

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

**EnergyNorth Natural Gas, Inc.
d/b/a National Grid NH**

**Summer 2010 Cost of Gas
DG 10-_____**

Prefiled Testimony of Ann E. Leary

April 5, 2010

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1 **Q. Ms. Leary, please state your full name and business address.**

2 A. My name is Ann E. Leary. My business address is 40 Sylvan Road, Waltham,
3 Massachusetts 02451.

4

5 **Q. Please state your position with National Grid NH (“National Grid” or the**
6 **“Company”).**

7 A. I am the Manager of Pricing-New England for the regulated gas companies including
8 EnergyNorth Natural Gas, Inc. d/b/a National Grid NH.

9

10 **Q. How long have you been employed by National Grid or its affiliates and in what**
11 **capacities?**

12 A. In 1985, I joined the Essex County Gas Company as Staff Engineer. In 1987, I became a
13 planning analyst and later became the Manager of Rates. Following the acquisition of
14 Essex County Gas Company by Eastern Enterprises in 1998, I became Manager of Rates
15 for Boston Gas Company and then subsequently for KeySpan Energy Delivery New
16 England after Eastern was acquired by KeySpan Corporation. Since the acquisition of
17 EnergyNorth Natural Gas, Inc. by KeySpan Corporation, I have been responsible for
18 rates related matters for National Grid NH as well. My responsibilities remained the same
19 following the acquisition of KeySpan by National Grid.

20

1 **Q. What do your responsibilities as Manager of Pricing-New England include?**

2 **A.** As the Manager of Pricing-New England, I am responsible for preparing and submitting
3 various regulatory filings with both the New Hampshire Public Utilities Commission and
4 the Massachusetts Department of Public Utilities on behalf of the Company's New
5 England local distribution companies, including Boston Gas Company, Essex Gas
6 Company, Colonial Gas Company, and National Grid NH. This includes Cost of Gas
7 ("COG") filings, Local Distribution Adjustment Charge ("LDAC") filings and
8 reconciliations, energy conservation, performance-based revenue calculations, lost-base
9 revenues, and exogenous cost filings.

10

11 **Q. Please summarize your educational background.**

12 **A.** I received a Bachelor of Science in Mechanical Engineering from Cornell University in
13 1983.

14

15 **Q. Have you previously testified in regulatory proceedings?**

16 **A.** I have testified in a number of regulatory proceedings before Commission and the
17 Massachusetts Public Utilities on a variety of rate matters that include cost allocation
18 studies, rate design, cost of gas adjustment clause proposals, and exogenous cost filings.

19 .

20 **Q. What is the purpose of your testimony?**

21 **A.** The purpose of my testimony is to explain the Company's proposed firm sales cost of gas
22 rates for the 2010 Summer (Off Peak) Period to be effective beginning May 1, 2010.

1 **COST OF GAS FACTOR**

2 **Q. What are the proposed 2010 summer firm sales cost of gas rates?**

3 A. The Company proposes a firm sales cost of gas rate of \$0.7209 per therm for residential
4 customers, \$0.7202 per therm for commercial/industrial low winter use customers and
5 \$0.7212 per therm for commercial/industrial high winter use customers as shown on
6 Proposed Tenth Revised Page 87.

7
8 **Q. Would you please explain tariff page Proposed Second Revised Page 86 and**
9 **Proposed Tenth Revised Page 87?**

10 A. Proposed Second Revised Page 86 and Proposed Tenth Revised Page 87 contain the
11 calculation of the 2010 Summer Period Cost of Gas Rate and summarize the Company's
12 forecast of firm gas sales, firm gas sendout and gas costs. For example, Proposed Tenth
13 Revised Page 87 shows that the 2010 Average Cost of Gas of \$0.7209 per therm is
14 derived by adding the Direct Cost of Gas Rate of \$0.7051 per therm to the Indirect Cost
15 of Gas Rate of \$0.0158 per therm. The estimated total Anticipated Direct Cost of gas is
16 \$15,109,075 and the estimated Indirect Cost of Gas is \$337,747. The Direct Cost of Gas
17 Rate and the Indirect Cost of Gas Rates are determined by dividing each of these total
18 cost figures by the projected firm sales volumes of 21,428,146 therms. Proposed Tenth
19 Revised Page 87 further shows that the Residential Cost of Gas Rate, \$0.7209 per therm,
20 is equal to the Average Cost of Gas for all firm sales customers. It also shows the
21 calculation of the Commercial/Industrial Low Winter Use Cost of Gas Rate, \$0.7202 per

1 therm, and the Commercial/Industrial High Winter Use Cost of Gas Rate, \$0.7212 per
2 therm.

3
4 The calculation of the Anticipated Direct Cost of Gas is shown on Proposed Second
5 Revised Page 86. To derive the total Anticipated Direct Cost of Gas of \$15,109,075 the
6 Company starts with the Unadjusted Anticipated Cost of Gas of \$15,061,143 and adds
7 the Net Adjustment totaling \$47,932.

8 $\$15,061,143 + \$47,932 = \$15,109,075.$

9

10 **Q. What are the components of the Unadjusted Anticipated Cost of Gas?**

11 A. The Unadjusted Anticipated Cost of Gas consists of the following:

12	1. Purchased Gas Demand Costs	\$3,253,976
13	2. Purchased Gas Supply Costs	10,860,930
14	3. Produced Gas Cost	71,646
15	4. Hedged Contract Costs	<u>874,590</u>
16	Total Unadjusted Anticipated Cost of Gas	\$15,061,143

17

18 **Q. What are the components of the allowable adjustments to the cost of gas?**

19 A. The adjustments to gas costs, listed on Proposed Second Revised Page 86 are as follows:

1	1.	Prior Period (Over)/Under Collection	\$38,753
2	2.	Interest	9,179
3	3.	Prior Period Adjustment	<u>0</u>
4		Total Adjustments	\$47,932

5

6 **Q. Please briefly discuss the status of prices in the gas commodity market that provides**
7 **the basis for your initial cost of gas rate for the Summer Period.**

8 A. As of March 31 2010, the six-month NYMEX futures price strip for the 2010 summer is
9 \$0.4381 per therm. The NYMEX strip for this summer reflects current and projected
10 market conditions in the gas industry nationally. The current COG reflects an increase
11 from 2009 primarily resulting from the increase in NYMEX pricing.

12

13 **Q. How does the proposed average cost of gas rate in this filing compare to the initial**
14 **cost of gas rate approved by the Commission for the 2009 Summer Period?**

15 A. The cost of gas rate proposed in this filing is \$0.0487 per therm higher than the initial
16 rate approved by the Commission for the 2009 Summer Period (\$0.7209 vs. \$0.6722).
17 This \$0.0487 per therm increase is the result of a \$0.0824 per therm increase in prior
18 period reconciliation adjustments and associated interest, a \$0.0404 per therm decrease in
19 gas costs, and a \$.0067 per therm increase in indirect gas costs. The 2010 Off Peak
20 COG prior period reconciliation balance is approximately \$1.9 million higher than the
21 prior period reconciliation balance reflected in the 2009 Off Peak COG factor.

22

1 **Q. What was the actual weighted average firm sales cost of gas rate for the 2009 Summer**
2 **Period?**

3 A. The weighted average cost of gas rate for the 2009 Summer Period was approximately
4 \$0.6106 per therm. This was determined by applying the actual monthly cost of gas rates for
5 May 2009 through October 2009 to the monthly therm usage of a typical residential heating
6 customer using 1,250 therms per year, or 318 therms for the six summer period months, for
7 heat, hot water and cooking.

8

9

PRIOR PERIOD UNDER COLLECTION

10 **Q. Please explain the prior period under collection of 38,753.**

11 A. The prior period under collection is detailed in the 2009 Summer Period Reconciliation
12 Analysis included in Tab 14 of this filing. Over the 2009 Summer Period, allowable gas
13 costs of \$13,820,952 plus the prior Summer Period over collection of \$(1,704,061) was more
14 than the Gas Cost Revenue of \$12,078,138 by \$38,753. The net result is an ending under
15 collection balance of \$38,753 as of November 1, 2009 as shown on the 2009 Summer Period
16 Reconciliation Analysis. Comparing the actual revenues billed and the gas costs incurred to
17 those that the Company projected in its initial 2009 Summer Period Cost of Gas filing, the
18 under recovery of \$38,753 is the net result of the following: (i) a \$9,647 decrease to interest;
19 (ii) a 126,895 increase in prior period adjustment, (iii) a \$14,901 decrease in overheads, (iv)
20 a \$31,121 disallowance in occupant billings resulting from the settlement agreement
21 approved in DG 07-129, (v) a \$3,170,794 decrease in actual gas costs compared to

1 projections; and (vi) a \$3,138,320 reduction in gas cost revenue billed compared to
2 projections.

3
4 **CUSTOMER BILL IMPACTS**

5 **Q. What is the estimated impact of the proposed firm sales cost of gas rate on an**
6 **average heating customer's seasonal bill as compared to the rates in effect last year?**

7 A. The bill impact analysis is presented in Tab 8, Schedule 8 of this filing. The total bill
8 impact for a typical residential heating customer is an increase of approximately \$40, or
9 11.5% as compared to the average COG and LDAC for 2009 summer season. The total
10 bill impact for a typical commercial/industrial G-41 customer is an increase of
11 approximately \$65, or 9.4% of as compared to the average COG and LDAC for 2009
12 summer season. Schedule 8 of this filing provides more detail of the impact of the
13 proposed rate adjustments on heating customers. Please note there is small base rate bill
14 increase for Residential heating customers (\$1) and Commercial customers G-41 (\$2)
15 resulting from the August 2009 implementation of the base rates approved in DG 09-095.

16
17 **OTHER ISSUES**

18 **Q. In this filing, has the Company included actual historical occupant data as specified**
19 **in Section E.3 of the occupant settlement approved in DG 07-129?**

20 A. Yes, in Tab 15, the Company has provided historical occupant data for the period
21 November 2008 through October 2009 which details the number of open and closed
22 occupant accounts along with detailed monthly arrearage information.

1

2 **Q. Have any of the proposed changes to the Company's Natural Gas Price Risk**
3 **Management Plan as described in Mr. McCauley's testimony been incorporated in**
4 **the Company's proposed 2010 Off Peak COG factor?.**

5 A. No, the Company has not included any of these changes to the Company's Natural Gas
6 Price Risk Management Plan in its 2010 Off Peak COG filing. The changes discussed in
7 Mr. McCauley's testimony are proposed to be applied effective with for the 2010-11
8 peak period.

9

10 **LOCAL DISTRIBUTION ADJUSTMENT CHARGE**

11 **Q. Is the Company proposing any changes to the Local Distribution Adjustment**
12 **Charge in this filing?**

13 A. The Company is not proposing any changes to the LDAC in this filing. The LDAC is
14 typically adjusted as part of the winter period cost of gas proceeding.

15

16 **Q. Does this conclude your testimony?**

17 A. Yes, it does.