

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 08-115

In the Matter of:
Northern Utilities, Inc.
Winter 2008/09 Cost of Gas

Direct Testimony

of

Robert J. Wyatt
Utility Analyst III – Gas & Water Division

October 21, 2008

1 necessary, the resulting revised cost of gas (COG) rate, five business days prior to the first
2 day of the subsequent month. Without further Commission action, the COG rates can be
3 adjusted upward or downward within a +/- 20 percent bandwidth of the approved COG
4 rate. The goals of the monthly adjustments are to minimize over/under collections and
5 minimize associated carrying costs from one period to the next. In addition, monthly
6 adjustments better match gas costs with gas cost revenues in the period, more accurately
7 reflect market prices in order to send proper price signals which allow customers to react
8 accordingly by possibly reducing consumption or pricing alternative energy sources, and
9 reduce inter-generational subsidies as customers either migrate to transportation service or
10 leave the system and new customers come on the system. See *Northern Utilities, Inc.*,
11 Order No. 22,917 (April 30, 1998).

12 **Q. Is the monthly adjustment working as intended?**

13 **A.** Yes, it has served as a useful tool in minimizing seasonal over and under recoveries, but it
14 could be modified to be even more effective.

15 **Q. What limits the effectiveness of the mechanism?**

16 **A.** The mechanism limits changes to within 20% of the approved COG rate without further
17 Commission action. During the 2008 summer period fluctuations in actual and projected
18 natural gas costs resulted in a projected over collection that required a rate increase of
19 nearly 20% to eliminate. During that same period, EnergyNorth Natural Gas, Inc., d/b/a
20 National Grid NH (EnergyNorth) projected an under collection that required a rate increase
21 above 20% of the approved COG rate to eliminate, necessitating a revised COG filing.
22 After the Commission noticed the filing, held a hearing and issued an order approving
23 EnergyNorth's revised COG, natural gas prices plummeted to the point where

1 EnergyNorth needed to decrease rates below the minimum allowed to eliminate the
2 projected over collection. Because of the limited time remaining in the summer season,
3 EnergyNorth lowered the rate to the maximum allowed without further Commission
4 action, but was unable to reduce rates to the full extent necessary to eliminate the projected
5 over collection.

6 Last summer demonstrates the volatility of the natural gas markets and the need for
7 a more flexible and efficient policy to accomplish the goals that gave rise to monthly
8 adjustments.

9 **Q. How should the monthly adjustment mechanism be modified?**

10 **A.** The existing mechanism should continue to allow monthly adjustments within 20% of the
11 approved rate without further Commission action, but also allow for monthly adjustments
12 beyond 20% with Commission approval through either a secretarial letter or Commission
13 order.

14 **Q. Please explain the mechanics of the proposed modification.**

15 **A.** Northern would file its required monthly report due five business days before the effective
16 date of the proposed adjustment and, if beyond 20%, would request Commission approval.

17 The request would be docketed and Staff and the parties would have the opportunity to
18 file comments and recommendations with the Commission. The Commission could then
19 rule on the request or require a hearing. It would no longer be necessary to file a
20 completely revised cost of gas filing. Instead, the Company would file a letter similar to
21 the regular monthly letters it has been filing with summary information supporting the
22 proposed change in the COG rate. However, if the proposed adjusted COG rate was
23 outside the 20% bandwidth, the Company would not be authorized to implement

1 the rate until it receives an authorizing letter from the Commission. The Commission will
2 decide if a hearing is needed. Once outside the bandwidth, the Company could further
3 change the rate to move closer to the originally approved COG rate for that period, but not
4 further away, without any additional Commission action.

5 **Q. What are the advantages of the proposed modification?**

6 **A.** The modification ensures limited changes in rates without further action by the
7 Commission but allows for more substantive changes on a timely basis when merited
8 without necessarily requiring a full blown proceeding and hearing. In cases where a
9 revised COG filing can be avoided, it would reduce administrative costs while increasing
10 administrative efficiency and ease.

11 In addition, the proposed modification would require Commission action for any
12 monthly increase beyond 20% of the approved rate. For example, if Northern were to
13 increase the rate 22% and in the following month requested an increase to 24%, the change
14 would require Commission approval. Under the current policy, if Northern filed a revised
15 COG to increase the rate 22% and the Commission approved the increase, Northern would
16 then be free to increase the following month's rate up to 40% beyond the initial rate
17 without any further Commission action.

18 **Q. What happens if the Commission does not act on a requested increase?**

19 **A.** The Company would only be able to increase the rate to the maximum allowed, within
20 20% of the approved rate. If the requested change was substantial enough and/or the
21 Commission desired more information, it could elect to open a hearing and notice the
22 public.

23 **Q. Is there an increased risk a utility could 'game' the system as a result of the**

1 **recommended change?**

2 **A.** There is no increased risk. The COG is fully reconcilable and actual costs and revenues
3 reviewed in a formal proceeding.

4 **Q.** **Has the Commission modified the monthly adjustment mechanism in the past?**

5 **A.** Yes, in 2000 the Commission approved an increase the bandwidth from 10 to 20 percent in
6 response to increasing volatility in the energy markets. See *Northern Utilities, Inc.*, Order
7 No. 23,581 (October 31, 2000).

8 **Q.** **What is the Staff's position regarding the rates proposed in the Company's cost of
9 gas filing?**

10 **A.** Staff has completed its review of the original cost of gas forecast for the upcoming winter
11 period and recommended certain changes to be reflected in the revised filing. The revised
12 filing just came in and Staff is in the process of reviewing the revised COG and is not
13 prepared to make a recommendation on the COG rates at this time, although Staff can
14 comment on sections of the filing that should not have changed.

15 The demand forecast is consistent with those filed by the Company for previous
16 winter periods and approved by the Commission. Staff has reviewed and audited the 2007-
17 08 cost of gas reconciliation and found the costs to be reasonable and accurately reported.
18 The Audit Staff has not completed its review of the previous year's environmental
19 remediation costs (ERC) and recoveries. Staff recommends the Commission approve the
20 proposed ERC surcharge at this time, subject to change if the audit requires such action.
21 Staff has also reviewed the proposed non-gas tariff and rate changes in the filing and
22 recommends approval of those rates. Costs, both gas and non-gas, used to develop the
23 rates in this filing will be fully reconciled with proper adjustments being made as needed.

1 Q. Does this conclude your testimony?

2 A. Yes, it does.

Robert J. Wyatt

Educational Background

Mr. Wyatt graduated from the New Hampshire Technical Institute in 1985 with an Associate in Engineering degree majoring in Electronic Engineering Technology. He completed his Bachelor of Science degree requirements in 1990 at New Hampshire College, now known as Southern New Hampshire University. His major was Technical Management. Mr. Wyatt has also completed an MBA graduate course in Information Sources and Research Methods.

Throughout his professional career, Mr. Wyatt has taken various professional development and computer software courses. In 2002 he completed professional development workshops for *Natural Gas Procurement and Hedging* and *The Basics, An Introductory Course on Rate Design* offered by the Center for Public Utilities at New Mexico State University. In 2004 Mr. Wyatt attended a two-day conference/workshop titled the *North American Natural Gas Supply Outlook* put together by EUCI (Electric Utility Consultants Inc.) in Denver. During the past ten years Mr. Wyatt has also attended several *The LDC Forum*, two-day conferences in Boston focusing on issues related to gas buyers and sellers.

Professional Experience

In 1985, Mr. Wyatt accepted a supervisory position in the Customer Relations Department of EnergyNorth, Inc., holding company for EnergyNorth Natural Gas, Inc., a gas utility based in NH. During that time Mr. Wyatt was recognized for developing a tracking system that flagged large volume meter malfunctions before they became major revenue and customer relations problems. He was also involved with a conversion to a new customer information system. He became familiar with many aspects related to customer relations.

In 1988, Mr. Wyatt accepted a promotion into the Gas Supply Department of EnergyNorth, Inc. as the Gas Dispatch Supervisor. In this position Mr. Wyatt was responsible for the daily dispatch of all gas supply needed to meet customer demand. He also was responsible for maintaining gas supply inventories at all pipeline storage and peaking facilities. He supervised the gas supply function at the company owned production plants.

In 1989, Mr. Wyatt was promoted to Gas Supply Analyst and in 1994, to Senior Gas Supply Analyst at EnergyNorth, Inc. In these analyst positions, Mr. Wyatt was responsible for the development and maintenance of various daily, seasonal and longer term load forecasting and supply planning models. He also contributed to gas supply related regulatory reporting to the Federal Energy Regulatory Commission, the Department of Energy/Energy Information Agency, and the NH Public Utilities Commission. He was involved in short and long term supply planning, least cost supply planning/analysis and contract administration. He administered the wholesale gas interruptible sales and unbundled transportation programs. During this time Mr. Wyatt was also a member of the Northeast Gas Association and participated in many of their management development workshops.

In 2000, after KeySpan acquired EnergyNorth, Mr. Wyatt had to make a choice to either accept a position as a Gas Supply Analyst with newly formed KeySpan Energy Delivery New England, working in Boston, or accept a position as Industrial Buyer for Hitchiner Manufacturing Company, Inc., in Milford, NH. He chose to accept the position with Hitchiner and in 2001 was promoted to Purchasing and Energy Analyst. Mr. Wyatt was responsible for the procurement of all raw materials used in this high volume investment casting foundry. He also contracted for all natural gas used at this facility and developed a comprehensive energy plan for the company, parts of which were incorporated into the company's strategic plan. Hitchiner was one of the largest single energy users in NH. He was a member of the company's energy conservation committee and also reported to senior management on current electric and/or natural gas related issues. Mr. Wyatt represented the company at monthly NH Business and Industry Association's Energy and Regulatory Affairs committee meetings.

In 2002, Mr. Wyatt accepted a position as Utility Analyst III in the Gas & Water Division of the New Hampshire Public Utilities Commission. His primary duties at the NHPUC have been to review all cost of gas filings and to present Staff findings to the Commission at COG hearings. Mr. Wyatt has also been involved in steam utility cost of energy dockets and operations investigations. In 2006 Mr. Wyatt was lead analyst in an investigation of thermal billing practices of one regulated gas utility in New Hampshire and discovered a change in billing methodology and over-billing, resulting in a large refund back to ratepayers. He is also involved with many other gas and steam utility issues that are related to or require public utility regulation.

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