, can you explain the
23 difference between the number in the reconciliation
24 analysis and the number in your testimony on Page 9?

[WITNESS PANEL: Leary|Poe]

1 A. (Leary) Yes. If you look at Schedule 18, you are
2 right, on the cover letter we are just discussing the
3 reconciliation for the gas costs. So, that shows
4 2.8 million. But, if you turn to Bates stamp Page 73
5 and 74, the total reconciliation, including not only
6 the direct gas costs, but also the indirect gas costs,
7 both, which would be the bad debts and the working
8 capital, then the number becomes the \$1.2 million that
9 we referenced in my actual testimony.

10 Q. Thank you. Regarding the FPO program, is the
11 enrollment period still open?

12 A. (Leary) Yes, it is.

13 Q. And, when does that close?

14 A. (Leary) That will close on November 1st -- or,
15 October 31st.

16 Q. Staff, in its prefiled testimony, has recommended the
17 Commission change its policy slightly regarding the
18 20 percent bandwidth idea that has been incorporated in
19 the past cost of gas orders. Does the Company support
20 that proposal?

21 A. (Leary) Yes, it does. The Company supports that
22 proposal.

23 Q. And, could you explain why?

24 A. (Leary) I think that, as Bob -- excuse me, as Staff has

[WITNESS PANEL: Leary|Poe]

1 pointed out in their testimony, the best example is
2 what happened this past summer. Due to the, you know,
3 rapidly changing prices in NYMEX, the Company, to make
4 a filing 45 days before the effective date, a lot can
5 happen to the cost of gas. And, to give the Company
6 more flexibility to reflect, and to the customers, what
7 the actual cost of gas should be on their bills, would
8 be -- it would be a great help to everyone. This past
9 summer, as you know, we had made a filing on June 15th
10 to the Department asking for a request to increase and
11 go beyond the 20 percent limit. That was all based on
12 everyone experiencing an increase in the NYMEX. By the
13 time we made that filing and came to hearings, the
14 NYMEX was actually beginning to turn around, and then
15 began sharply decreasing. So, we ran into an issue now
16 that, after they approved that and we implemented in
17 August, the NYMEX price fell drastically, and now we
18 are at the 20 percent lower limit. And, in reality, we
19 are now over collecting, because we weren't allowed to
20 go below that cap.

21 Q. On Page 11 of your testimony, Line 18, you project a
22 67.6 percent -- you predict that 67.6 percent of
23 pipeline supplies would be hedged for the winter
24 period. And, does this percentage include the

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[WITNESS PANEL: Leary|Poe]

1 prepurchased underground natural gas storage volumes?

2 A. (Leary) No, it does not.

3 Q. And, can you give us an approximate percentage of gas
4 supply volumes in this cost of gas forecast whose costs
5 have already been determined through prepurchased
6 storage injections, fixed contracts, hedges, or other
7 means?

8 A. (Leary) Approximately 73 percent.

9 Q. A question on unaccounted for gas. Where in the filing
10 are the unaccounted for volumes described or taken into
11 account?

12 A. (Leary) If you turn to Schedule 1, Page 1 of 4, you'll
13 see Line 13 identify the unaccounted for gas.

14 Q. And, what is that as a percent of total volumes for the
15 period?

16 A. (Leary) Approximately two and a half percent.

17 Q. Has the Company seen any significant change in
18 unaccounted for losses during the past year?

19 A. (Leary) No, it has not.

20 Q. A question on the LDAC as well. And, for this
21 question, I'm referring to Bates stamp Page 119, which
22 I think is in Tab 19. And, this is in reference to the
23 commercial and industrial Energy Efficiency Rate. As I
24 understand it, that the Company has experienced an

[WITNESS PANEL: Leary|Poe]

1 increase or is requesting an increase in that rate from
2 \$0.0047 last year, to \$0.0205 this year in the revised
3 filing?

4 A. (Leary) That is correct.

5 Q. Okay. And, can you explain what contributed to that
6 increase?

7 A. (Leary) I don't have the actual filing from last year
8 in front of me. I would take a guess, looking at last
9 year's filing, it was most likely caused by a prior
10 period overcollection that we had for the previous
11 year. That's why the factor was so low. I don't think
12 there was a significant change in the actual budget for
13 this year's commercial and industrial programs as
14 compared to last year.

15 Q. Okay. Thank you very much. Mr. Poe, I have a few
16 questions for you.

17 A. (Poe) Good morning, Mr. Damon.

18 Q. Good morning. Did the Company experience any
19 operational problems or supply disruptions during the
20 past year?

21 A. (Poe) Could you define the "past year"? What time
22 period?

23 Q. A year ago, till today.

24 A. (Poe) Nothing with regard to the New Hampshire system

[WITNESS PANEL: Leary|Poe]

1 that comes to mind.

2 Q. And, did the Company experience any pricing issues
3 regarding the supply purchases during the last winter
4 period?

5 A. (Poe) Nothing that I would classify as an issue.

6 Q. And, in your prefiled testimony and again this morning,
7 you've identified some new supply arrangements. And, I
8 think that's -- and many of them are on Page 7 of your
9 testimony, I believe.

10 A. (Poe) That's correct.

11 Q. Could you just identify or describe these new
12 suppliers, like Chevron Natural Gas, tell us about that
13 company?

14 A. (Poe) Chevron is a major producer in the Gulf Coast of
15 the United States. And, they were the same company
16 that supplied us our long-haul gas supply last winter.

17 Q. Okay. And, how about FPL Energy?

18 A. (Poe) Florida Power & Light Energy is providing us the
19 20,000 a day gas supply at the Dracut receiving point.
20 We have had contracts with them in the past and they
21 have been dependable.

22 Q. And, how about Virginia Power Energy Marketing, VP EM?

23 A. (Poe) VP EM is providing two contracts to the Company
24 this peak period. The 8,000 a day citygate supply and

[WITNESS PANEL: Leary|Poe]

1 also the 5,000 a day citygate supply. While VPEM has
2 not provided supply to New Hampshire, I believe, we
3 have dealt with them in the past and they're a
4 reputable supplier.

5 Q. Do you know about how long they have been in business
6 or who they're affiliated with, do you know?

7 A. (Poe) I believe they are a Dominion affiliate. And,
8 what was the other part of your question?

9 Q. How long have they been in business, roughly?

10 A. (Poe) I wouldn't know that.

11 Q. Okay. But they are part of a larger company?

12 A. (Poe) Yes.

13 Q. As are Chevron and FPL Energy, I suppose?

14 A. (Poe) Yes.

15 Q. And, do these suppliers that you've identified on Page
16 7, do they have firm pipeline capacity to points where
17 EnergyNorth will take possession of the supply?

18 A. (Poe) Let me just review all of these. With regard to
19 Chevron, Chevron will be providing us the gas supply at
20 our primary receipt points. So, I presume that their
21 facilities are located close to where we will be
22 receiving the gas down in the Gulf. With regard to FPL
23 Energy, we know that we have a firm contract with them
24 to provide gas at Dracut. How they get it there,

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[WITNESS PANEL: Leary|Poe]

1 that's part of their business. As well as VPEM, they
2 have supplies coming to the citygate, and they have a
3 contract with us that guarantees firm service.

4 Q. Do the other National Grid New England companies also
5 contract for natural gas supplies from these companies
6 that you've identified?

7 A. (Poe) Overall, I believe that National Grid purchases a
8 supply from each and every one of these at one point or
9 another.

10 Q. Okay. Are the Company's LNG and LPG storage and peak
11 shaving facilities fully operational and adequately
12 staffed for the upcoming winter period?

13 A. (Poe) Operational and staffed, yes, sir. They will be
14 prepared.

15 Q. And, have there been any changes to these facilities
16 during the past year?

17 A. (Poe) No, sir, they are not.

18 Q. A question on the PNGTS rate case. Did EnergyNorth
19 intervene in that case? That's a FERC rate case, I
20 believe.

21 A. (Poe) I had responded to this question in Data Response
22 Staff 1-8, and the Company had intervened in the
23 Section 4 rate case, yes.

24 Q. And, can you give us a brief update on the status of

[WITNESS PANEL: Leary|Poe]

1 that case?

2 A. (Poe) No, I know no other further thing other than that
3 settlement discussions are proceeding.

4 Q. And, has the Company updated the PNGTS rates used in
5 this filing?

6 A. (Poe) The Company is using, looking at Bates stamp
7 Page 23, the tariff page that was issued on
8 August 29th, 2008, effective October 1st, 2008.

9 Q. Okay. Well, if and when these rates do change, the
10 Company will include those in the monthly calculations,
11 right?

12 A. (Poe) That is correct.

13 Q. And, you testified this morning, and also in your
14 prefiled testimony on Page 12, about the reduction in
15 forecasted sendout requirements to sales customers.
16 And, you identified certain percentage decreases from,
17 I believe, last year. And, those are decreases
18 compared to what? Last year's forecasted amounts or
19 last year's actual?

20 A. (Poe) Last year's forecasted amounts. So, it would be
21 the corresponding Schedule 11A, 11B, and 11D.

22 Q. Do you have any information regarding the relative
23 change from -- that you're forecasting for the upcoming
24 period compared to last winter's actual sendout?

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[WITNESS PANEL: Leary|Poe]

1 A. (Poe) Well, no, I don't have a forecasted versus last
2 year's actual, because you'd be talking normal weather
3 in one and actual weather in another. That's why I'm
4 referring to both normalized volumes, so we can have an
5 apples-to-apples comparison.

6 Q. Okay. With a large disparity between fuel oil and
7 natural gas pricing during this past spring and summer,
8 did the Company experience above average customer
9 conversions from fuel oil to natural gas heating
10 systems?

11 A. (Poe) Yes, it did. Indeed we did, an above-average
12 amount of conversion requests.

13 Q. And, is that trend reflected in the cost of gas
14 forecast for this coming period?

15 A. (Poe) Yes, it is.

16 Q. And, can you give the Commission an update on the
17 Tennessee Gas Pipeline Concord Lateral Expansion
18 Project, which was the subject of a proceeding before
19 the Commission in Docket DG 07-101?

20 A. (Poe) The Company has a contract or a proposal right
21 now with Tennessee to expand the Concord Lateral.
22 November 1st of 2009, we're expecting to have
23 additional capacity coming on line. But, other than
24 being on schedule, no, I don't have any specific

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[WITNESS PANEL: Leary|Poe]

1 information to add.

2 MR. DAMON: Thank you. No further
3 questions.

4 CHAIRMAN GETZ: Redirect?

5 MR. CAMERINO: No redirect. Thank you.

6 CHAIRMAN GETZ: I guess I just have,
7 well, one question. I mean, there's been a question
8 asking the witness's position with respect to Mr. Wyatt's
9 testimony on the change to the over/under policy. I guess
10 I'm curious how the -- where the Company stands on the
11 proposed change or the testimony of Mr. Wyatt, with
12 respect to the hedging plan. Will you pursue this through
13 cross or are you going to address this in closing?

14 MR. CAMERINO: I was just going to
15 address it in closing. But Mr. Poe certainly could
16 comment on it, if you would like a witness to do that.

17 CHAIRMAN GETZ: Mr. Poe.

18 WITNESS POE: When we discuss the
19 "hedging policy", is this --

20 CHAIRMAN GETZ: Mr. Wyatt's testimony
21 with respect to the --

22 WITNESS POE: Intraperiod versus
23 interperiod?

24 CHAIRMAN GETZ: Yes.

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[WITNESS PANEL: Leary|Poe]

1 WITNESS POE: Fine. Simply put, while
2 the Company believes it acted prudently on behalf of the
3 customers, by substituting flowing gas for storage gas in
4 March of 2008, it understands the Staff position that it
5 should pursue intraperiod optimization, but not
6 interperiod optimization. And, it plans to proceed
7 accordingly starting November 1st.

8 CHAIRMAN GETZ: Okay. Anything else for
9 these witnesses?

10 (No verbal response)

11 CHAIRMAN GETZ: Hearing nothing, then
12 you're excused. Thank you.

13 MR. DAMON: I call Mr. Wyatt to the
14 stand.

15 (Whereupon **Robert J. Wyatt** was duly
16 sworn and cautioned by the Court
17 Reporter.)

18 **ROBERT J. WYATT, SWORN**

19 **DIRECT EXAMINATION**

20 BY MR. DAMON:

21 Q. Please state your name and business address and
22 position for the record.

23 A. Yes. My name is Robert J. Wyatt. And, I am a Utility
24 Analyst for the Public Utilities Commission in New

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[WITNESS: Wyatt]

1 Hampshire. And, the business address is 21 South Fruit
2 Street, Concord, New Hampshire.

3 Q. And, is one of your duties at the Commission to review
4 and analyze cost of gas filings by companies such as
5 EnergyNorth?

6 A. Yes, it is.

7 Q. And, you've done so in this case, right?

8 A. That's correct.

9 Q. Mr. Wyatt, I will show you a -- well, you have prepared
10 some written testimony that was filed yesterday, right?

11 A. That's correct.

12 Q. Okay. And, there were two versions filed yesterday,
13 and the first version was the incorrect version and the
14 second one was the correct version, right?

15 A. The first version was an earlier draft.

16 MR. DAMON: Okay. And, so, I have given
17 a copy to the Clerk, and the Company has one, OCA has one,
18 and I see -- I think the Commissioners do as well?

19 CHAIRMAN GETZ: Yes.

20 MR. DAMON: Okay. And, what we're
21 looking at is the correct version.

22 BY MR. DAMON:

23 Q. And, can you briefly summarize your testimony?

24 A. Yes. My testimony covers three topics. First, issues

[WITNESS: Wyatt]

1 related to the monthly over/under collection policy.
2 And, this policy allows for monthly adjustments to the
3 approved cost of gas rate. And, the reason we allow
4 this is to try to reduce the monthly over/under
5 adjustments for the period, the cost of gas period, or
6 to try to reduce the over/under collection, excuse me,
7 for the period. In this case, Staff is asking the
8 Commission for approval of a policy change that will
9 allow the Company to make monthly adjustments beyond
10 the approved bandwidth of the plus or minus 20 percent,
11 without having to come in and submit a full-blown
12 revised cost of gas filing. Changes beyond the
13 approved bandwidth would still require Commission
14 approval, but they could be done on a more expeditious
15 basis, and still allowing the Commission to review and
16 to receive input from Staff and the parties.

17 Secondly, I discuss the hedging policy
18 and its implementation. Staff believes it's important
19 to come to a common understanding now regarding the
20 policy -- how the policy should be implemented. And,
21 based on Mr. Poe's comments, I'm sure we'll be able to
22 get on the same page.

23 I guess, along the lines of the hedging
24 policy specifically, the Staff believes storage

[WITNESS: Wyatt]

1 supplies are part of the hedge against price spikes
2 during the approved period, and should be dispatched
3 accordingly. The order approving the current hedging
4 policy, which is Order Number 24,515, dated
5 September 16th, 2005, on Page 2 states as much. "The
6 hedging policy contemplates the use of various
7 financial risk management tools and underground storage
8 inventories in order to provide greater price
9 stability."

10 And, finally, I'm here to report that
11 I've completed -- Staff has completed its review of the
12 proposed cost of gas in this current filing. And,
13 we've reviewed the revised filing that came in
14 October 17th. And, I offer Staff's recommendations for
15 approval of the proposed rates.

16 Q. Thank you. On Page 5 of your testimony, you refer to a
17 Data Response Tech 1-1, Attachment A. And, I've given
18 a copy of that to the Clerk as well, and the other
19 parties. And, do you have a copy of it there?

20 A. Yes, I do.

21 Q. Okay. And, could you just explain what that document
22 is?

23 A. This is the -- One of the data requests that I asked
24 the Company was to share with us what they were looking

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1 at at the time in March that warranted them to not
2 dispatch underground storage gas, but instead purchase
3 spot gas, which appeared to be higher priced for the
4 month. But, when you look over the long run, their
5 calculation shows that, based on prices at that time,
6 there was an anticipated savings to the ratepayers of
7 \$209,000.

8 MR. DAMON: Okay. I would offer this
9 just as an adjunct to the testimony, to his prefiled
10 testimony as well.

11 CHAIRMAN GETZ: Well, let's marked the
12 prefiled testimony for identification as "Exhibit Number
13 3", and this -- is this a one-page adjunct?

14 MR. DAMON: Yes.

15 CHAIRMAN GETZ: -- as "Exhibit Number
16 4".

17 MR. DAMON: Right.

18 (The documents, as described, were
19 herewith marked as **Exhibit 3** and **Exhibit**
20 **4**, respectively, for identification.)

21 BY MR. DAMON:

22 Q. Do you have anything else to add regarding that Exhibit
23 4?

24 A. No, I do not.

[WITNESS: Wyatt]

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

3 CHAIRMAN GETZ: Thank you. Ms. Hatfield
4 or Ms. Hollenberg.

5 MS. HOLLENBERG: Thank you. Good
6 morning.

7 WITNESS WYATT: Good morning.

8 **CROSS-EXAMINATION**

9 BY MS. HOLLENBERG:

10 Q. If I could have you turn to Page 2 of your testimony,
11 at Line 21.

12 A. Yes.

13 Q. When I read this, the word "over collection" struck me,
14 and I wondered whether or not it should be "projected
15 under collection". And, we touched base briefly about
16 this before the hearing. And, could you explain why
17 it's "over collection" there, instead of "under
18 collection"?

19 A. Yes. I read the testimony over last night, and I had a
20 similar pause when I read this section. It is correct,
21 the wording is correct, but it's a bit confusing. What
22 happened was, during the summer period, this past
23 summer cost of gas, which we're in the closing days of
24 in October, as Ms. Leary expressed earlier, the prices

[WITNESS: Wyatt]

1 ran up through from the initial date, till early July,
2 to the point where the Company could not maximum --
3 could not increase its rate beyond the 20 percent
4 maximum, and they were still losing ground or under
5 collecting. And, then, once they did file for the new
6 rate, by the time the rate was in effect, prices were
7 plummeting at a much faster pace than they went up
8 through the earlier part of the year. And, that
9 resulted in an immediate adjustment down to the lowest
10 level of the plus or minus 20 percent bandwidth, and
11 still the Company is projecting, understandably,
12 there's going to be an overcollection as a result.
13 And, what this testimony did, it kind of flip-flopped
14 discussing the over collection portion first and the
15 undercollection portion afterwards.

16 Q. Okay. Thank you. On Page 3 of your testimony, you
17 propose a new process for resetting the CGA within the
18 rate period above -- beyond, excuse me, beyond the
19 20 percent bandwidth with Commission approval. And, at
20 Lines -- at Lines 15 and 16, you state "The request
21 would be docketed and the Staff and the parties would
22 have the opportunity to file comments and
23 recommendations with the Commission." Would this new
24 process be available to the Company at any time during

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1 the cost of gas period or a particular time?

2 A. I envision it to be done similar to what is done now
3 within the plus or minus 20 percent bandwidth. The
4 only exception being, now the Company can request, due
5 to market conditions at the time, that they're going to
6 need to exceed the 20 percent bandwidth. And, that
7 will trigger a required approval in some form from the
8 Commission.

9 Q. And, would there be any upper limit on the percentage
10 change that the Company could request through this
11 expedited process?

12 A. We haven't proposed an upper limit. We certainly hope
13 that it's always going to be reasonably close to the
14 current existing bandwidth. But we don't know. We
15 want the prices to reflect market conditions, and
16 hopefully reduce the over/under collection.

17 Q. Thank you. How much time would the parties, like the
18 OCA, have to file comments?

19 A. Well, currently, the Company files five business days
20 prior to the start of the new month and when the rate
21 will be proposed. And, they file with the Commission
22 and with the OCA. That is what we were initially
23 looking at. But, hearing the Company today, and
24 questions from your office, suggest that the Company

[WITNESS: Wyatt]

1 can probably give us a little more advance notice, if
2 they see a rate increase that's going to require
3 exceeding the 20 percent bandwidth. Staff is not
4 opposed to that.

5 Q. And, how many times do you -- do you have any idea
6 about how many times the Company could do this during
7 the CGA period? Is there any limit on that or could
8 this happen as many times as needed or as the Company
9 thought would be needed?

10 A. Well, it would -- you know, the rates can change month
11 to month through the six-month period. So,
12 conceivably, it could happen five times after the
13 initial approved rate.

14 Q. So, the Staff would get a copy of the Company's letter
15 and the OCA would get a copy. Would any other
16 customers receive notice of this expedited process?

17 A. Not to my knowledge. I think the customers would see
18 -- would have access through a Web page the order
19 approving the initial rate, with the adjustment
20 provisions in the back, in the Commission "ordered"
21 section of the order.

22 Q. And, do you have any ideas about what standard the
23 Commission would use to determine whether or not to
24 hold a hearing?

[WITNESS: Wyatt]

1 A. Not quite sure what standard. I'm assuming it would
2 be, in most cases, evaluated on a case-by-case basis,
3 depending on the detail provided by the Company as to
4 the reasons why the rate increase is needed.

5 Q. Thank you. What would you say is the benefit of this
6 type of expedited process?

7 A. Well, I agree with what Ms. Leary was saying. The
8 prices can be volatile. And, the current requirements
9 of filing for a cost of gas rate change 45 days in
10 advance of the effective date really tied the Company's
11 hands this year, this summer. At the time they filed,
12 rates were indicating that there was going to be a
13 large undercollection. And, by the time we got to
14 hearing, rates had calmed down, and it looked like we
15 were going to be okay for the rest of the period, with
16 or without the adjusted rate. With the adjusted rates,
17 the Company still had the new plus or minus 20 percent
18 bandwidth. But, as it turns out, rates on the market
19 continued to plummet, to the point where the 20 percent
20 -- minimum 20 percent was not enough.

21 Q. And, in terms of any downsides to this new process, is
22 it possible that it would create a disincentive for the
23 Company to make less accurate forecasts?

24 A. No, I don't believe so. Between, first of all, the

[WITNESS: Wyatt]

1 Company, I think, provides a good monthly report to
2 Staff. It's organized. And, the Company is very
3 forthcoming, if we have questions. If we ask for a
4 spreadsheet, back-up to review closer, the Company has
5 always been forthcoming. And, Staff is willing -- is
6 always looking at the numbers.

7 MS. HOLLENBERG: Excuse me for one
8 moment please.

9 (Atty. Hollenberg conferring with Mr.
10 Traum.)

11 BY MS. HOLLENBERG:

12 Q. If you could turn -- Thank you for those answers. If
13 you could turn to Page 5 of your prefiled testimony
14 please.

15 A. If I could just add one more note to my last answer.
16 Staff is always looking at the numbers. Sometimes we
17 may not catch a certain cost discrepancy or question in
18 the immediate period, but we have -- the costs are
19 fully reconciled. And, many times we catch some of
20 these things where we have further questions during the
21 reconciliation process.

22 Q. Thank you. On Page 5, at Line 21, you have a number
23 there \$209,078 as anticipated savings. This is, just
24 to clarify, this is the amount that the Company

[WITNESS: Wyatt]

1 projected in savings at the time that they were making
2 the decision about whether or not to use storage or to
3 buy spot purchases?

4 A. Yes, it is.

5 Q. And, then, on Page 6, at Line 4, the \$350,000 amount,
6 that's the current estimate in terms of what the
7 Company did save --

8 A. That's correct.

9 Q. -- by making those decisions? Is it possible that the
10 prices, though, could have gone down during the refill
11 season?

12 A. Yes.

13 Q. And, that that estimated savings would not have been
14 realized by the Company?

15 A. Correct. That's the risk exposure that the hedge
16 policy, and Staff has always worked to try to avoid,
17 that type of risk exposure.

18 MS. HOLLENBERG: Excuse me for one
19 moment please. No other questions. Thank you.

20 CHAIRMAN GETZ: Mr. Camerino.

21 MR. CAMERINO: No questions for Mr.
22 Wyatt. Thank you.

23 CMSR. BELOW: Yes.

24 BY CMSR. BELOW:

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[WITNESS: Wyatt]

1 Q. Mr. Wyatt, on Page 2 of your testimony, going back to
2 the sentence that starts on Line 20 and ends on Line
3 22, at Line 22, would it be more clear or accurate if
4 the word "increase above" were changed to say
5 "adjustment beyond", such that the sentence read
6 "During the 2008 summer period fluctuations in actual
7 and projected natural gas costs resulted in a projected
8 over collection that could only be eliminated with a
9 rate adjustment beyond the 20 percent limit"?

10 A. Yes, that does sound better.

11 Q. Okay. And, on Page 3, with the sentence that starts at
12 Line 13 and ends on Line 15, would your intent perhaps
13 be more clear if the word "increase" in the middle of
14 Line 14 was changed to "adjustment", such that it read
15 "EnergyNorth would file its required monthly report due
16 five business days before the effective date of the
17 proposed adjustment and, if beyond 20 percent, would
18 request Commission approval"?

19 A. Yes, that works.

20 Q. Okay. And, that's your intent, it would be an
21 adjustment, whether it was an increase or a decrease
22 beyond the 20 percent?

23 A. Correct.

24 CMSR. BELOW: Okay. Thank you. That's

[WITNESS: Wyatt]

1 all.

2 CHAIRMAN GETZ: Any redirect, Mr. Damon?

3 MR. DAMON: Just one question.

4 **REDIRECT EXAMINATION**

5 BY MR. DAMON:

6 Q. Now, the OCA, as I understand it, gets a copy of the
7 update reports?

8 A. That's correct.

9 Q. And, would the Staff be recommending that any other
10 participants or intervenors in the cost of gas
11 proceeding related to the updates get copies of those
12 updates as well?

13 A. I don't think that's normal procedure. I would be more
14 comfortable talking to the Company and the OCA about
15 that beforehand. I'm not necessarily against it. But
16 I don't know.

17 MR. DAMON: Thank you. No further
18 questions?

19 CHAIRMAN GETZ: Okay. Anything else for
20 Mr. Wyatt?

21 (No verbal response)

22 CHAIRMAN GETZ: Hearing nothing, then
23 you're excused. Thank you. Any objection to striking
24 identifications and admitting the exhibits into evidence?

1 (No verbal response)

2 CHAIRMAN GETZ: Hearing no objection,
3 they will be admitted into evidence. Is there anything we
4 need to address before opportunity for closings?

5 (No verbal response)

6 CHAIRMAN GETZ: Hearing nothing, then
7 we'll begin with the Consumer Advocate.

8 MS. HOLLENBERG: Thank you. Firstly,
9 the OCA does not oppose the Company's proposed Winter Cost
10 of Gas. With respect to the Staff's proposal to come to
11 an understanding on whether the Company should be seeking
12 to optimize gas supply decisions on an intraperiod basis
13 or an interperiod basis, this issue first came up in
14 discussions at the tech session last week, and which the
15 OCA participated in. And, we agree that -- we agree with
16 Staff that it is an important -- it's important for the
17 Company, Staff, and the OCA to have a common understanding
18 about the hedging policy and the purpose of that. And, we
19 look forward to working with the Staff and the Company on
20 this goal.

21 With regard to the proposal for the new
22 expedited process to revise the cost of gas rates within
23 the CGA period beyond the permitted 20 percent bandwidth,
24 this is really a concept that we only received the final

1 details about last -- yesterday afternoon, at
2 approximately 4:38. We do have concerns, although we
3 haven't fully discussed these or analyzed these concerns
4 about whether or not the Commission's notice in this
5 proceeding is sufficient for it to consider this proposal.
6 We also have some concerns about whether or not the change
7 in rates during the interperiod with -- through the
8 expedited process would require notice to customers not
9 represented by the OCA, such as commercial customers.
10 And, this is particularly so with -- due to the fact that
11 the process includes no limit beyond 20 percent.

12 We do appreciate Staff's efforts to
13 match costs within the CGA period and to minimize over and
14 under collection. That's certainly a goal that we
15 support. We're just not prepared this morning to take a
16 position on the proposal at this time. And, we would be
17 willing to work with the Staff and the Company on
18 finalizing this, this concept. And, we wonder whether or
19 not a generic proceeding would be more appropriate, one
20 which involves all other gas utilities, whether or not
21 that that would be a better way to proceed in terms of
22 changing the process.

23 And, that's our position this morning.

24 Thank you.

1 CHAIRMAN GETZ: Okay. Thank you.

2 Mr. Damon.

3 MR. DAMON: Thank you. As Mr. Wyatt has
4 testified, Staff supports the approval of the proposed
5 Winter Period Cost of Gas rates. Regarding the matter of
6 the bandwidth policy and the holding or not holding of an
7 additional hearing regarding a revised cost of gas rate,
8 Staff would just want to point out that the cost of gas
9 rates are fully reconcilable. And, I think last summer's
10 experience, with the expected increase in NYMEX pricing,
11 followed by a significant decrease, points up the
12 desirability of considering a different mechanism than the
13 one that the Commission has been following in the recent
14 past. There does seem to me need to be a balance between
15 the desirability for flexibility and efficiency in
16 allowing these gas rates to be adjusted up and down, and
17 to have that balanced against the need for Commission
18 control over rate changes and particularly rate increases.
19 And, Staff offers this proposed policy change as a way to
20 strike that balance.

21 Regarding the question of the standard
22 for when the Commission would hold a hearing, I think last
23 summer what we looked at was that there was a lot of paper
24 that came in on the revised filing that was made necessary

1 by the bandwidth policy, and yet it all came down to
2 "well, the NYMEX prices have changed, and we are concerned
3 that we need to make this adjustment outside the
4 20 percent." And, that was about it. So, there was a --
5 And, a lot of people came up to the hearing and so on.
6 So, at some point you question the need for a hearing.

7 On the other hand, there could be times
8 when the increase is so startling or the potential causes
9 of the increase could be so, could be such that the
10 Commission would want to definitely have a hearing to
11 fully -- to more fully understand the situation and the
12 impacts on customers.

13 And, finally, on the question of
14 Mr. Wyatt's recommendation regarding the intra and
15 interperiod changes, Staff has offered that as a way to
16 help promote communication between the Staff and the
17 Company regarding the expectations for gas supply dispatch
18 decision-making, and in order to avoid misunderstandings
19 in the future.

20 CHAIRMAN GETZ: Thank you. Mr.
21 Camerino.

22 MR. CAMERINO: Thank you. The Company
23 requests that the Commission approve the cost of gas
24 filing in this case, including the rates that were set

1 forth in the October 17th update. I would call to the
2 Commission's attention that this is the first filing where
3 the short-term debt limits would be adjusted as well,
4 pursuant to the Settlement Agreement in DG 06-122, and
5 that will now be an annual event as part of the winter
6 cost of gas filing.

7 With regard to the Staff's proposals, on
8 the change to the mechanism relating to the 20 percent
9 bandwidth, the Company supports that proposal, which we
10 see as what I'd call "evolutionary", not "revolutionary".
11 The Commission may recall, at one time there was a
12 10 percent bandwidth, and there were no monthly
13 adjustments. Then, we went to monthly adjustments and the
14 20 percent bandwidth. And, I think all we're seeing, as
15 this further evolves, is that gas has become increasingly
16 volatile, and in terms of how this Commission interacts
17 with the Company on cost of gas adjustments and overall
18 policy directives to have rates reflect current costs. I
19 think these are just tweaks to a process to reflect those
20 changes in the marketplace and some changes in policy.

21 We are sympathetic to the Consumer
22 Advocate's concern about having adequate time to review
23 this, and we'll defer to the Commission on that. We
24 would, frankly, for some reasons that the Commission is

1 probably well aware of, not be anxious to have a generic
2 docket. But, if the Commission felt it was necessary to
3 leave this issue open a little longer for further comment
4 or something, that's, obviously, at the Commission's
5 discretion.

6 Finally, on what I'll call the "dispatch
7 issue" that the Staff has identified and the intracompany
8 versus -- the intraperiod versus interperiod optimization
9 of costs, the Company has no problem with the Staff's
10 proposal. We do believe that this is an issue that is
11 properly addressed in the Commission's order. It isn't
12 just a matter of Staff testimony, but that the
13 Commission's order should indicate support for what the
14 Staff is proposing. And, the reason for that is that the
15 Company has been following what it believes to be a least
16 cost policy. And, the difference here is whether "least
17 cost" should mean "least cost within a period" or "on an
18 overall basis". And, the Company would not want to be in
19 a situation down the road where it was optimizing on an
20 intraperiod basis, and somebody came in and said "but
21 there was this opportunity, and, on an overall basis,
22 longer term, you could have saved money."

23 So, while we have no problem with
24 Staff's proposal, we think it's important, from a prudence

1 review standpoint, that the Commission make clear that
2 that is what it is directing the Company to do. We think
3 reasonable minds could differ. We don't have a problem
4 with the Staff's proposal, but we would like some
5 direction on that. Thank you.

6 CHAIRMAN GETZ: Okay. Then, we will
7 close this hearing and take the matter under advisement.
8 Thank you, everyone.

9 (Whereupon the hearing ended at 12:00
10 p.m.)

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