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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

October 14, 2010 - 1:34 p.m.
Concord, New Hampshire

NHPUC OCT22'10 PM 1:23

RE: DG 10-249
NEW HAMPSHIRE GAS CORPORATION:
Winter 2010-2011 Cost of Gas Adjustment.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. New Hampshire Gas Corporation:
Meabh Purcell, Esq. (Dewey & LeBoeuf)

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Stephen P. Frink, Asst. Dir./Gas & Water Div.
Robert J. Wyatt, Gas & Water Division

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

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I N D E X

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 DAVID GRANDE
 MICHAEL D. EASTMAN

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P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good afternoon, everyone. We'll open the hearing in Docket DG 10-249. On September 15, 2010, New Hampshire Gas Corporation filed revisions to its tariff for cost of gas rates for the winter period November 1, 2010 through April 30, 2011. The proposed rate is \$1.5025 per therm, a 1.25 cents per therm increase from last winter. The Company also proposed a \$1.5225 per therm rate for its Fixed Price Option Program. We issued an order of notice on September 20th setting the hearing for today.

Can we take appearances please.

MS. PURCELL: Good afternoon, Commissioners. Meabh Purcell, from Dewey & LeBoeuf, in Boston, representing New Hampshire Gas Corporation.

CHAIRMAN GETZ: Good morning -- or, good afternoon.

MR. SPEIDEL: Yes. Good afternoon, Commissioners. Alex Speidel, for the Staff of the Commission. And, I have with me Bob Wyatt, and Steve Frink has just stepped out for a moment, I believe.

CHAIRMAN GETZ: Okay.

MR. SPEIDEL: Thank you.

CHAIRMAN GETZ: Thank you. Note for the

{DG 10-249} {10-14-10}

[WITNESS PANEL: Boucher~Grande~Eastman]

1 record we have the affidavit of publication. So, are you
2 ready to proceed, Ms. Purcell?

3 MS. PURCELL: Yes, I am. Thank you. I
4 have the original affidavit, though, actually. I just
5 gave you some copies. I'd like to ask the panel, the
6 three of them are going to take the stand as a panel.
7 I'll introduce them.

8 (Whereupon *Jennifer Boucher*,
9 *David Grande*, and *Michael D. Eastman*
10 were duly sworn and cautioned by the
11 Court Reporter.)

12 MS. PURCELL: Thank you.

13 **JENNIFER BOUCHER, SWORN**

14 **DAVID GRANDE, SWORN**

15 **MICHAEL D. EASTMAN, SWORN**

16 **DIRECT EXAMINATION**

17 BY MS. PURCELL:

18 Q. Ms. Boucher, could you please state your full name and
19 your position and your business address for the record.

20 A. (Boucher) My name is Jennifer Boucher. I am the
21 Manager of Regulatory Economics for the Berkshire Gas
22 Company. And, my address is 115 Cheshire Road,
23 Pittsfield, Massachusetts.

24 Q. And, did Berkshire Gas Company provide -- what kind of

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[WITNESS PANEL: Boucher~Grande~Eastman]

1 services did Berkshire Gas provide to New Hampshire Gas
2 to date?

3 A. (Boucher) The Berkshire Gas Company provides affiliate
4 services to New Hampshire Gas Corporation. And, that
5 will continue through the end of this month, and it
6 will be transitioned as of November 1st.

7 Q. Thank you. And, Mr. Grande, could you please state
8 your full name and your business address and your
9 position for the record.

10 A. (Grande) My name is David Grande. I work for the
11 Berkshire Gas Company. My position is Manager of
12 Operations. And, my business address is 115 Cheshire
13 Road, Pittsfield, Massachusetts.

14 Q. Thank you. And, Mr. Eastman, please state your full
15 name and your title and your business address.

16 A. (Eastman) Yes. My name is Michael D. Eastman. I'm the
17 Vice President of Gas Operations for New York State
18 Electric & Gas and Rochester Gas & Electric. My
19 business address is 89 East Avenue, Rochester, New
20 York.

21 Q. Thank you. And, can you explain, after November 1st,
22 whether, you know, with the services that you will be
23 providing for New Hampshire Gas Corporation?

24 A. (Eastman) Yes. Commencing November 1st, New York State

{DG 10-249} {10-14-10}

[WITNESS PANEL: Boucher~Grande~Eastman]

1 Electric & Gas will begin daily oversight of the field
2 operations for New Hampshire Gas. And, we will provide
3 affiliate services for all aspects of the business,
4 from day-to-day operations to supply to customer
5 service, billing, gas control. And, these services are
6 similar to, you know, when we first purchased the Keene
7 Gas Company, New Hampshire Gas, in 1998. We're
8 basically transitioning back to provide those same
9 services.

10 Q. Thank you. Ms. Boucher, I'm going to mark -- premark
11 some exhibits all at the same time. And, Ms. Boucher,
12 did you submit the proposed CGA rate on behalf of New
13 Hampshire Gas for the period November 1, 2010 to
14 April 30th, 2011?

15 A. (Boucher) Yes, I did.

16 Q. Would you please confirm that this is a copy of that
17 filing?

18 A. (Boucher) That's a copy of the original filing in
19 September.

20 MS. PURCELL: Thank you. I'd like to
21 mark the original filing as "New Hampshire Gas Exhibit 1".

22 CHAIRMAN GETZ: And, that's under cover
23 letter of September 14?

24 MS. PURCELL: That's correct.

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[WITNESS PANEL: Boucher~Grande~Eastman]

1 CHAIRMAN GETZ: It's so marked.

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

5 MR. SPEIDEL: If I may interject,
6 Commissioners. Shall we swear the witnesses at this point
7 or later?

8 MS. PURCELL: They have been sworn.

9 MR. SPEIDEL: Oh, they have been sworn.
10 I'm sorry. Thank you.

11 BY MS. PURCELL:

12 Q. I'd also like to mark as "New Hampshire Gas Exhibit 2",
13 I'm going to show you a copy of tariff revised -- 8th
14 Revised Page 19 that was submitted under cover letter
15 -- of the same cover letter of September 14th, and ask
16 that you identify this document.

17 A. (Boucher) Yes. These are the new delivery rate tariffs
18 that were submitted on September 14th.

19 Q. Okay. And, as "New Hampshire Gas Exhibit Number 3",
20 I'm going to show you a cover letter dated
21 September 30th, and ask you to identify this for the
22 record.

23 A. (Boucher) This is the September 30th letter where the
24 Company is requesting to suspend its FPO Program for

{DG 10-249} {10-14-10}

1 the upcoming winter.

2 Q. Thank you. And, finally, showing you a cover letter
3 dated October 12th, and ask you to identify that.

4 A. (Boucher) This is the revised cost of gas filing that
5 was submitted earlier this week.

6 MS. PURCELL: Thank you. And, this
7 would be "New Hampshire Gas Exhibit 4".

8 CHAIRMAN GETZ: Okay. Exhibits 1
9 through 4 are marked for identification as described by
10 Ms. Purcell.

11 MS. PURCELL: Thank you.

12 (The documents, as described, were
13 herewith marked as **Exhibits 2, 3, and 4,**
14 respectively, for identification.)

15 BY MS. PURCELL:

16 Q. Ms. Boucher, were these documents, exhibits marked
17 "Exhibits 1" through "4" prepared by you or under your
18 direction and supervision?

19 A. (Boucher) Yes, they were.

20 Q. Thank you. And, just turning to Exhibit Number 3,
21 which is the first Supplemental Testimony filed on
22 September 30th, just briefly explain the reasons for
23 the Company's request to suspend the Fixed Price Option
24 Program this coming winter?

[WITNESS PANEL: Boucher~Grande~Eastman]

1 A. (Boucher) Sure. In late September, the Company learned
2 that a disruption to the Enterprise Pipeline that
3 delivers gas to Selkirk, New York, service would be
4 under embargo for the foreseeable future. And, as a
5 result, there will be increased commodity and trucking
6 costs associated with deliveries this winter. And, the
7 Company wishes to suspend the FPO Program so that these
8 incremental costs are not borne by the Non-FPO
9 customers.

10 Q. Thank you. And, so, therefore, just to -- just to
11 summarize, in Exhibit 4, which we filed on October
12 12th, the proposed CGA rate is now a single CGA rate,
13 instead of a FPO and a Non-FPO rate which was filed in
14 the initial filing, is that correct?

15 A. (Boucher) That's correct.

16 MS. PURCELL: I have nothing further at
17 this time. The panel is available for questions.

18 CHAIRMAN GETZ: Thank you. Mr. Speidel.

19 MR. SPEIDEL: Yes. Thank you.

20 **CROSS-EXAMINATION**

21 BY MR. SPEIDEL:

22 Q. Ms. Boucher, if you don't mind, I'll ask a series of
23 clarifying questions regarding the suspension of the
24 FPO Program. In the petition and your supporting

[WITNESS PANEL: Boucher~Grande~Eastman]

1 testimony, you explain why the Company is requesting
2 that the FPO Program should be suspended for this
3 winter period. First, do the circumstances that cause
4 the Company to make this request, specifically, the
5 shutdown of the 165-mile segment of the Enterprise TE
6 Pipeline to the Selkirk, New York, terminal still exist
7 today?

8 A. (Boucher) Yes. That embargo is still in effect today,
9 and is expected to be in effect through mid December.

10 Q. Thank you. Are there any updates or changes to your
11 initial request to suspend the Fixed Price Option
12 Program for this winter period?

13 A. (Boucher) There are no new changes to that request.

14 Q. Has there been any local press coverage regarding the
15 Selkirk terminal closing and its potential impact on
16 regional propane supplies and prices?

17 A. (Boucher) My understanding is that there was
18 notification in the Keene newspaper, which I believe is
19 the Keene Sentinel, which described the potential
20 propane outage this winter. That's my only
21 understanding of news coverage. The Company did send a
22 letter to each of its customers explaining the issue
23 this winter, explaining its petition to suspend the FPO
24 Program. And, so, customers were specifically notified

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[WITNESS PANEL: Boucher~Grande~Eastman]

1 by the Company of this.

2 Q. Thank you. And, just for clarification, when was the
3 letter notifying customers of the Company's request to
4 suspend the FPO Program mailed?

5 A. (Boucher) They were mailed on, I believe, the 3rd and
6 the 4th of October, the previous Monday and Tuesday of
7 last week.

8 Q. Thank you. What has been the customer response to the
9 letter?

10 A. (Boucher) The Company has only received four calls from
11 customers in response to the letter. None of the
12 customers indicated any discontent with not offering
13 the FPO Program. Their primary concern was that there
14 would be propane available to provide heat for them
15 this winter. And, the Company reassured them that they
16 have plans in place to be sure that that takes place.

17 Q. Thank you. If, in theory, the Commission were to
18 reject the Company's request to suspend the FPO
19 Program, and set the FPO rate at two cents per therm
20 above the proposed revised cost of gas rate, what would
21 be the cost and time necessary to notify and enroll
22 customers prior to November the 1st?

23 A. (Boucher) I think it would be very difficult for the
24 Company to make that happen before November 1st. There

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[WITNESS PANEL: Boucher~Grande~Eastman]

1 would probably be a lead time of about a week to mail
2 the letters, and then we would have to end the
3 subscription into the winter period.

4 Q. Thank you. Compared to prior years, is there a greater
5 risk that an FPO rate set at two cents above the
6 proposed revised cost of gas rate will not reflect the
7 cost to serve FPO participants?

8 A. (Boucher) Yes. That's exactly true. Because of the
9 embargo, there are already lines at the closest point
10 on the pipeline, which is Watkins Glen, New York.
11 There are already waits of 12 hours for trucks to load
12 propane. And, there are also waits for rail cars.
13 And, the detention time, along with the additional
14 length of transportation, are definitely increasing
15 costs to customers.

16 Q. Thank you. This sequence of questions relates to your
17 Second Supplemental Testimony and the revised cost of
18 gas forecast, which were filed on October the 13th of
19 2010. And, I believe that the specific date on the
20 cover letter was "October the 12th". On Page 2, Lines
21 1 through 3 of the testimony, you state that "The
22 updated estimated total cost of the forecasted propane
23 purchases [for the period as] \$1,663,142." How does
24 this figure compare with the same figure from the

{DG 10-249} {10-14-10}

1 original filing?

2 A. (Boucher) The original filing made on September 14th
3 had an anticipated cost of \$1,553,000. So, in several
4 weeks' time, the estimated cost has risen over
5 \$100,000.

6 Q. Thank you. Has the Company seen an increase in the
7 projected Mont Belvieu propane futures prices?

8 A. (Boucher) Yes. Over the last several weeks, that price
9 has risen. And, initially was in the \$1.10 to \$1.15
10 range per gallon for the winter, and that price is
11 climbing closer to \$1.30 per gallon on the futures. In
12 addition, in the local spot market, we're also seeing
13 increased spot prices above and beyond the Mont Belvieu
14 price increases.

15 Q. Thank you. On Page 4, Line 7 through 17, of your
16 Supplemental Testimony, you note that the Company still
17 has access to its hedged pipeline volumes that are
18 locked in at a price of \$1.3613 per gallon. But, due
19 to the pipeline segment shutdown, there will be
20 additional trucking requirements. Approximately what
21 percent of New Hampshire Gas Corp. anticipated winter
22 supply requirements have been pre-purchased?

23 A. (Boucher) Approximately 65 percent of the winter
24 sendout requirement are pre-purchased under this

1 program.

2 Q. Can we see the Company's estimated impact of the
3 additional trucking in Supplemental Schedule C of the
4 revised filing?

5 A. (Boucher) Yes, you can. On Supplemental Schedule C,
6 Lines 4 and Line 6, which are November and December of
7 2010, over to the right-hand side of the page there is
8 a column entitled "Truck to Keene". And, the
9 incremental cost of trucking from Watkins Glen, rather
10 than Selkirk, is displayed here as approximately "23
11 cents" a gallon.

12 Q. Okay. Is that an estimate based on the time that the
13 truckers at the terminal have to wait or are there
14 other factors that feed into that incremental cost
15 increase?

16 A. (Boucher) There are other factors as well. It includes
17 the additional 165 miles or so from Selkirk to Watkins
18 Glen that the trucking company will charge, and it also
19 includes approximately six hours of wait time per truck
20 in that 23 cent per gallon figure.

21 Q. Thank you. Based on the trucking cost estimates in
22 this schedule, does the Company expect that the
23 pipeline will resume normal operations in January 2011?

24 A. (Boucher) The Enterprise TE Pipeline has communicated

1 that it expects its testing to be done in early
2 December, and that the pipeline is expected to be back
3 in service on or around December 13th, 2010. And, that
4 is predicated on the fact that testing comes back
5 normal and they can resume service.

6 Q. This schedule also, that would be Schedule C, this
7 schedule also shows a slight reduction in pipeline fees
8 during the first two months of the winter period. Is
9 this decrease also somehow related to the disruption?

10 A. (Boucher) It is. There is a different rate on the
11 Enterprise Pipeline for delivery to Watkins Glen versus
12 delivery to Selkirk New York, and that is reflected in
13 this supplemental schedule.

14 Q. Thank you. What is the projected bill impact on a
15 typical residential heating customer for this winter
16 period in relation to this disruption?

17 A. (Boucher) I don't have the exact calculation based on
18 the disruption. But the original filing, that did not
19 include any incremental costs, was approximately \$1.50
20 per therm, and the revised cost per therm is
21 approximately \$1.64. So, the impact is about 14 cents
22 a therm. So, I would expect that that would impact a
23 customer a little over \$100 for the heating season.

24 Q. Thank you. This sequence of questions relates to

[WITNESS PANEL: Boucher~Grande~Eastman]

1 operations and reliability of the New Hampshire Gas
2 Corp. system for the winter period. Have there been
3 any changes in the Company's trucking supplier, on-site
4 storage, or off-site storage requirements and
5 arrangements since last winter?

6 A. (Boucher) The only change that has taken place is that,
7 traditionally, New Hampshire Gas has an arrangement
8 with Berkshire Gas to lease storage space at its
9 Greenfield propane facility in order to store the gas
10 to meet the seven-day on-site storage requirement.
11 And, this year, because of the Selkirk outage, New
12 Hampshire Gas is going to lease an additional
13 25,000 gallons of space at Berkshire Gas's Pittsfield
14 facility, in addition to its normal requirements.

15 Q. Thank you. Does the Company's primary source of
16 propane storage continue to be located on-site in
17 Keene, New Hampshire?

18 A. (Boucher) Yes, it does.

19 Q. Has the Company experienced any changes to management
20 or operations personnel at New Hampshire Gas Corp.
21 during the past year?

22 A. (Boucher) There are no changes to personnel or
23 management at New Hampshire Gas Corporation itself.

24 Q. Thank you. Has a closing date been set for the change

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[WITNESS PANEL: Boucher~Grande~Eastman]

1 of ownership related to Berkshire Gas Company's
2 acquisition? And, Mr. Eastman might be willing to jump
3 in on this as well.

4 A. (Boucher) I can start on that, Mike. The acquisition
5 of Berkshire to UIL Holding Company is still scheduled
6 for the first quarter of 2011. However, Berkshire Gas
7 has been working closely with NYSEG and with
8 representatives for RG&E, and the transition from
9 Berkshire to the folks at NYSEG and RG&E will take
10 place on November 1st.

11 Q. How will this impact New Hampshire Gas Corporation?
12 Does the Company anticipate any changes in personnel
13 and/or operations?

14 A. (Eastman) This should have no impact. The staff that's
15 currently there continue to remain, and, though, we
16 will, NYSEG and RG&E, we will provide supply services,
17 purchasing the propane, delivery services. We provide
18 the 24-hour gas control or monitoring of the critical
19 system factors. We provide the gas operations and
20 technical services expertise. We also have the ability
21 to send, you know, up to 300 gas field workers in an
22 emergency to take care of anything that may occur. So,
23 we suspect there will be no change. And, you know,
24 it's in our interest to continue to provide a safe and

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[WITNESS PANEL: Boucher~Grande~Eastman]

1 reliable service to the customers of Keene, New
2 Hampshire, as we have been doing for the past 12 years.

3 Q. Thank you. Do you expect that there will be any impact
4 on operating costs in relation to the acquisition?

5 A. (Eastman) No. There should be no change in operating
6 costs.

7 Q. Thank you. This might be somewhat reiterative, but
8 will New Hampshire Gas Corp. still have an option to
9 lease off-site supplemental propane storage from the
10 Berkshire Gas facility in Greenfield, Massachusetts?

11 A. (Boucher) The current arrangement that's being put into
12 place for this winter will be valid through April 30th,
13 2011. And, after that point, I can't speak to whether
14 that availability will continue.

15 Q. Thank you. Does New Hampshire Gas Corp. rely on this
16 supplemental storage to meet its seven-day storage
17 requirement with the New Hampshire Public Utilities
18 Commission?

19 A. (Boucher) Currently, the propane storage is an
20 important part of meeting that requirement with the
21 PUC. But there are other options for the Company.
22 And, I'm sure that those will be investigated over the
23 course of the next year.

24 Q. Have there been any contingency plans made at present?

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[WITNESS PANEL: Boucher~Grande~Eastman]

1 A. (Boucher) I'm not aware of any other plans that have
2 been made at this point.

3 Q. Thank you. Have the management services
4 responsibilities performed by Berkshire Gas been
5 transitioned to NYSEG to any degree?

6 A. (Grande) Yes, they have. I've been working with Mike
7 Eastman and his team from NYSEG and RG&E over the last
8 six to eight weeks to successfully transfer the
9 management of New Hampshire Gas from Berkshire over to
10 NYSEG.

11 Q. Thank you. And, will NYSEG be providing similar
12 management and operations expertise as Berkshire Gas to
13 New Hampshire Gas Corporation?

14 A. (Eastman) Yes, we will.

15 MR. SPEIDEL: Thank you. No further
16 questions. Thank you, Commissioners.

17 CHAIRMAN GETZ: Thank you.

18 (Chairman and Commissioners conferring.)

19 CHAIRMAN GETZ: Commissioner Ignatius.

20 CMSR. IGNATIUS: Very mysterious, isn't
21 it?

22 MS. PURCELL: Getting worried.

23 CMSR. IGNATIUS: We were trying to sort
24 out and reconstruct where things stand in this

{DG 10-249} {10-14-10}

1 reorganization phase. And, our recollections aren't as
2 perfect as one would hope.

3 BY CMSR. IGNATIUS:

4 Q. So, maybe if any of the three of you want to describe,
5 or Ms. Purcell to describe, the relationship between
6 New Hampshire Gas, Berkshire Gas, and NYSEG, and
7 whether any of the organizational changes happening
8 November 1st are new transactions separate from things
9 that have already been in place for a number of years
10 and are finally being completed, or are they new
11 transfers taking place? I'm asking a lot in one
12 question, because I'm not sure, I don't want to put
13 words in your mouth, maybe it's easier just to hand it
14 to someone to give us, you know, a couple sentence
15 overview of the transactions that are taking place.

16 MS. PURCELL: Yes. I guess, are you
17 just asking for like a little summary of the proposed
18 transaction between UIL and Berkshire and -- or a
19 description of New Hampshire Gas, as it currently is, and
20 how --

21 CMSR. IGNATIUS: Maybe start with New
22 Hampshire Gas as it currently is structured, and is there
23 a ownership relationship between New Hampshire Gas and
24 Berkshire Gas, and an ownership relationship between

1 Berkshire Gas and -- excuse me, New Hampshire Gas and
2 NYSEG and the other, UIL, is what you said.

3 **BY THE WITNESS:**

4 A. (Grande) Yes. I can answer that. As it exists right
5 now, Berkshire Gas provides support services to New
6 Hampshire Gas, and we've been doing that since 2003.
7 So, we provide management services, for example,
8 operational/technical services, HR services, accounting
9 services, and gas supply. Prior to 2003, NYSEG, under
10 the direction of Mark Cole, provided those services,
11 same services that Berkshire provides today. Starting
12 November 1st of 2010, the same management services that
13 Berkshire presently provides to New Hampshire Gas will
14 now be going back to NYSEG. Berkshire Gas is one of
15 the companies that's being acquired from UI, and no
16 longer will be under the Iberdrola umbrella.
17 Hopefully, that clarifies your answer -- or, your
18 question.

19 A. (Boucher) I can further add to that. Just to tell you
20 that the current structure is that Berkshire Gas, New
21 Hampshire Gas Corporation, NYSEG Gas & Electric, and
22 Rochester Gas & Electric, are currently all affiliated
23 companies under the umbrella of Iberdrola USA. Under
24 that umbrella, Berkshire Gas, for the past several

[WITNESS PANEL: Boucher~Grande~Eastman]

1 years, has provided affiliate services to New Hampshire
2 Gas. And, earlier this year, Iberdrola USA announced
3 that Berkshire Gas is being sold to a Connecticut
4 utility. And, that acquisition is likely to take place
5 in early 2011. Prior to Berkshire Gas's involvement
6 with New Hampshire Gas, NYSEG provided affiliate
7 services to New Hampshire Gas. And, those services
8 will be resumed as of November 1st, in anticipation of
9 Berkshire being sold to the Connecticut utility.

10 BY CMSR. IGNATIUS:

11 Q. That's helpful, both of you. Thank you. The status of
12 New Hampshire Gas is -- the legal status of it is
13 unchanged in this transaction?

14 A. (Witness Grande nodding in the affirmative).

15 A. (Witness Eastman nodding in the affirmative).

16 A. (Boucher) Yes.

17 Q. And, will the services being provided by NYSEG be
18 subject to an affiliate agreement or a different
19 contractual arrangement?

20 A. (Eastman) Yes. There will be affiliate service level
21 agreements, as there are today amongst the companies,
22 yes.

23 CMSR. IGNATIUS: Thank you.

24 CHAIRMAN GETZ: I just have one

{DG 10-249} {10-14-10}

1 question. I guess maybe, Ms. Boucher, it's to you.

2 BY CHAIRMAN GETZ:

3 Q. I guess it was the Supplemental Testimony, Exhibit 3,
4 Page 4, and talking about the problem with the
5 Enterprise Pipeline and the embargo at Selkirk, and
6 then resulting in a trucking differential of 20 cents
7 per therm. That, I take it, would be the premium that
8 would be expected until sometime in early December,
9 when the pipeline is anticipated to be -- to have its
10 problems corrected, would be, and maybe you said it,
11 but is it fair to say that, once that happens, then the
12 20 cent trucking differential would be extinguished?
13 Or, is there some chance that that could linger for
14 some time because of contractual issues?

15 A. (Boucher) No. Once the Selkirk pipeline terminal is
16 operational, the trucking charges should diminish to
17 their previous levels, which was filed in the initial
18 filing in September, which was about close to 7 cents a
19 gallon is what that would resume.

20 I would expect, once the Selkirk
21 terminal is in operation, we may still see extended
22 wait times for several weeks. So, there will be a
23 little bit of incremental charges. But, once it's back
24 to full operation, which would likely be in January,

[WITNESS PANEL: Boucher~Grande~Eastman]

1 things would be back to normal as they have been in
2 past winters.

3 CHAIRMAN GETZ: Okay. Thank you.
4 Anything further, Ms. Purcell?

5 MS. PURCELL: Well, I just have one
6 clarifying question.

7 **REDIRECT EXAMINATION**

8 BY MS. PURCELL:

9 Q. The likelihood of it being operational again on
10 December 13th, that's exactly what it is, am I correct?
11 It's a likelihood, based on information that you've
12 currently been provided by the Pipeline. But there is
13 -- there is a potential that it could linger beyond
14 December, is that correct?

15 A. (Boucher) That's correct. The pipeline is currently
16 undergoing hydrostatic testing, this 165-mile portion
17 of pipeline is currently being hydrostatically tested.
18 And, assuming that everything tests well, their
19 indications are that December 13th the Selkirk terminal
20 will reopen. If there were -- if something were found
21 during this testing, it's true that it could linger
22 longer.

23 MS. PURCELL: Okay. Just wanted to
24 clarify. I have nothing further.

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[WITNESS PANEL: Boucher~Grande~Eastman]

1 CHAIRMAN GETZ: Okay. Anything else for
2 the witnesses?

3 MR. SPEIDEL: No, Commissioners. If
4 possible, Staff would like to take some testimony from
5 Mr. Wyatt, if possible?

6 CHAIRMAN GETZ: Certainly. The
7 witnesses are excused.

8 MR. SPEIDEL: And, Mr. Frink as well.
9 Should the court reporter swear the witnesses?

10 (Whereupon **Robert J. Wyatt** and
11 **Stephen P. Frink** were duly sworn and
12 cautioned by the Court Reporter.)

13 **ROBERT J. WYATT, SWORN**

14 **STEPHEN P. FRINK, SWORN**

15 **DIRECT EXAMINATION**

16 BY MR. SPEIDEL:

17 Q. Mr. Wyatt, would you please state your full name and
18 business address.

19 A. (Wyatt) My name is Robert J. Wyatt. My business
20 address is 21 South Fruit Street, Concord, New
21 Hampshire.

22 Q. And, what are your position and responsibilities at the
23 Commission?

24 A. (Wyatt) I am a Utility Analyst for the Public Utilities

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1 Commission.

2 Q. Thank you. Did you submit prefiled testimony in this
3 proceeding?

4 A. (Wyatt) No, I did not.

5 Q. Mr. Frink, what is your name and business address?

6 A. (Frink) Stephen Frink. And, my business address is 21
7 South Fruit Street.

8 Q. What is your position and responsibilities at the
9 Commission?

10 A. (Frink) I'm the Assistant Director of the Gas and Water
11 Division.

12 Q. Did you submit prefiled testimony in this proceeding?

13 A. (Frink) No, I didn't.

14 Q. Mr. Wyatt and Mr. Frink, what is the purpose of your
15 testimony today?

16 A. (Wyatt) It's to explain our review of the Company's
17 filing, and our support for the proposed revised cost
18 of gas rate, suspension of the FPO Program, and our
19 expectations regarding the change in management.

20 Q. Please explain Staff's review of the filing.

21 A. (Wyatt) Staff completed a normal review of the
22 Company's initial filing, issued discovery, reviewed
23 the responses, and followed up with the Company as
24 necessary. Staff also inquired about the Berkshire

1 acquisition, and sought the latest information
2 available about the transition of management from
3 Berkshire to NYSEG and Rochester Gas & Electric from
4 the Company.

5 We also reviewed the Company's
6 contingency plans in response to the pipeline outage
7 and the closing of the Selkirk terminal. And, its
8 potential impact on supplier reliability during the
9 winter period.

10 Q. What is Staff's recommendation regarding the proposed
11 revised cost of gas rate?

12 A. (Wyatt) Staff supports the Company's revised cost of
13 gas filing. We've reviewed the prices and the
14 calculations, and determined that it's reasonable. The
15 filing is consistent with what we've seen in the past.
16 Their forecasting methods are similar to what they have
17 done in the past. The Audit Staff has reviewed the
18 results from last winter's cost of gas filing and found
19 no exceptions. And, the results from this winter will
20 be subject to reconciliation and audit review.

21 Q. Mr. Frink, what is Staff's recommendation regarding the
22 proposed suspension of the Fixed Price Option Program?

23 A. (Frink) Staff supports the -- excuse me, Staff supports
24 the request to suspend the FPO Program for this winter.

[WITNESS PANEL: Boucher~Grande~Eastman]

1 The Company carried out its normal hedging and supply
2 planning. They locked in prices on the volumes to be
3 offered for the Fixed Price Option. The cost to
4 deliver those volumes are now forecasted to be much
5 greater than was reflected in the original filing.

6 The FPO Program calls for the FPO rates
7 to be set at two cents above the proposed cost of gas
8 rate. But the proposed cost of gas rate was based on
9 trucking from Selkirk. Once Selkirk closed, the
10 transportation costs of regional propane prices changed
11 dramatically, resulting in a significant increase of
12 forecasted costs. To have offered the FPO at an
13 artificially low rate could have resulted in a number
14 of problems. First, Non-FPO participants would be
15 subsidizing the FPO participants, as the FPO rate would
16 not be adequate to cover the full trucking costs.
17 Second, if the supply situation became public, demand
18 for the program could have exceeded the available FPO
19 supplies. Third, higher propane prices would only be
20 absorbed by Non-FPO participants, meaning greater
21 monthly rate increases, as the higher costs would be
22 spread over fewer volumes.

23 One option would be to offer an FPO now,
24 at two cents above the proposed revised cost of gas

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1 rate. But, along with the problem of limited time for
2 customer notice and enrollment, another problem of the
3 plan is that there's greater pricing uncertainty due to
4 the Selkirk situation. If Selkirk reopens earlier than
5 expected, there could be a substantial decrease in
6 trucking and propane costs, and FPO customers would not
7 realize those savings. Conversely, Selkirk could be
8 out longer than expected, and Non-FPO customers would
9 wind up paying the higher trucking costs on those FPO
10 volumes.

11 Q. Mr. Wyatt, please explain Staff expectations regarding
12 the change in management.

13 A. (Wyatt) Staff plans to work with the Companies through
14 the transition. We're familiar with NYSEG from when
15 they managed the Company before, and we had a good
16 relationship with them. They were easy to work with,
17 and always forthcoming whenever we had questions. We
18 expect the same from NYSEG this time around and from
19 the folks at RG&E.

20 We do have some concerns related to the
21 loss of Berkshire's or the potential loss of
22 Berkshire's supplemental storage in Greenfield, Mass.
23 That's been very beneficial to the Company in the past,
24 during pipeline curtailments or long waiting lists,

[WITNESS PANEL: Boucher~Grande~Eastman]

1 even at Selkirk, which is not an unusual occurrence
2 during the cold winter months. And, this winter,
3 having the availability of an additional 25,000 gallons
4 from Berkshire, just reinforces our concern of the
5 possibility of losing that option down the road. We
6 will be working with NYSEG and RG&E to try to come up
7 with a solution that will assure supplier reliability
8 for New Hampshire Gas customers going forward.

9 Q. Thank you. Does that conclude your testimony?

10 A. (Wyatt) If I neglected to say earlier, the Audit Staff
11 did, I thought I said it, they did complete their audit
12 from last year's results, and there were no exceptions.

13 A. (Frink) And, yes, that concludes our testimony.

14 MR. SPEIDEL: Thank you. You may be
15 dismissed.

16 CHAIRMAN GETZ: Ms. Purcell, do you have
17 any questions?

18 MS. PURCELL: No thank you.

19 CHAIRMAN GETZ: And, nothing from the
20 Bench, so, you're excused. Thank you, gentlemen. Is
21 there any objection to striking identifications and
22 admitting the exhibits into evidence?

23 (No verbal response)

24 CHAIRMAN GETZ: Hearing no objection,

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1 they will be admitted into evidence. Mr. Speidel,
2 opportunity for closing.

3 MR. SPEIDEL: Yes. Thank you. Staff
4 appreciates the Company's proactive approach in dealing
5 with the Selkirk pipeline disruption, both in ensuring
6 adequate supplies and addressing price risks. Staff
7 concurs with the Company's judgment in suspending the FPO
8 Program given the current supply circumstances. Staff
9 recommends approval of the proposed revised cost of gas
10 rate and looks forward to working with the Company
11 regarding the change in its management.

12 CHAIRMAN GETZ: Thank you. Ms. Purcell.

13 MS. PURCELL: Thank you. New Hampshire
14 Gas Company respectfully requests approval of the proposed
15 CGA rate to be billed to all of its customers for this
16 upcoming winter. The rate was calculated consistent with
17 the methodologies and procedure used in previous years.
18 And, the Company thinks it's reasonable. New Hampshire
19 Gas also requests approval of its petition to suspend the
20 FPO Program for this upcoming winter, in light of the
21 unique and temporary situation at the Selkirk terminal.

22 The Company appreciates Staff's efforts
23 in this winter's CGA proceeding, and particularly
24 appreciates Staff's assistance and cooperation in working

1 through the issue at the Selkirk terminal, which was very
2 cooperative and was appreciated by the Company. And,
3 thank you.

4 CHAIRMAN GETZ: All right. Then, we
5 will close the hearing and take the matter under
6 advisement. Thank you.

7 (Whereupon the hearing ended at 2:18
8 p.m.)

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