

## STATE OF NEW HAMPSHIRE

## PUBLIC UTILITIES COMMISSION

October 17, 2011 - 10:39 a.m.  
Concord, New Hampshire

NHPUC OCT26'11 PM 3:55

RE: **DG 11-192**  
**ENERGYNORTH NATURAL GAS, INC.**  
**d/b/a NATIONAL GRID NH:**  
***Winter 2011-2012 Cost of Gas.***

**PRESENT:** Chairman Thomas B. Getz, Presiding  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

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

**Reptg. the Jordan Institute:**  
D. Dickinson Henry, Jr., Executive Director

**Reptg. Residential Ratepayers:**  
Meredith Hatfield, Esq., Consumer Advocate  
Donna McFarland  
Office of Consumer Advocate

**Reptg. PUC Staff:**  
Alexander Speidel, Esq.  
Stephen Frink, Asst. Dir./Gas & Water Div.  
Robert Wyatt, Gas & Water Division  
James J. Cunningham, Jr., Electric Division

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

ORIGINAL

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**P R O C E E D I N G**

CHAIRMAN GETZ: Okay. Good morning, everyone. We'll open the hearing in Docket DG 11-192. On September 1, 2011, National Grid filed its proposed cost of gas and Fixed Price Option rates for the winter period, November 1, 2011 through April 30, 2012, and its Local Delivery Adjustment Clause charges for the period November 1, 2011 through October 31, 2012. Among other things, the filing states that the proposed residential cost of gas rate is 79.26 cents per therm, a 1.03 cent per therm decrease compared to the residential COG for last winter. And, it also notes that the commensurate changes will occur in the proposed commercial and industrial low and high winter use COG rates.

Order of notice was issued on September 7 setting the hearing for today. The affidavit of publication has been filed. We have a Notice of Participation from the OCA. And, we also have filed, on October 16, a letter from the Jordan Institute responding to a proposal in Staff's testimony.

So, with that, let's take appearances please.

MR. CAMERINO: Good morning, Commissioners. And, thank you very much for your patience

1 this morning. I'm Steve Camerino, from McLane, Graf,  
2 Raulerson & Middleton, on behalf of National Grid NH.  
3 And, with me at counsel table today is Meg Tipper, Senior  
4 Counsel for National Grid NH, as well as Kevin Baxter from  
5 National Grid NH. Thank you.

6 CHAIRMAN GETZ: Good morning.

7 MS. HATFIELD: Good morning,  
8 Commissioners. Meredith Hatfield, for the Office of  
9 Consumer Advocate, on behalf of residential ratepayers.  
10 And, with me for the Office is Donna McFarland.

11 CHAIRMAN GETZ: Good morning.

12 MR. SPEIDEL: Good morning,  
13 Commissioners. I have with me Jim Cunningham and Steve  
14 Frink and Bob Wyatt of Staff, and I am Alexander Speidel  
15 of Staff.

16 CHAIRMAN GETZ: Okay. Good morning.

17 MR. SPEIDEL: Good morning.

18 MR. HENRY: Good morning, Commissioners.  
19 I am Dick Henry, Executive Director of the Jordan  
20 Institute. And, I am here to make a public comment. I  
21 apologize that I did not intervene in this case, because  
22 it now seems as though that would have been a more prudent  
23 way to approach this. But I look forward to giving you my  
24 public comment, whenever is most convenient for you to

1 have me do so.

2 CHAIRMAN GETZ: Okay. Well, let's  
3 address procedures first. I assume that we're starting  
4 late because this has been a topic of discussion. We have  
5 read the substantive proposal. And, I guess I would  
6 expect that, in the first instance, that the Company would  
7 have its opportunity to put on its testimony, and Staff  
8 would put on its testimony. What's the appropriate -- I  
9 guess we have several options how to deal with this  
10 counterproposal from Mr. Henry. Whether it's just treated  
11 as a comment, whether it's an argument, whether we  
12 entertain the notion of making him a party, whether there  
13 is actual facts that need to be testified to.

14 So, let's open it up. Mr. Camerino, do  
15 you have any recommendations, thoughts, concerns?

16 MR. CAMERINO: We don't have any  
17 particular recommendation. I can give you a sense of how  
18 the Company planned to proceed. And, this letter is not  
19 something new to the Company. There have been discussions  
20 between the Company and Mr. Henry. And, so, we're  
21 comfortable responding at today's hearing to what he's got  
22 in there. And, our thought was, we had planned, with the  
23 agreement of the parties, to present Ms. Leone first to  
24 testify on the environmental issues, and, frankly, just to

1 be available for cross-examination, and then excuse her.  
2 And, then have Mr. Poe, Ms. Leary, and Mr. Sherry to join  
3 them as a panel. And, the plan was to have Mr. Sherry  
4 give the Company's response to what is in Mr. Henry's  
5 letter. And, we don't have any particular preference for  
6 whether Mr. Henry would testify -- or, give a statement or  
7 testify first or last. The only proviso would be, if he  
8 went after Mr. Sherry, and there was something we hadn't  
9 anticipated, we'd want the ability just to bring Mr.  
10 Sherry back to respond to that. So, we're amenable,  
11 frankly, to any way that the Commission would like to  
12 proceed.

13 CHAIRMAN GETZ: Ms. Hatfield.

14 MS. HATFIELD: Thank you, Mr. Chairman.  
15 It does strike us that Mr. Henry's letter does have a lot  
16 of factual information. And, we've worked with him in the  
17 CORE dockets previously, so we know him as an efficiency  
18 expert. And, so, we think it might be helpful to have him  
19 under oath. And, if the Commission did want to go in that  
20 direction, I would be happy to conduct the direct  
21 examination of him.

22 CHAIRMAN GETZ: I take it the direction  
23 of the counterproposal is, rather than make the  
24 adjustments that first -- I guess first shows up in

1 Mr. Cunningham's testimony is, that don't make the  
2 adjustment and see if the underspent monies can be  
3 adequately spent, appropriately spent in the short-term.  
4 Is that -- am I understanding this correctly from your  
5 perspective?

6 MS. HATFIELD: Yes. And, you know, one  
7 of the things that I'm very sensitive to is the fact that  
8 the parties in the CORE docket don't typically participate  
9 in this proceeding. And, so, there may be people who are  
10 interested in this issue who aren't here. And, I think  
11 what Mr. Henry has tried to do, if I understand it  
12 correctly, is do some outreach to key parties within the  
13 C&I sector, who typically aren't able to participate  
14 either in this case or in the CORE docket.

15 So, and that's one of the reasons I  
16 think it might be helpful to hear directly from him,  
17 rather than just a public comment.

18 CHAIRMAN GETZ: Okay. And, Mr. Speidel,  
19 do you have anything on the procedural issues?

20 MR. SPEIDEL: Yes. I think the Staff's  
21 perspective is that, as a technical matter, for fairness  
22 reasons, Mr. Henry shouldn't necessarily have the status  
23 of an intervenor, formally speaking, but he is a public  
24 commenter. And, we also agree with the Company's

1 suggestion that he be able to take the stand and respond  
2 to questioning, since it might be useful for the  
3 Commission's purposes and also for other parties'  
4 purposes.

5 CHAIRMAN GETZ: Okay. All right. Thank  
6 you.

7 (Chairman Getz and Commissioner Ignatius  
8 conferring.)

9 CHAIRMAN GETZ: Okay. Let's proceed  
10 this way then. Let's have the Company put on its case,  
11 and have the opportunity to respond to this proposal, go  
12 in that normal order. We have prefiled testimony from Mr.  
13 Cunningham, Staff would go. We have this proposal from  
14 Mr. Henry. And, do I take it, Ms. Hatfield, that the OCA  
15 supports the proposal?

16 MS. HATFIELD: Yes.

17 CHAIRMAN GETZ: Okay. Well, then, you  
18 know, constructively, let him be your witness, and we'll  
19 swear him. I'm not sure that there's a lot of facts that,  
20 you know, in the normal course, would require a fact  
21 witness, but why don't we put all this on, because there  
22 may be some assertions here that would be useful to have a  
23 complete record on. So, Mr. Camerino.

24 MR. CAMERINO: Thank you. The Company

1 calls Michele Leone. And, while Ms. Leone is taking the  
2 stand, Mr. Chairman, if we could mark for identification  
3 the Company's entire cost of gas filing, the redacted  
4 version as "Exhibit 1" and the unredacted confidential  
5 version as "Exhibit 2".

6 CHAIRMAN GETZ: So marked.

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

11 MR. CAMERINO: And, then, on  
12 October 14th, the Company filed some revised pages. And,  
13 if we could mark that as "Exhibit 3" for identification.

14 CHAIRMAN GETZ: So marked.

15 (The document, as described, was  
16 herewith marked as **Exhibit 3** for  
17 identification.)

18 MR. CAMERINO: Does the Bench need  
19 copies of that October 14th filing?

20 CHAIRMAN GETZ: All set.

21 (Whereupon **Michele V. Leone** was duly  
22 sworn by the Court Reporter.)

23 **MICHELE V. LEONE, SWORN**

24 **DIRECT EXAMINATION**

{DG 11-192} {10-17-11}

[Witness: Leone]

1 BY MR. CAMERINO:

2 Q. Ms. Leone, would you state your name and business  
3 address for the record please.

4 A. Sure. It's Michele Leone, L-e-o-n-e. I work for  
5 National Grid. The business address is 40 Sylvan Road,  
6 Waltham, Massachusetts 02451.

7 Q. And, what is your position with National Grid and what  
8 are your responsibilities in that regard?

9 A. I am the Manager of the Site Investigation and  
10 Remediation Program for National Grid, covering  
11 Massachusetts, New Hampshire, Rhode Island, and Upstate  
12 New York.

13 Q. And, what is your role with regard to the cost of gas  
14 filing that's in front of the Commission today?

15 A. I am responsible for the investigation and remediation  
16 of sites in New Hampshire on the Manufactured Gas Plant  
17 Program. So, I provide testimony on the activities  
18 that were performed in the prior year.

19 Q. And, included in the cost of gas filing that was marked  
20 as Exhibit 1 and 2 for identification is prefiled  
21 testimony dated September 1, 2011 with your name on it.  
22 Was that prepared by you or under your direction?

23 A. Yes, it was.

24 Q. And, is it true and correct to the best of your

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[Witness: Leone]

1 knowledge and belief?

2 A. Yes.

3 Q. Do you have any corrections or updates to provide with  
4 regard to that testimony?

5 A. The only updates would be some of the activities that  
6 we referenced as starting up this fall in the testimony  
7 have started. But no other, no significant updates.

8 MR. CAMERINO: Thank you. The witness  
9 is available for cross-examination.

10 CHAIRMAN GETZ: Ms. Hatfield.

11 MS. HATFIELD: Thank you. I have no  
12 cross-examination of this witness.

13 CHAIRMAN GETZ: Mr. Speidel.

14 MR. SPEIDEL: Yes, Mr. Chairman.

15 **CROSS-EXAMINATION**

16 BY MR. SPEIDEL:

17 Q. Ms. Leone, could you please give us an update of what's  
18 happening with the Liberty Hill environmental  
19 remediation and the New Hampshire Department of  
20 Environmental Services' decision on the Company's  
21 proposed alternative plan, referred to as "Addendum  
22 Number 2" on Bates Page 151.

23 A. We have not received a final decision from DES on our  
24 proposed remedy as of yet. A preliminary decision was

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[Witness: Leone]

1 received in October of 2010. The Company commented in  
2 January of 2011. The preliminary decision indicated  
3 that the Department was not in agreement with the  
4 Company, and wanted all contamination removed from the  
5 Liberty Hill site. In January, the Company commented,  
6 January 2011. We had anticipated receiving a final  
7 decision, just based on conversations with DES over the  
8 summer, but we have not, to date, received that  
9 decision.

10 Q. Thank you. Would you be able to provide a brief  
11 summary of any significant changes in anticipated  
12 environmental remediation cost projections or schedules  
13 compared to the last year's presentation?

14 A. The costs that were presented in the Remedial Action  
15 Plan, Addendum 2, for the remedy that the Company  
16 recommended were \$10.9 million, to complete the remedy  
17 that the Company was recommending. Also included in  
18 that document was an estimate for the costs if the  
19 Department were to require that all contamination be  
20 removed. And, the estimate in that document is I  
21 believe \$16.8 million.

22 MR. SPEIDEL: Staff has no further  
23 questions of this witness. Thank you.

24 CHAIRMAN GETZ: And, no questions from

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[Witness: Leone]

1 the Bench. Anything further, Mr. Camerino?

2 MR. CAMERINO: No. Thank you, Mr.  
3 Chairman.

4 CHAIRMAN GETZ: Then, the witnesses is  
5 excused. Thank you.

6 WITNESS LEONE: Thank you.

7 MR. CAMERINO: The Company calls  
8 Theodore Poe, Jr., Ann Leary, and William Sherry.

9 (Whereupon *Theodore Poe, Jr., Ann E.*  
10 *Leary, and William Sherry* were duly  
11 sworn by the Court Reporter.)

12 **THEODORE POE, JR., SWORN**

13 **ANN E. LEARY, SWORN**

14 **WILLIAM SHERRY, SWORN**

15 **DIRECT EXAMINATION**

16 BY MR. CAMERINO:

17 Q. Mr. Poe, let me begin with you. Would you give your  
18 name and business address for the record please.

19 A. (Poe) Good morning. My name is Theodore Poe, Jr. I  
20 work with National Grid, at 40 Sylvan Road, Waltham,  
21 Massachusetts 02451.

22 Q. And, what is your position with National Grid and what  
23 is your responsibility in that regard?

24 A. (Poe) My position is as Lead Analyst. And, my

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1 responsibility is forecasting the customer requirements  
2 of natural gas for the COG filing.

3 Q. And, is that the role you played with regard to the  
4 cost of gas filing?

5 A. (Poe) Yes, it is.

6 Q. And, you prepared prefiled testimony dated September 1,  
7 2011 that was included with the Company's cost of gas  
8 filing in this case, did you not?

9 A. (Poe) Yes, I did.

10 Q. And, is that testimony -- was it prepared by you or  
11 under your direction?

12 A. (Poe) Yes, it was.

13 Q. And, is it true and correct to the best of your  
14 knowledge and belief?

15 A. (Poe) Yes, it is.

16 Q. Do you have any updates or corrections or changes you'd  
17 like to make to that testimony at this time?

18 A. (Poe) I have two simple updates. First, on Page 6 of  
19 my prefiled testimony, I discussed the impact of the  
20 Tennessee rate case and the current situation vis-a-vis  
21 the Company. And, the rate case had been filed in  
22 November of 2010 by Tennessee before the FERC. In my  
23 testimony, I stated that the parties had gotten  
24 together to devise a settlement document to be filed

1 with the FERC. Since that time, on September 30th,  
2 2011, that settlement document was filed, and we're  
3 anticipating a decision by the FERC prior to  
4 November 1st, so that rates can go into effect  
5 November 1st.

6 Q. And, with regard -- there was a second rate case you  
7 referred to, the PNGTS case?

8 A. (Poe) Yes. On Page 7, I discuss the PNGTS rate case,  
9 which -- of which an initial decision was expected in  
10 December of 2011. The Company holds a small  
11 transportation contract with PNGTS to deliver up to  
12 1,000 dekatherms per day to the Berlin Division. In  
13 the rate case, it was determined that the Company's  
14 contract was a non-conforming contract. There were  
15 certain provisions that the FERC did not think could be  
16 included within our contract alone. So, the Company  
17 went into negotiations with PNGTS to bring our contract  
18 into conformance. And, the settlement that we had come  
19 up with was a simple lump-sum payment, which was to be  
20 made in, and Line 21 said "August of 2012", it actually  
21 should have been "2011".

22 The Company and PNGTS did come up with a  
23 settlement, filed it with the FERC, but it was rejected  
24 by the FERC. So, we are back in negotiations and

1           trying to come to some conclusion, so that the  
2           administrative law judge can reach a decision by  
3           December 15th.

4   Q.    So, the Company had a contractual right, which the FERC  
5           determined had to be relinquished?

6   A.    (Poe) That is correct.

7   Q.    And, there was a payment negotiated in exchange for  
8           relinquishing that?

9   A.    (Poe) Yes.  The specifics were that we have certain  
10          provisions within the contract that the Company would  
11          have to give up.  And, in compensation for giving up  
12          the flexibility that we had in that contract, we were  
13          to receive a lump-sum payment.  The FERC decided that  
14          that was not acceptable.  So, we have to come up with a  
15          different settlement now.

16   Q.    Thank you.  Ms. Leary, let me turn to you.  Would you  
17          give your name and business address for the record  
18          please.

19   A.    (Leary) Yes.  My name is Ann Leary.  And, my business  
20          address is 40 Sylvan Road, Waltham, Mass. 02451.

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

22   A.    (Leary) I am the Manager of Gas Pricing.

23   Q.    And, what are your responsibilities in that regard?

24   A.    (Leary) I'm responsible for the various regulatory

1 filings that are filed on behalf of National Grid.

2 Q. And, included with the Company's cost of gas filing is  
3 testimony from you dated September 1, 2011. Was that  
4 prepared by you or under your direction?

5 A. (Leary) Yes, it was.

6 Q. And, is it true and correct to the best of your  
7 knowledge and belief as of the date on which it was  
8 filed at least?

9 A. (Leary) Yes, it was.

10 Q. Okay. Do you have some corrections or updates to make  
11 to that?

12 A. (Leary) Yes, I do.

13 Q. Are those corrections and updates the subject of the  
14 Company's filing on October 14, 2011, which has been  
15 submitted as "Exhibit 3" for identification?

16 A. (Leary) Yes, it is.

17 Q. Okay. Would you just provide the Commission with an  
18 overview of what those changes are and how they came  
19 about?

20 A. (Leary) Yes, I can. On October 14th, the Company made  
21 a filing to revise Tariff Page 76, 91, and 94 to  
22 reflect changes in its LDAC charge. Specifically, we  
23 were looking to change the residential LDAC from 6.97  
24 cents per therm to 6.94 cents per therm. We proposed

1 to change the C&I LDAC factor, for the sales customers  
2 only, from 4.97 cents per therm to 3.7 cents per therm.  
3 And, finally, we were looking to change the C&I LDAC  
4 factor for the transportation customers from 5.32 cents  
5 per therm to 4.05 cents per therm. These changes were  
6 a result of two changes -- two components of the LDAC.  
7 Specifically, we were looking to change the  
8 Environmental Surcharge, and also to make changes to  
9 the C&I Energy Efficiency factor.

10 Q. Okay. Would you just explain briefly what brought  
11 about the changes in the Energy Efficiency factor?

12 A. (Leary) Yes. The Company had reviewed the testimony  
13 submitted by the Staff, by Mr. Cunningham, and had  
14 agreed that they would accept his recommendation to  
15 reduce its 2011 C&I energy efficiency budget by about  
16 \$1.2 million. So, the Company has revised its C&I  
17 Energy Efficiency factor to reflect that change.

18 Q. Mr. Cunningham also recommended a change with regard to  
19 the residential energy efficiency costs. Can you  
20 explain what the Company did or did not do with regard  
21 to that?

22 A. (Leary) Yes. The Company did not make an adjustment to  
23 its Residential Energy Efficiency Surcharge. The  
24 Company had done some investigation and feel that it

1 will be able to spend the budget that has been approved  
2 for 2011.

3 Q. With regard to the environmental portion of the LDAC,  
4 can you explain what the adjustment was there and the  
5 reason for it?

6 A. (Leary) Yes. The Environmental Surcharge factor that  
7 we had originally proposed on September 1st was 0.03  
8 cents per therm. During the course of the audit  
9 investigation, it was uncovered that a portion of our  
10 environmental labor costs had been actually included in  
11 our base rates from our test year, approximately  
12 \$78,000. So, therefore, the Company had proposed that,  
13 on a going forward basis, it would need to remove each  
14 year \$78,000 from its proposed Environmental Surcharge  
15 factor calculation. So, the Company, if you look at  
16 Page 91, the Tariff Page 91, the Company has revised  
17 the page to include a reduction of the \$78,000. When  
18 we did that, you're going to see that it actually would  
19 become a credit. But the Company decided that, on a  
20 going forward basis, as we have since I think it was  
21 November of 2007, we would just zero out the  
22 Environmental Surcharge factor.

23 The Company needs to go back, it's small  
24 dollars, and needs to kind of go back and kind of

1 restate and fix all its accounting, and has proposed  
2 that it will, you know, true up and tie out, so it can  
3 tie all those numbers, and present that to the Staff  
4 and the OCA in its next off-peak filing.

5 Q. So, to the extent that there's a credit, that amount  
6 would just be carried forward?

7 A. (Leary) That is correct.

8 Q. Thank you. Mr. Sherry, since you haven't prefiled  
9 testimony, I'm going to ask you for a little more  
10 detail for some background information. Start with  
11 your name and business address please.

12 A. (Sherry) Sure. It's William Sherry, S-h-e-r-r-y, of  
13 National Grid. And, my business address is 9 Lowell  
14 Road, in Salem, New Hampshire 03079.

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

16 A. (Sherry) I have dual roles with National Grid. I'm  
17 currently the Company's Director of Employee  
18 Volunteering for its U.S. activities, and I'm also a  
19 senior member of the transition team that's working on  
20 the sale of the New Hampshire assets.

21 Q. And, as part of the proposed sale of the Company,  
22 you've been given some responsibilities prospectively  
23 with regard to the Company's future organization?

24 A. (Sherry) That's correct.

1 Q. Could you explain what those responsibilities are.

2 A. (Sherry) Absolutely. In the event the sale is  
3 approved, I will assume responsibility for all customer  
4 phasing activities for the Company in New Hampshire,  
5 which will include customer service, sales and  
6 marketing, business development, as well as the  
7 Company's energy efficiency programs.

8 Q. And, so, given that prospective role with regard to  
9 energy efficiency, have you had involvement on a more  
10 current basis now in the Company's energy efficiency  
11 programs and planning?

12 A. (Sherry) Yes, just within the last month.

13 Q. Okay. And, have you had discussions with Mr. Henry of  
14 the Jordan Institute in recent weeks concerning the  
15 proposal that's set out in his letter to the  
16 Commission?

17 A. (Sherry) Yes.

18 Q. Okay. Can you provide a summary of the Company's  
19 perspective on whether it feels it's in a position to  
20 commit to the Commission to spend the unspent funds  
21 from 2010 and 2011 in the coming year of 2012, in  
22 addition to the budgeted funds?

23 A. (Sherry) I'd be glad to. First off, I'd like to say  
24 that National Grid acknowledges the Company's poor

1 performance in its gas C&I programs in 2010 and 2011  
2 that has led us to this position where we have the  
3 underspend. There were a number of contributing  
4 factors, included the loss of some significant staff  
5 resources that we were just not able to recover from.  
6 We've taken a significant look at the proposed budget  
7 activities for 2012, and, in particular, the three and  
8 a half million dollar budget, as well as the work  
9 that's in queue this year, and looking ahead to next  
10 year. We find it -- we find that the three and a half  
11 million dollar budget for 2012 will be a stretch, but  
12 we believe it's achievable. And, as we look forward,  
13 we have committed additional resources to New Hampshire  
14 already, and begun energy efficiency marketing efforts  
15 just in the last two weeks that are starting to show  
16 some promise. In 2009, we saw our most successful year  
17 in large C&I gas programs, where we spent \$1.6 million  
18 on customer rebates. So, we realize going in that,  
19 pragmatically, three and a half million will be a  
20 challenge for 2012. We've had lengthy discussions with  
21 Mr. Henry and the Jordan Institute and met with his  
22 collaborative last week to discuss what could be  
23 available, in terms of potential projects, to support  
24 keeping the 2010 and 2011 carryover dollars. And,

1 while we greatly appreciate their efforts, and we look  
2 forward to working collaboratively with them to support  
3 the energy efficiency work going forward, we just  
4 fundamentally don't see how we'd spend that additional  
5 money in the period of time. So, we'd support keeping  
6 the budget at 3.5 million as filed or in the process.

7 Q. How do factors like the state of the economy or the gas  
8 prices affect the Company's ability to promote these  
9 programs? What impact do they have and what do you see  
10 for 2012 in that regard?

11 A. (Sherry) It's interesting, and it's interesting in the  
12 fact that we're seeing the same conditions in  
13 Massachusetts and New York as well. Natural gas prices  
14 are declining. Large customers, in particular, are  
15 very reluctant to commit capital to these projects,  
16 which take very long periods of time. So, we're seeing  
17 a very difficult sale process in getting large  
18 customers to make commitments to these efforts.

19 Q. That said, you referred to the size of the budget for  
20 2012. How does that compare to what the budget's been  
21 in past years?

22 A. (Sherry) It's an increase over 2010 and over 2009, the  
23 three and a half million dollar budget for 2012. I  
24 don't have the figures in front of me, but I believe

1 2010 was 3.1 million for the budget, and 2009 was  
2 slightly under 3 million.

3 Q. Mr. Henry's letter refers to spending on the order of  
4 \$4 million in projects that he has identified, and he  
5 says that projects he's identified can be "executed in  
6 the next six to nine months". What's your response to  
7 that?

8 A. (Sherry) He shared his list with us just last Thursday.  
9 And, we had a chance to take a cursory look at  
10 potential projects, and we're still working through the  
11 viability of those projects. Some of them would  
12 require connection to the gas system, in addition to  
13 analyzing their potential. So, there's no way for us  
14 to validate the potential on that list at this point.

15 Q. And, that -- you're not saying that you disagree with  
16 it, are you? You're saying more that the Company isn't  
17 in a position to make its own commitment at this point?

18 A. (Sherry) That's correct.

19 Q. Can you give me a comparison, if you know, on a -- sort  
20 of relative to the size of the customer base, how  
21 National Grid's budget for next year compares to  
22 Unitil's?

23 A. (Sherry) I'm not completely familiar with that, sorry.

24 Q. With regard to Mr. Cunningham's recommendation on the

1 residential side, does the Company feel that it can  
2 spend the full budget for 2011?

3 A. (Sherry) Yes, it does. Just in the last few weeks,  
4 we've since reached out to the program vendors who  
5 deliver the residential energy efficiency programs.  
6 And, based on the information we're receiving from the  
7 vendors and the work in queue, we're confident we can  
8 spend the residential funds for 2011.

9 Q. And, so, it sounds like your perspective on the  
10 Company's ability to move the residential dollars is  
11 different from the perspective you have on the C&I  
12 dollars?

13 A. (Sherry) Correct.

14 MR. CAMERINO: Thank you very much.

15 CHAIRMAN GETZ: Ms. Hatfield.

16 MS. HATFIELD: Thank you, Mr. Chairman.

17 Good morning.

18 WITNESS SHERRY: Good morning.

19 WITNESS POE: Good morning.

20 **CROSS-EXAMINATION**

21 BY MS. HATFIELD:

22 Q. Ms. Leary, I'd like to start with you, if I could. If  
23 you could please turn to Page 20 of your prefiled  
24 testimony.

1 A. (Leary) Yes.

2 Q. Starting near the bottom of that page, you're asked a  
3 question about the fact that rate case expenses in your  
4 last rate case are included in this filing, is that  
5 correct?

6 A. (Leary) Yes, I am.

7 Q. Do you recall what was the amount that the Company  
8 requested to seek recovery of?

9 A. (Leary) It was approximately 1.5 million.

10 Q. And, here, in your testimony, you state that the  
11 Company is proposing to include just over 1.2 million  
12 as recommended by Staff, is that correct?

13 A. (Leary) That is correct.

14 Q. And, you state on the next page -- or, I'm sorry, at  
15 the bottom of that page you state that you "recognize  
16 that [our office] has taken a different position" and  
17 that the Commission hasn't made a determination, is  
18 that correct?

19 A. (Leary) That is correct.

20 Q. And, do you recall what the OCA's response to the  
21 Company's filing was?

22 A. (Leary) I do not have that. I know it was a lesser  
23 amount that they had requested, I think it was on the  
24 order of \$400,000 was the recommendation from the OCA,

1 but that would be subject to check.

2 Q. Subject to check, would you accept a figure of just  
3 over \$365,000?

4 A. (Leary) Yes, I would.

5 Q. Thank you. Did you participate in the rate case that  
6 we're talking about, which was DG 10-017?

7 A. (Leary) Yes, I did.

8 Q. Did you participate in the negotiation of the  
9 settlement agreement in that case?

10 A. (Leary) I guess I would say I was involved. I perhaps  
11 wasn't the major participant, in terms of the  
12 settlement agreement.

13 Q. And, do you recall that that was a settlement between  
14 the Company, the Staff, and New Hampshire Legal  
15 Assistance, on behalf of one of their low income  
16 customers?

17 A. (Leary) Yes, I do.

18 Q. Do you recall that, in that settlement agreement,  
19 beginning on Page 11, there is a section entitled "Rate  
20 Case Expense"?

21 A. (Leary) I actually don't have the rate case settlement  
22 agreement in front of me.

23 MS. HATFIELD: I'd like to approach the  
24 witness.

1 (Atty. Hatfield showing document to  
2 Witness Leary.)

3 BY MS. HATFIELD:

4 Q. Would you identify this document please.

5 A. (Leary) Yes. It is the settlement agreement regarding  
6 the permanent rates in DG 10-017.

7 Q. And, is it a signed copy?

8 A. (Leary) Yes, it is.

9 Q. And, what is it dated?

10 A. (Leary) It's dated "January 10th, 2011".

11 Q. And, if we turn to Page 11, do you see the section  
12 entitled "Rate Case Expense"?

13 A. (Leary) Yes, I do.

14 Q. If we turn to Page 12 of that document, would you just  
15 read the portion of the last sentence that I've  
16 underlined.

17 A. (Leary) Okay. It says "The Company shall be authorized  
18 to recover the approved rate case expense beginning  
19 with the first peak or off-peak filing made after  
20 Commission approval of such amount."

21 Q. Thank you. Ms. Leary, have you had a chance to review  
22 Mr. Cunningham's testimony that was filed on behalf of  
23 Staff on October 6th in this docket?

24 A. (Leary) Yes, I have.

1 Q. If I understand correctly, part of what Mr. Cunningham  
2 did was he looked at recent spending activity by month  
3 in the efficiency programs. Is that your understanding  
4 as well?

5 A. (Leary) Yes, it is.

6 Q. Is it fair to say that the efficiency spending tends to  
7 be a bit lumpy, meaning that it doesn't necessarily  
8 happen in a way that can be predicted from month to  
9 month?

10 A. (Leary) That has been our experience. Yes, it has.

11 Q. And, is it also true that, in terms of tracking it  
12 monthly, that the Company takes the annual figure and  
13 simply divides it by 12 to come up with a monthly  
14 figure?

15 A. (Leary) Yes. For purposes of calculating the interest  
16 associated with those programs, yes, we do.

17 Q. And, because of all of the effort that it takes to  
18 enroll customers in the program and get projects  
19 finished, that the monthly spending may be very  
20 different from what just the monthly number looks like  
21 on paper?

22 A. (Leary) Yes. That is true.

23 Q. Mr. Sherry, I believe you've already testified that you  
24 reviewed Mr. Cunningham's testimony?

1 A. (Sherry) I have, yes.

2 Q. Do you know what the program impact would be, if funds  
3 were returned to customers, in terms of what decisions  
4 the Company might have to make about the various  
5 programs, within both the residential and commercial  
6 efficiency programs?

7 A. (Sherry) I think, on the residential side, if the funds  
8 were returned to customers, we may have to stop  
9 customer projects that have been signed up already for  
10 2011. So, it would impact projects that are in the  
11 queue. On the commercial and industrial side, we don't  
12 see any impact at this point, with the work that is  
13 built up and then what we anticipate, in terms of 2012,  
14 for budget capacity.

15 Q. If Mr. Henry were successful in trying to get a  
16 significant number of projects in the queue this fall,  
17 and you couldn't fund those projects, would those be  
18 moved into 2012?

19 A. (Sherry) I'm sorry. Would you please repeat the  
20 question?

21 Q. Sure. If Mr. Henry is successful and is able to bring  
22 a bunch of C&I projects into the queue this fall, if  
23 the Company does return funds and then isn't able to  
24 fund them this year, would they be moved into 2012?

1 A. (Sherry) We'll approve the projects as they come along.  
2 And, as they meet the qualifications for the energy  
3 efficiency programs and customer projects are  
4 committed, then they would be either in 2011 or 2012,  
5 depending on the timing of the customer project.

6 Q. Would Staff's recommendations have any impact on the  
7 Low Income Efficiency Program?

8 A. (Sherry) I can't answer that question completely.

9 Q. So, it's possible that it might have an impact, in  
10 terms of reducing the number of low income customers  
11 served?

12 A. (Sherry) It's possible, if we applied it uniformly  
13 across the board.

14 Q. In response to a data request, I believe it was you,  
15 Ms. Leary, you provided a response stating that "the  
16 Company has reviewed the residential programs and you  
17 believe that there are sufficient projects in the  
18 queue", is that correct?

19 A. (Leary) That is correct.

20 Q. And, Mr. Sherry, I think you testified to that earlier?

21 A. (Sherry) That is correct.

22 Q. Mr. Sherry, are you familiar with how much money Grid  
23 has in its approved 2011 efficiency marketing budget?

24 A. (Sherry) I am not.

1 Q. Would you accept subject to check that, according to  
2 Company's approved filing in DE 10-188, that's the  
3 current efficiency program budgets, that the Company  
4 has, for 2011, an approved marketing budget of  
5 \$202,365?

6 A. (Sherry) Yes. Subject to check.

7 Q. Do you know why it is that, if Mr. Henry is correct,  
8 that some C&I customers aren't aware of the Company's  
9 program offerings in the efficiency arena?

10 A. (Sherry) I find it hard to believe that -- I find it  
11 possible that individual customers are not aware of the  
12 programs. The gas C&I programs, in particular, have  
13 been offered to customers in excess of ten years. The  
14 electric energy efficiency programs have been broadly  
15 offered for over 20 years. So, I find it difficult to  
16 believe broad statements that "customers are not aware  
17 of the programs." There are individual staff people at  
18 particular customers who may not be aware of particular  
19 programs.

20 Q. And, does the Company have specific staff members that  
21 are assigned to doing outreach and marketing to C&I and  
22 residential customers?

23 A. (Sherry) Yes. Newly assigned since the first of  
24 October.

1 Q. What happened prior to October 1?

2 A. (Sherry) Prior to October 1, National Grid had gone  
3 through some staffing challenges in the last year,  
4 which we've spoken about prior. Several staff resigned  
5 from the Company and one staff person, unfortunately,  
6 passed away. And, over time, from 2010 into 2011,  
7 National Grid was covering its New Hampshire large C&I  
8 customers with staff that also had broader  
9 responsibility in Massachusetts. And, as part of its  
10 realignment process that National Grid has been  
11 undertaking, and in anticipation of the eventual sale  
12 in New Hampshire, we're now assigning staff to New  
13 Hampshire.

14 Q. So, since October 1st, there could have been more  
15 marketing and outreach activity in New Hampshire?

16 A. (Sherry) There is more marketing and outreach activity  
17 taking place in New Hampshire just in the last two  
18 weeks, and I can speak to that, if you like? We have  
19 approximately 10,000 gas C&I customers in the state.  
20 Within the last two weeks, we've launched a  
21 concentrated telemarketing and a direct mail and direct  
22 contact campaign. It's been running for about a week  
23 now.

24 In the first week, we generated 50 leads

1 for potential interest in gas energy efficiency  
2 programs. Now, it's difficult to project what leads  
3 turn into valid projects. But customer awareness is  
4 relatively high. They're very interested in finding  
5 out more. And, across the 10,000 customers, this is  
6 all C&I customers, small C&I, large C&I, medium, and  
7 that activity will continue. And, we're using those  
8 marketing dollars that you referenced earlier to pay  
9 for that.

10 Q. And, does the Company also do outreach to both C&I and  
11 residential customers -- or, excuse me, members of the  
12 C&I sector and residents in New Hampshire who are not  
13 customers, but who could get gas service from Grid?

14 A. (Sherry) Yes.

15 Q. And, when you do that outreach, do you also talk about  
16 efficiency programs at that time?

17 A. (Sherry) Yes.

18 Q. You do?

19 A. (No verbal response).

20 MS. HATFIELD: Thank you, Mr. Chairman.

21 I have nothing further.

22 CHAIRMAN GETZ: Thank you. Mr. Speidel.

23 MR. SPEIDEL: Yes.

24 BY MR. SPEIDEL:

1 Q. Mr. Sherry, I have a few questions for you to begin  
2 with. Did the Company spend all of its residential  
3 energy efficiency funds last year?

4 A. (Sherry) I do not know.

5 Q. So, you wouldn't happen to know what proportion of the  
6 residential funds were spent last year?

7 A. (Sherry) I do not know.

8 Q. Okay, then. Mr. Sherry, would the Company agree in  
9 principle that if, by the next cost of gas hearing, in  
10 October of 2012, its 2011 overcollection would not be  
11 spent in its entirety, that remainder would be refunded  
12 to customers?

13 A. (Sherry) Yes. The Company would agree in principle to  
14 that.

15 Q. So, you have confidence that the overcollection would  
16 be spent over the course of late 2011/early 2012, that  
17 remainder would be refunded to customers as of the time  
18 of the next cost of gas hearing?

19 A. (Sherry) Correct. Any unspent funds would be refunded  
20 to customers at the time of the next cost of gas  
21 hearing -- or filing, sorry.

22 Q. Thank you. And, that would be all for Mr. Sherry. I  
23 have several questions for Ms. Leary. How does the  
24 proposed 2010 -- 2011-2012 peak period cost of gas rate

1 compare to last year's seasonal average rate?

2 A. (Leary) It's about one cent lower than the seasonal  
3 average rate, and it's about 2.94 cents lower than the  
4 initial rate approved in November 2010.

5 Q. What is the rate impact on a typical residential  
6 heating customer?

7 A. (Leary) Overall, a typical residential heating customer  
8 will actually pay about six-tenths of a percent more  
9 this winter than last winter. It's about \$7.00. The  
10 reason why is twofold. First of all, there will be  
11 about a \$12.00 increase in the base rates. That's due  
12 to the fact that we have the final -- we finalized the  
13 rates in DG 10-017, plus we also had an additional  
14 adjustment in our base rates in July of 2011 for our  
15 cast iron/bare steel annual adjustment. This will be  
16 -- that \$12.00 increase will be offset by a \$5.00  
17 decrease in the cost of gas in the LDAC charge.

18 Q. Thank you. Has the Company sent out its Fixed Price  
19 Option enrollment letter for this peak period?

20 A. (Leary) Yes, it has.

21 Q. Has there been much interest in the FPO Program for  
22 this year?

23 A. (Leary) Yes. As of Friday, we have signed up 9,505  
24 customers. This is really in the same ballpark of what

1 we had a year ago at this time. We had about 9,800  
2 customers. So, we seem to be about on the same type of  
3 track.

4 Q. Can you briefly summarize last year's FPO participation  
5 and the results of the Program?

6 A. (Leary) Yes. We actually had last year -- Yes. Last  
7 year, we had 11,326 customers participate in our FPO  
8 Programs. That represented a total, by number  
9 customers, about 11 percent of our customers  
10 participated. And, volumetricwise, it was around  
11 13 percent.

12 Q. Okay. Thank you. How do the current NYMEX natural gas  
13 futures prices compare to those used to determine the  
14 cost of gas rates?

15 A. (Leary) We took a look at the NYMEX, the 15-day average  
16 NYMEX last week. It's running about around three cents  
17 less than it was in our initial filing.

18 Q. Would you be able to provide the cost of gas rates if  
19 they were based on updated costs and futures prices in  
20 comparison or no?

21 A. (Leary) The Company did take a look at potentially  
22 updating its cost of gas for this hearing. And, it  
23 actually looked at updating using both the NYMEX, and  
24 it also looked at -- also looked to reflect the

1 Tennessee rate case settlement rates that were filed,  
2 but still not yet approved. When we looked at those  
3 two components together, it looked like the cost of gas  
4 would have gone down around three cents, which was  
5 about less than 5 percent. So, the Company did not  
6 make a proposal to update the cost of the gas filing --  
7 cost of gas factor for this filing, but, naturally,  
8 those changes will be reflected in its December trigger  
9 filing.

10 Q. Thank you for that background. Approximately what  
11 percentage of the gas supplies in this forecast are  
12 hedged, prepurchased, or otherwise tied to a  
13 predetermined fixed price?

14 A. (Leary) Approximately 62 percent of the Company's gas  
15 supplies are either hedged or prefixed pricing.

16 Q. How does this year's demand forecast compare to last  
17 year's? Perhaps maybe Mr. Poe could answer that.

18 A. (Poe) I will. This year's sales forecast is  
19 approximately seven-tenths of a percent lower than last  
20 year's forecast for the November 2010 through  
21 April 2011 period.

22 Q. And, do you have any perspective on why that decrease  
23 came about?

24 A. (Poe) Overall, we see, in the combination of sales and

1 customer choice customers, that there's a growing  
2 natural gas demand. But, because of a slight decline  
3 in the sales percentage, you see basically a flattening  
4 of the sales volume that we've listed. And, that's on  
5 Page 12 of my prefiled testimony.

6 Q. Thank you very much. I can continue with Mr. Poe for  
7 the time being, if it's all right. Did EnergyNorth  
8 experience any operational problems or supply  
9 disruptions during the last year?

10 A. (Poe) No, it did not.

11 Q. Are EnergyNorth's liquid natural gas and liquefied  
12 petroleum gas storage and peak shaving facilities fully  
13 operational and adequately staffed for this upcoming  
14 winter period?

15 A. (Poe) And, they have adequate inventory as well. Yes,  
16 they do.

17 Q. Have there been any substantive changes to these  
18 facilities over the course of the past year?

19 A. (Poe) None that I know of.

20 Q. The Company filed its annual seven-day peak shaving  
21 storage requirement report on October 1st, 2011,  
22 pursuant to New Hampshire Code Admin. Rule Puc 509.16.  
23 Is this report prepared by you or under your direction?

24 A. (Poe) Yes, it was.

1 Q. Do you foresee any likelihood of EnergyNorth  
2 experiencing any LNG or propane peak shaving supply  
3 issues for this winter period?

4 A. (Poe) No, we do not.

5 Q. Does the Company expect that there will be updated  
6 capacity demand charges in the near future that will  
7 impact the monthly over/under cost of gas rate  
8 calculations? I can repeat the question, if you'd  
9 like?

10 A. (Leary) Could you repeat that question?

11 Q. Sure.

12 A. (Leary) I think it was my question.

13 Q. Does the Company expect that there will be updated  
14 capacity demand charges in the near future that will  
15 impact the monthly over/under cost of gas rate  
16 calculations? So, I open that to the floor.

17 A. (Leary) I guess we can answer it two ways. We've  
18 already talked about the fact that the Tennessee demand  
19 rates that we have initially included in our cost of  
20 gas filing were off, you know, filed rates.

21 Q. Yes.

22 A. (Leary) And, we are anticipating that the full rate --  
23 that the settlement that has been filed at FERC will be  
24 approved and, therefore, will reflect a decrease in the

1 capacity charges. When that happens, we will  
2 definitely reflect that in our trigger filings to  
3 prevent any over-/undercollection problems.

4 Q. Thank you again. How does the proposed LDAC rate  
5 compare to last year's, Ms. Leary?

6 A. (Leary) For the residential heating and non-heating  
7 customers, the proposed LDAC rate is about half a cent  
8 higher than it was last year. For the C&I customers,  
9 it's about a proposed half a cent decrease from last  
10 winter.

11 Q. And, Ms. Leary, what LDAC components expire at the end  
12 of October? I'm sorry about that question. Strike  
13 that, "reverse it", as Willy Wonka used to say.

14 (Laughter).

15 BY MR. SPEIDEL:

16 Q. Are there any new LDAC components starting November the  
17 1st?

18 A. (Leary) Well, we are continuing on with the rate case  
19 true-up reconciliation expense. As Ms. Hatfield has  
20 already pointed out, in that calculation of that  
21 number, we did include the rate case expense of  
22 \$1.1 million, based on Staff's recommendation.

23 Q. Very good. Now, on Pages 20 to 21 of your prefiled  
24 testimony, you indicate that "the Company has included

1 its estimate of rate case expenses" and calculated a  
2 surcharge to recover those expenses. Is that  
3 calculation on a supporting schedule in this cost of  
4 gas filing?

5 A. (Leary) Yes, it is.

6 Q. And, that would be Bates Page 110, I believe?

7 A. (Leary) Yes. That is correct.

8 Q. Now, those rate case expenses are subject to Commission  
9 final approval, correct?

10 A. (Leary) That is correct.

11 Q. As would be the cost of gas rates, correct?

12 A. (Leary) That is correct.

13 Q. Thank you very much. Now, we also have a small issue,  
14 there was some discussion at the tech session with the  
15 parties regarding the proposed supplier balancing  
16 tariff, and that would be Tariff Page 155. And, that  
17 Tariff Page 155 would need to include the development  
18 of the going forward 2011-2012 company gas allowance  
19 factor of 1.4 percent, as shown in this Schedule 25,  
20 Bates Page 205. Now, my understanding is that we  
21 haven't quite received that yet, and we would have to  
22 have a record request to have that sent in by the  
23 Company. Are you familiar with what we're referring  
24 to?

1 A. (Leary) Yes, I am.

2 Q. Excellent. Just for clarification, this would apply to  
3 all volumes that the CNGS supplier delivers to  
4 EnergyNorth's citygates on behalf of its unbundled  
5 transportation customers. And, we say, after that  
6 small record request, --

7 CHAIRMAN GETZ: Well, do you want to  
8 reserve Exhibit Number 4 for that?

9 MR. SPEIDEL: Yes. That would be ideal.

10 CHAIRMAN GETZ: Are you going to augment  
11 that or ask for something additional?

12 MR. SPEIDEL: I'm going to ask a series  
13 of questions on the stand. But I just wanted to get that  
14 in as a record request to begin with. So, this is in  
15 addition to the compliance filing that we'll have this  
16 piece of information, but the Staff would like to have it  
17 in advance of the filing of the compliance filing.

18 WITNESS LEARY: Yes.

19 MR. SPEIDEL: Thank you.

20 **(Exhibit 4 reserved)**

21 MR. SPEIDEL: Thank you for your  
22 patience.

23 BY MR. SPEIDEL:

24 Q. Now, I guess we can begin the primary discussion of the

1 Company gas allowance issue. It's referred to in  
2 Page 21 of your prefiled testimony. Ms. Leary, if you  
3 take a look at that. With regard to this matter, would  
4 you describe this error as an "inadvertent oversight"  
5 by the Company to not update the allowance factor based  
6 on actual unaccounted for system losses each year?

7 A. (Leary) Yes, I would.

8 Q. Did the Company benefit or profit in any way as a  
9 result of this error?

10 A. (Leary) No, they did not. It was simply an allocation  
11 issue between the Company's bundled sales and unbundled  
12 transportation customers.

13 Q. Are the delivery service tariff provisions in  
14 Massachusetts similar to those in New Hampshire on this  
15 issue?

16 A. (Leary) Yes, they are.

17 Q. Did the Company make the same error in its  
18 Massachusetts gas distribution company's filings? And,  
19 if so, is the proposed remedy the same in both  
20 jurisdictions?

21 A. (Leary) Yes. The Company did make the same oversight  
22 in both Massachusetts and New Hampshire. In  
23 Massachusetts, we're just adjusting the factor on a  
24 going forward basis.

1 Q. Has the Mass. Department of Public Utilities ruled on  
2 this issue?

3 A. (Leary) No, they have not.

4 Q. Can the Company determine the individual customer bill  
5 impacts over the ten year period?

6 A. (Leary) No, they could not. Not on an individual  
7 basis.

8 Q. Going forward, will the calculation of the company gas  
9 allowance factor be included in each peak period cost  
10 of gas forecast and clearly identified on the supplier  
11 balancing tariff page?

12 A. (Leary) Yes. On a going forward basis, the Company  
13 will include a new schedule, Schedule 25, which will  
14 provide the Commission and the Staff the details of  
15 that calculation. And, as stated earlier, we will also  
16 revise Tariff Page 155 to show that calculation.

17 Q. Will the Company include the updated supplier balancing  
18 tariff page in its compliance filing?

19 A. (Leary) Yes, it will.

20 Q. So, if you could just summarize once more, Ms. Leary,  
21 the Company's remedy offered regarding this issue.

22 A. (Leary) Yes. The Company went back and looked at its  
23 2010-2011 reconciliation period. And, we went back and  
24 we calculated what, for that one year period, what the

1 company allowance factor should have been. Turns out  
2 the factor should have been 1.7 percent. We then  
3 identified, since we had instructed the customers only  
4 to bring up 1.2 percent, what did that turn into in  
5 terms of the gas cost allocation issue between the  
6 sales and the transportation customers. So, it turned  
7 out it was \$132,000. So, what the Company is  
8 proposing, it has discussed with the Staff, is we are  
9 going to actually credit, through our LDAC, our bundled  
10 sales customers the \$132,000, and we're going to  
11 surcharge, again, through our LDAC, the transportation  
12 customers for the \$132,000. So, for this one year  
13 only, we will have a different LDAC factor for our  
14 bundled sales and our unbundled transportation  
15 customers.

16 Q. Now, Ms. Leary, the discussions you're referring to are  
17 the discussions at the tech session, which all the  
18 parties participated, correct?

19 A. (Leary) Yes, that is correct.

20 Q. And, there have not been subsequent discussions  
21 regarding that, is that correct?

22 A. (Leary) No, there have not.

23 Q. Thank you very much for that clarification. Ms. Leary,  
24 has the reconciliation of last year's gas cost results

1           been audited by the PUC Audit Staff?

2   A.   (Leary) Yes, they have.

3   Q.   Were there any issues related to the audit of last  
4       year's cost of gas?

5   A.   (Leary) No, there were not.

6   Q.   Has the Company provided the PUC Audit Staff with the  
7       supporting documentation for environmental remediation  
8       costs and litigation expenses?

9   A.   (Leary) Yes, we have.

10  Q.   Has the Audit Staff completed its audits of those  
11       environmental remediation and litigation costs and  
12       expenses?

13  A.   (Leary) I think they've completed their audit.  There  
14       is a draft audit report, but it has not yet been  
15       finalized to my knowledge.

16  Q.   Thank you.  Were there any issues discovered during the  
17       audit, the draft audit thus far?

18  A.   (Leary) The issue that I've already raised in my  
19       testimony this morning.  There was a case where there  
20       were labor costs of approximately \$78,000 that had been  
21       inadvertently included in our base rate case.  That was  
22       discovered in the audit process.

23  Q.   Thank you.  If any other issues arise prior to the  
24       issuance of the final audit report, does the Company

1 expect them to be resolved similar to prior years?

2 A. (Leary) Yes, we do.

3 Q. And, could you provide a little bit of background on  
4 how that usually works?

5 A. (Leary) Generally, they have not yet completed -- in  
6 most proceedings, they had not yet completed the energy  
7 audit by the time that the LDAC order is issued. So,  
8 generally, what happens is, they will put the factor in  
9 effect pending further review. And, in most cases,  
10 before the off-peak filing, they will have completed  
11 their audit. If there's any adjustments to be made,  
12 we'll reflect those adjustments in the next year's  
13 environmental filing.

14 MR. SPEIDEL: Thank you very much, Ms.  
15 Leary. Staff has no further questions for the witnesses.

16 CHAIRMAN GETZ: Thank you. Commissioner  
17 Ignatius.

18 CMSR. IGNATIUS: Thank you.

19 BY CMSR. IGNATIUS:

20 Q. Ms. Leary, since we were just talking about some of  
21 these proposed calculations and credits, can you  
22 explain again this one-time change to correct for the  
23 error in the -- if I'm right, the allowance factor for  
24 system losses that was done improperly? When would

1 that go into effect?

2 A. (Leary) That would go into effect November of 2011,  
3 pending approval.

4 Q. And, you had said you "weren't able to calculate the  
5 impact on individual customers", in response to one of  
6 Mr. Speidel's questions, but you also said it "would be  
7 credited to the bundled sales customers." Is that on  
8 an individual basis or how are you doing that credit?

9 A. (Leary) Oh, maybe I misunderstood Mr. Speidel's  
10 questions. I thought he was asking me if we were able  
11 to go back for the ten year period and determine, on an  
12 individual basis, the over -- I mean, the allocation  
13 issue. What we're doing is, we will be applying this  
14 credit to all sales customers.

15 Q. And, that's on an individual basis?

16 A. (Leary) On an individual basis, yes.

17 Q. You're only going back, though, for 2010 and 2011?

18 A. (Leary) That is correct.

19 Q. So, for the period of time prior to that, what's the --  
20 is there any remedy?

21 A. (Leary) Well, for the -- it gets a little bit  
22 complicated looking back further than the current year.  
23 A couple issues. First, these cost of gas proceedings  
24 and reconciliations have already been approved, first

1 of all. But, secondly, and maybe more important is, if  
2 we look at the transportation participation over the  
3 past ten years, we can see that, from, let's say, 2005  
4 through 2010, there's been -- our participation has  
5 almost doubled. So, it's difficult to go back and then  
6 say "well, let's go back, calculate what the impact was  
7 going back ten years", and then let's take the same  
8 approach with crediting the sales customers, you know,  
9 surcharging the transportation customers, because there  
10 could have been transportation customers that were  
11 sales customers during this ten year period, and they  
12 would have been then assessed twice for this issue.  
13 So, since the only reconciliation filing that has not  
14 yet had Commission approval was the past current year,  
15 we had decided "let's just go back and just address  
16 this for this one year period."

17 Q. All right. Thank you. Mr. Poe, you described in your  
18 opening an update on a decision the FERC had made on a  
19 settlement proposal with PNGTS?

20 A. (Poe) Yes, ma'am.

21 Q. And, I couldn't follow what you expect the next steps  
22 to be. I mean, I know you said you need to work out  
23 something else. But what are the options available to  
24 you at this point, given the FERC's determination?

1 A. (Poe) The flexibility that the Company had in its  
2 contract is, if there were third party transporters  
3 that would deliver to the Berlin citygate, the Company  
4 had the option of reducing its MDQ. Currently, it's  
5 still at 1,000. The settlement proposed taking away  
6 the flexibility and compensating the Company some  
7 amount of money to have that removed. Potentially, the  
8 Company could go back to PNGTS and just simply  
9 negotiate a new MDQ somewhat lower. That would reduce  
10 the cost of gas overall. And, we would then remove the  
11 clause that gave the reduction possibility in the  
12 future. So, I see that's probably the next step. But  
13 I'm not privy to the negotiations, so, it's just my  
14 speculation.

15 Q. And, when do you think there might be a resolution of  
16 that issue at the FERC?

17 A. (Poe) The FERC has stated that they are anticipating an  
18 initial decision by December 15th of this year. So,  
19 I'm expecting that we're going to have to wrap it up  
20 before then, so that they could stay on schedule.

21 Q. And, if there were a resolution by mid December, how  
22 would that play out in New Hampshire, in terms of  
23 timing and rate submissions?

24 A. (Poe) Ooh, I don't know particularly. That would be

1 the initial decision on the entire rate case. So,  
2 whatever comes out of the FERC, based on their decision  
3 on the rate case, that would be the impact. So, we  
4 would have to wait and see.

5 Q. So, would we see it in a future cost of gas adjustment?

6 A. (Poe) If there were changes to the rates of the  
7 pipeline, or changes in particular to our contract,  
8 yes, then it would show up in a future cost of gas  
9 hearing.

10 A. (Leary) And, just to add to that, though. I think,  
11 just like we talked about with the Tennessee rate case,  
12 if there are changes to the PNGTS, we will, and that  
13 gets approved in December 2011, we will make sure to  
14 reflect those in our monthly trigger filings. As long  
15 as it's not going above, generally, the 125 percent of  
16 the cost of gas that was approved in November, we  
17 should be able to reflect and make those changes  
18 without Commission approval.

19 Q. Mr. Sherry, a couple --

20 CMSR. IGNATIUS: Oh, excuse me. Go  
21 ahead.

22 BY CHAIRMAN GETZ:

23 Q. Yes. Can I follow up on the FERC case right now, since  
24 we're talking about that? I want to make sure I

1 understand.

2 A. (Poe) Certainly.

3 Q. And, tell me if this characterization is correct. So,  
4 the Company negotiated with PNGTS a provision that FERC  
5 found was non-conforming?

6 A. (Poe) The initial contract, which originated before the  
7 year 2000, was deemed recently by the FERC as a  
8 non-conforming contract.

9 Q. And, through an alternative means, there was an  
10 agreement between Grid and PNGTS to effectively provide  
11 some of that value to Grid through another means?

12 A. (Poe) Yes.

13 Q. That went to an ALJ who said "that's non-conforming as  
14 well"?

15 A. (Poe) Correct. Basically, the concept of a lump-sum  
16 payment was considered the same as a negotiated -- a  
17 discounted rate.

18 Q. So, what's the potential outcomes? The PNGTS and Grid  
19 agree to find some other kind of mechanism to deliver  
20 Grid, and, ultimately, its customers, the value, or  
21 FERC says "Too bad. You haven't come up with an  
22 acceptable mechanism for negotiating that value. So,  
23 there is -- it's disproved in its entirety, or that  
24 mechanism"?

1 A. (Poe) Well, I think what will happen is, nothing will  
2 be disproven in its entirety. But the Company would  
3 have to somehow bring its contract into conformance.  
4 And, it's a provision that I'm sure PNGTS doesn't want  
5 to have to offer to all of its transportation  
6 customers, like it has with this one contract. So,  
7 somehow we have to put a value on removing that one  
8 non-conforming clause.

9 Q. And providing that value in some way that FERC is going  
10 to approve?

11 A. (Poe) Will approve. Correct.

12 CHAIRMAN GETZ: Okay. All right. Thank  
13 you.

14 CMSR. IGNATIUS: Mr. Sherry, a few  
15 questions about the energy efficiency issues raised by  
16 Mr. Henry.

17 WITNESS SHERRY: Yes, Commissioner.

18 BY CMSR. IGNATIUS:

19 Q. You had stated that you have confidence that you can  
20 meet the residential budget, but concerns about the C&I  
21 budget. Why are you more likely to be able to succeed  
22 in meeting the residential budget?

23 A. (Sherry) The residential programs are heavily dependent  
24 on vendors. It's a vendor-driven program. It's

1 smaller measures, easier for customers to apply. So,  
2 the information we're receiving from our program  
3 vendors are telling us that the demand is there. On  
4 the large, you know, on the commercial and industrial  
5 side, we're seeing the demand on the small C&I programs  
6 that are structured similarly. Where it's  
7 vendor-driven, and customers are reacting to that  
8 vendor contact and the demand is there. The dilemma  
9 becomes the large C&I customers, where it's much more  
10 an individual approach, the projects tend to be larger,  
11 longer in scope to analyze and then, you know, make  
12 determinations. And, it's also a broader reflection of  
13 the economy, and customers hesitant to commit dollars  
14 until they're certain.

15 Q. Certain of what?

16 A. (Sherry) You know, certain of -- you know, they're  
17 comparing the cost of that investment for an energy  
18 efficiency measure, versus a hiring decision or  
19 something else within their facility. And, at the same  
20 time, gas costs are down. So, the savings are not  
21 quite as achievable, based on, you know, their fuel  
22 budget.

23 Q. You said that you've been taking a look at the list of  
24 possible projects the Jordan Institute had brought

1 forward. Were those projects customers that you --  
2 your company had already been in touch with?

3 A. (Sherry) Some of them were, yes.

4 Q. Were some, I take it then, that you had not yet had any  
5 contact with?

6 A. (Sherry) Some of them -- well, the list was a mixture  
7 of projects. Some customers, we were already aware of  
8 the projects, others were much more in the formative  
9 stage. Some of the customers were not connected to the  
10 gas system yet. So, it's a combination of a gas  
11 connection and then potential energy efficiency work.

12 Q. Do you know, is there a standard you apply on average  
13 lead time for a large customer, between the early leads  
14 and how long it takes to the point of actual making the  
15 investment and undertaking the efficiency measures?

16 A. (Sherry) Based on my own experience, and I've been  
17 doing this for over 20 years, a large commercial and  
18 industrial customer project can go from three to six  
19 months in the formative stage, six to nine months to  
20 make a decision, and then any time beyond that to  
21 actually get construction. But it all depends on the  
22 size and scope of the project. Some prescriptive  
23 measures can happen very quickly. But a more custom  
24 measure, a more comprehensive approach will take a long

1 period of time.

2 Q. Do the changes -- you said there were changes in  
3 staffing since October 1st for energy efficiency. Are  
4 there changes in what the staff are assigned to do as  
5 well or is it just the identification of people?

6 A. (Sherry) We've identified and placed in New Hampshire  
7 staff that are solely focused on New Hampshire. So,  
8 similar roles and responsibilities maybe to those they  
9 had before, in terms of energy efficiency program  
10 marketing and delivery, but the individuals now in  
11 place only have responsibility for New Hampshire.

12 Q. Who has been assigned for New Hampshire?

13 A. (Sherry) Well, I'll introduce Mr. Eric Stanley, who's  
14 sitting in the room. He's our new Energy Efficiency  
15 Program Manager designate going forward for the  
16 Company. We have a gentleman named Robert McLean, who  
17 is working in our large C&I programs, M-c-L-e-a-n. An  
18 individual named Margaret Curran, C-u-r-r-a-n, who's  
19 our Residential Program Manager for both gas and  
20 electric residential programs. She's been managing  
21 those programs for a number -- some period of time now,  
22 and she's now focused just on New Hampshire. We also  
23 have a gentleman named Christopher Kintz, K-i-n-t-z,  
24 who's a technical engineer, with a specialty on

1 electric energy efficiency measures, but he'll also be  
2 doing work on the gas programs. And, we have several  
3 more vacancies we anticipate filling in the event the  
4 sale is concluded.

5 Q. Your statement on the stand to Mr. Speidel that you  
6 would agree to a refund of any overcollected amounts, I  
7 don't remember the details here, if, by the end -- by  
8 October 2012, if any of the 2011 monies have not been  
9 expended -- any 2011 overcollection had not been  
10 expended, you would return to customers, is that  
11 correct?

12 A. (Sherry) That's correct.

13 Q. Is that a commitment on the residential side only or  
14 for all programs?

15 A. (Sherry) That particular discussion, my understanding  
16 with Staff, was just related to the residential  
17 programs.

18 CMSR. IGNATIUS: Okay.

19 MR. SPEIDEL: Yes, that's correct,  
20 Commissioner.

21 CMSR. IGNATIUS: Thank you. I have no  
22 other questions. Thank you.

23 BY CHAIRMAN GETZ:

24 Q. I want to try and make sure I understand some of these

1 C&I energy efficiency numbers. Because I'm looking at  
2 what's in the order of notice and what's in  
3 Mr. Cunningham's testimony, and then also Mr. Henry's  
4 letter, and something you said earlier, Mr. Sherry.

5 So, the proposed energy efficiency conservation charge  
6 for C&I is 2.98 cents per therm, as I understand it?

7 A. (Leary) That's what we initially are requesting, yes.

8 Q. And, that's a very slight decrease from the current  
9 rate, at least that's what it says in the order of  
10 notice?

11 A. (Leary) Let me double check.

12 Q. Says it's a decrease of what would be 0.08 cents per  
13 therm from the current rate. It's on Page 2 of the  
14 order of notice. And have we got it correct or -- It's  
15 right in the middle of Page 2 of the order of notice.

16 A. (Leary) What was the amount again please?

17 Q. Well, I'm looking here, it says "the proposed charge is  
18 2.98 cents per therm."

19 A. (Leary) Yes.

20 Q. And, then, it says "a decrease of 0.08 cents per therm  
21 from the current rate."

22 A. (Leary) That is correct.

23 Q. And, I guess Mr. Sherry had said earlier that the  
24 calendar year budget was, for 2012, would be an

1 increase over 2011. So, the decrease there reflects an  
2 underspending from previous years or, you know, why is  
3 the 2010 money, which Mr. Henry I guess identified as  
4 \$1.3 million, so that \$1.3 million was used as an  
5 offset to the 2012 budget?

6 A. (Leary) That is correct.

7 Q. And, then, you spoke, Mr. Sherry, of a "\$3.5 million  
8 budget" for --

9 A. (Sherry) For 2012.

10 Q. -- 2012. And, I'm looking at Page 6 of  
11 Mr. Cunningham's testimony, where he proposes an  
12 adjustment. On Line 13, he has a figure of  
13 "\$3,032,213".

14 A. (Sherry) That would be the 2011 budget. Page 11,  
15 Commissioner?

16 Q. Page 6 of Mr. Cunningham's testimony, at Line 13. We  
17 haven't marked any of this yet, but we'll get there.  
18 I'm just trying to make sure I'm comparing apples to  
19 apples.

20 A. (Sherry) I believe that's the 2011 C&I budget. The  
21 figure represented on Page 6, Line 13, of Cunningham's  
22 testimony, the "3,032,213", I believe was the 2011 C&I  
23 budget, subject to confirmation.

24 CHAIRMAN GETZ: Okay.

1 MR. SPEIDEL: Yes. That particular  
2 figure, I believe, Mr. Chairman, you can have a cross  
3 reference. Under Exhibit 3, the October 14th filing, and  
4 under Bates Page 120, you have an Energy Efficiency  
5 Programs budget summary for November 2011 through October  
6 31st, 2012.

7 CHAIRMAN GETZ: Okay. Well, let me  
8 follow up then, when we get to Mr. Cunningham on that  
9 issue. Yes. I guess I'm going to have to follow up with  
10 Mr. Cunningham on the rest of this then. Is there  
11 anything -- Ms. Hatfield?

12 MS. HATFIELD: Thank you, Mr. Chairman.  
13 In just looking at the Company's revised pages that  
14 Attorney Speidel just referred to on October 14th, looks  
15 like Bates Page 120 is the Residential Efficiency Charge  
16 figures, and it's Bates Page 121 that would show the C&I.  
17 So that the reduction that you were getting at I think is  
18 the bottom number there, the 1.74 cents for C&I.

19 CHAIRMAN GETZ: Okay. Well, I'll pursue  
20 this further with Mr. Cunningham. Anything for the  
21 witnesses, Mr. Camerino?

22 MR. CAMERINO: No thank you.

23 CHAIRMAN GETZ: Other than you reserve  
24 your right to come back?

1 MR. CAMERINO: Hopefully not, but, yes.

2 CHAIRMAN GETZ: Okay. Then, the  
3 witnesses are excused. Thank you. Mr. Camerino, I take  
4 it that's all your witnesses?

5 MR. CAMERINO: Yes. That completes our  
6 case.

7 CHAIRMAN GETZ: Well, let's take a very  
8 brief recess, and then we'll turn to Mr. Cunningham's  
9 testimony when we come back.

10 (Recess taken at 11:58 a.m. and the  
11 hearing reconvened at 12:12 p.m.)

12 CHAIRMAN GETZ: Okay. We're back on the  
13 record. Turning to Staff. Mr. Speidel.

14 MR. SPEIDEL: Yes. Thank you, Mr.  
15 Chairman. Staff would like to call Mr. James Cunningham  
16 of the Staff to the stand. And, if we could have him  
17 sworn, we'd like to ask him a few basic questions about  
18 his testimony and some other small matters related to  
19 that.

20 (Whereupon *James J. Cunningham, Jr.*, was  
21 duly sworn by the Court Reporter.)

22 **JAMES J. CUNNINGHAM, JR., SWORN**

23 **DIRECT EXAMINATION**

24 BY MR. SPEIDEL:

[Witness: Cunningham]

1 Q. Mr. Cunningham, could you please summarize your  
2 testimony filed on October the 6th on this docket.

3 A. Yes. I'd be glad to. The testimony that I filed on  
4 October 6th provides a recommendation and an analysis  
5 with it to recommend a refund for the residential LDAC  
6 and the C&I LDAC of approximately \$1.2 million. The  
7 reason for the refund recommendation for both LDACs was  
8 due to what I saw was an underspending. And, the  
9 analysis attached to my testimony and schedules  
10 attached to my testimony indicate, for the period of  
11 August, September, and October, the test period that I  
12 analyzed, it appears as though the Company would not be  
13 able to achieve its budgeted level of expenditures in  
14 those three months, and that was the basis for my  
15 recommendation to reduce the LDAC, to reflect a refund  
16 of 1.2 million for each of the two LDACs.

17 Q. Now, Mr. Cunningham, what is your job description here  
18 at the Utilities Commission?

19 A. Utility Analyst, working in the Electric Division.

20 Q. And, you have expertise related to energy efficiency  
21 programs, correct?

22 A. Yes. When the Commission restarted the energy  
23 efficiency programs in 2001, I was the analyst on the  
24 case. And, we've been running multiyear energy

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[Witness: Cunningham]

1 efficiency programs on the gas side since that time.

2 Q. Thank you. If you may, as an initial matter, could you  
3 please refer to Pages 5 and 6 of your prefiled  
4 testimony.

5 A. Okay.

6 Q. And, you can see that, at the bottom of Page 5, into  
7 the beginning of Page 6, there's a reference to certain  
8 residential LDAC calculations, correct?

9 A. Yes.

10 Q. And, you base these on the residential LDAC  
11 calculations submitted by the Company as part of its  
12 filing, correct?

13 A. Yes, I did.

14 Q. On Bates Page 120?

15 A. Yes. That actually is a -- one correction I'd like to  
16 make to my testimony. On Page 6 that you just referred  
17 to, the reference to the "residential LDAC" at the top  
18 of that page, Page Bates 120, that's correct. And,  
19 that ties in with Bates 120 in the filing, the original  
20 filing.

21 Q. Exhibit 1, correct?

22 A. Yes.

23 Q. Yes.

24 A. I believe that's the exhibit. And, however, I noticed,

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[Witness: Cunningham]

1 on Page 13, I referenced the "C&I LDAC" and I used the  
2 same Bates page reference, which was incorrect. So, I  
3 would like to correct the record and show that Line 13  
4 should say "Bates 121".

5 Q. Line 13 of Page 6 of your prefiled testimony?

6 A. Yes.

7 Q. And, that, in turn, ties into the tables provided by  
8 the Company as part of Exhibit 3, dated October the  
9 14th. You have the calculation of the residential  
10 LDAC, the updates on Pages 120 and 121, Bates pages  
11 120, 121, of Exhibit 3; 120 being the residential  
12 figures and 121 being the commercial/industrial  
13 figures, is that correct?

14 A. Yes.

15 Q. And, you can see, if you will, within the updated  
16 filing, Mr. Cunningham, that the line item reading  
17 "Total Charges" has been adjusted, correct, by the  
18 Company?

19 A. Line item for "Total Charges" in my testimony or in the  
20 Exhibit 3?

21 Q. Exhibit 3.

22 A. In Exhibit 3. Yes. The Page 120, Bates 120, shows  
23 charges for the residential program.

24 Q. You mean "121", correct, for the commercial/industrial?

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[Witness: Cunningham]

1 A. C&I, okay.

2 Q. Yes.

3 A. Refer to 121, yes. The charges in the block for the  
4 C&I conservation charge shows a total amount of charges  
5 of 1.769 million, 1.8 million. And, that ties to the  
6 Line 15 in my testimony, adjusted C&I LDAC,  
7 1.823 million. The numbers are slightly different.  
8 I'm not sure exactly why perhaps the calculation of  
9 interest. But, essentially, what we're saying here is  
10 that, if you were to start with the beginning balance  
11 and remove \$1.2 million from it, you'd get to  
12 1.8 million. I had recommended the removal of  
13 \$1.2 million in the calculation of the C&I LDAC. The  
14 Company's Exhibit 3 revised filing adopted that  
15 recommendation, and includes the \$1.2 million refund  
16 for the C&I LDAC.

17 Q. Excellent. Thank you very much, Mr. Cunningham. Now,  
18 have you heard Mr. Sherry's discussion on behalf of the  
19 Company of the Company's acceptance of a potential  
20 remedy for residential monies received during 2011,  
21 carried forward in an overcollection for 2012?

22 A. Yes, I did. I respect the Company's opinion on its  
23 ability to serve customers in the queue. And, I found  
24 his analysis persuasive.

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[Witness: Cunningham]

1 MR. SPEIDEL: Thank you very much. I  
2 have no further questions for Mr. Cunningham.

3 CHAIRMAN GETZ: Ms. Hatfield.

4 MS. HATFIELD: Thank you, Mr.  
5 Cunningham. Good afternoon, Mr. Cunningham.

6 WITNESS CUNNINGHAM: Good afternoon.

7 **CROSS-EXAMINATION**

8 BY MS. HATFIELD:

9 Q. When you developed your testimony that was filed on  
10 October 6th, your recommendation was to credit back  
11 amounts both to residential and commercial/industrial  
12 customers, is that right?

13 A. Yes. That's correct.

14 Q. Did you review the Company's approved program plan for  
15 2011 when you made that recommendation?

16 A. The program plan in Docket DE 10-188 --

17 Q. Yes.

18 A. -- you're referring? Not fully, because the filing for  
19 changes had just basically come in September 30th. So,  
20 I reviewed the filing at September 30th for 2012. And,  
21 in that context, I could see the projected expenditures  
22 in that filing were consistent with the projected  
23 expenditures in the LDAC filing. But, beyond that, I  
24 didn't analyze it any further.

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[Witness: Cunningham]

1 Q. So, last year's filing in DE 10-188 that has all of the  
2 details about the programs and the budgets for each  
3 particular offering, you didn't review those?

4 A. Not for the purpose of this analysis.

5 Q. Did you review the GDS Efficiency Potential Study that  
6 the Commission commissioned a few years ago to study  
7 the efficiency potential in the state when you made  
8 your analysis?

9 A. Not in the context of this LDAC analysis, no.

10 Q. Did you conduct any outreach to any customers or groups  
11 that represent customers in your -- in developing your  
12 position?

13 A. No. Maybe I should stop and clarify the analysis that  
14 I provided in my testimony. The analysis was pretty  
15 limited. It was limited solely to the three months  
16 August, September, and October. "How well did the  
17 Company project to -- project its expenditures based on  
18 its actual performance?" It was clear to me that the  
19 performance that the Company had achieved, as  
20 represented by my testimony at Schedule JJC-2, it was  
21 apparent to me that the Company could achieve spending  
22 based on its actual performance of, let's refer to C&I,  
23 the C&I Schedule 3, JJC-3 in my testimony. Based on my  
24 analysis of the performance that the Company had

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[Witness: Cunningham]

1 achieved in the prior months, I concluded that the  
2 Company could spend \$63,745 in August; 156,941 in  
3 September; and 173,017 in October. That was based on  
4 the performance that the Company had actually achieved  
5 in the prior months.

6 The forecast that the Company put  
7 forward, however, was 544,674 in each of those three  
8 months. So, based on what I saw as company performance  
9 over the recent prior months, it looked like the  
10 Company could not achieve the level of forecasted  
11 proposed of 545,000. So, on that basis alone, I  
12 developed a short piece of testimony to inform the  
13 Commission that it appeared as though, solely based on  
14 the scorecard, so to speak, the Company would not be  
15 able to achieve its forecasted level of spending.

16 Q. Would it be fair to characterize your analysis as an  
17 "accounting analysis"?

18 A. "Accounting analysis"? For purposes of calculating the  
19 LDAC, I would say perhaps it's a "reconciliation  
20 analysis". And, when we look at reconciliation  
21 analyses, we look at the spending that's projected.  
22 So, in that context, I looked at the spending that was  
23 being projected by the Company, and it looked like the  
24 Company was a little bit too aggressive on its

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[Witness: Cunningham]

1 anticipated spending of 544,000 each month, in the next  
2 three months.

3 Q. What mix of measures or what particular programs did  
4 you factor in when you prepared your projection for  
5 those three months?

6 A. Again, it was not based on any particular analysis of  
7 measures. It was based solely on the analysis of the  
8 scorecard and what the Company was able to achieve in  
9 the recent prior months.

10 Q. Did you hear Ms. Leary testify earlier and agree with  
11 me that sometimes efficiency spending is a bit lumpy,  
12 in that it's not predictable from month to month?

13 A. Yes, I recall that.

14 Q. Do you also recall her testifying that the monthly  
15 figures that the Company projects are really just them  
16 trying to take the 12 months of spending and allocate  
17 it over the months of the year?

18 A. Yes. Yes, I recall that. And, I think that's where my  
19 analysis differed a little bit from the Company's. The  
20 Company was trying to fit into the three months,  
21 August, September, and October time frame, spending  
22 that would achieve the Commission approved budget for  
23 the 12 month period. But, given the actual experience  
24 that the Company was underrunning in its spending of

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[Witness: Cunningham]

1 these programs, it appeared as though they were not  
2 going to be able to achieve the level of spending that  
3 the Commission had approved. So, because of that, my  
4 analysis picked out those three months, and tried to  
5 determine, even given the lumpiness of the forecast,  
6 what an appropriate forecast would be, rather than the  
7 forecast put forward by the Company of 544,674 each  
8 month.

9 So, what I did was I tried to  
10 incorporate the actual lumpiness as experienced by the  
11 Company in 2010 into the forecast that I developed for  
12 August, September, and October. And, I did that by  
13 looking at the three months August, September, and  
14 October, in 2010, and I found that lumpiness that you  
15 mentioned. For instance on Schedule JJC-4 of my  
16 testimony, I had, for August, calculated 11 percent of  
17 the spending through July as being what was actually  
18 expended in August of 2010. Then, it jumped to  
19 27 percent in September, 147,174, on JJC-4, the actual  
20 spending in September was 27 percent of the year to  
21 date July spending, and then it increased a little bit  
22 more in October, to 162,000.

23 So, when I recognized that in my  
24 analysis, I recognized it by taking the Company's

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[Witness: Cunningham]

1 actual spending through July, columns to the right,  
2 under "Staff Recommended Spending", and I determined  
3 that, through July, the Company actually spent 583,650.  
4 So, there was no concern about that level of spending,  
5 it was what was reported to the Commission. However,  
6 in terms of the lumpiness that you mentioned, I applied  
7 the factors of 11 percent, 27 percent, and 30 percent,  
8 respectively, to arrive at a forecast for August,  
9 September, and October.

10 Q. And, did you hear -- or, excuse me, your counsel,  
11 Attorney Speidel, asked you about the Company's  
12 willingness or their desire to retain the residential  
13 funds and their belief that there are sufficient  
14 projects in the queue. Do you recall that?

15 A. Yes, I do.

16 Q. And, I think you testified that you "found the  
17 Company's analysis persuasive", is that right?

18 A. Yes. I also said that I "deferred to the Company's  
19 judgment in this area, because they're more expert at  
20 what's in the queue."

21 Q. Do you support retaining the residential funds and  
22 allowing the Company to spend those funds on efficiency  
23 programs?

24 A. The Company is refunding the amount?

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[Witness: Cunningham]

1 Q. No. The Company is spending the amount.

2 MR. SPEIDEL: Perhaps you can --

3 **BY THE WITNESS:**

4 A. Oh, on the residential side, I'm sorry.

5 BY MS. HATFIELD:

6 Q. Yes. Residential.

7 MR. SPEIDEL: Perhaps Attorney Hatfield  
8 could be a little more specific in terms of the  
9 interstices of what time frame we're discussing.

10 MS. HATFIELD: Absolutely.

11 BY MS. HATFIELD:

12 Q. Mr. Cunningham, on the revised tariff pages that the  
13 Company filed on October 14th, which is Exhibit 3, do  
14 you have that?

15 A. Yes.

16 Q. If you turn to Bates Page 120.

17 A. Okay.

18 Q. This shows the Company's proposal for the Residential  
19 Efficiency Charge, do you see that?

20 A. Yes.

21 Q. And, in the small box on the bottom left of the page,  
22 it shows the "Residential Rate". Do you see that?

23 A. Yes.

24 Q. And, they're proposing that it be "4.98 cents", do you

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[Witness: Cunningham]

1 see that?

2 A. Yes, I do. "0.0498 per therm".

3 Q. And, is that acceptable to Staff to charge that rate?

4 A. Yes.

5 Q. Mr. Cunningham, do you know if the parties in DE 10-188  
6 were provided notice of Grid's request to reduce its  
7 efficiency spending?

8 A. For residential programs, are you referring, or for C&I  
9 programs?

10 Q. For both.

11 A. The current filing on Page 9, filed on September 30th,  
12 talks about this issue, but mentions that the  
13 stakeholders are still in discussion about the level of  
14 spending. So, I'm not sure that this point has been  
15 adequately ventilated so far in the context of that  
16 other proceeding.

17 MS. HATFIELD: Thank you, Mr. Chairman.  
18 I have nothing further.

19 CHAIRMAN GETZ: Thank you. Mr.  
20 Camerino?

21 MR. CAMERINO: No questions. Thank you.

22 CHAIRMAN GETZ: Commissioner Ignatius.

23 BY CMSR. IGNATIUS:

24 Q. Mr. Cunningham, I think I'm understanding what you're

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[Witness: Cunningham]

1 saying, but I just want to be certain. Although,  
2 initially, you had looked towards reductions in both  
3 the residential and the C&I programs, you are now  
4 persuaded that, on the residential side, the charge  
5 should remain as filed, because the Company's  
6 explanation of how it thinks it can meet the budgeted  
7 amount has been persuasive to you, is that right?

8 A. Yes. Maybe I can provide a little bit of a context for  
9 this also. This is a very compressed docket. And, the  
10 review of the issues has to be done in a pretty quick  
11 time period. And, at the time of my initial analysis,  
12 there was some discussion about the C&I program. And,  
13 because of the magnitude of the C&I underspending, I  
14 developed and the Company responded to several  
15 discovery questions about the C&I program. So, we  
16 really didn't have enough discovery on the residential.

17 However, after getting into the C&I  
18 analysis in the context of my testimony, I looked at  
19 the residential issue. And, I found a similar  
20 condition on the residential side. Unfortunately, I  
21 didn't have an opportunity to have provided discovery  
22 on that at that time.

23 However, subsequent to our receiving the  
24 responses from the Company, we met before the hearing

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[Witness: Cunningham]

1 this morning and discussed this issue, and also the  
2 Company witnesses discussed this issue further. And,  
3 based on our meeting this morning and the discussion  
4 here in testimony, it was my conclusion that the  
5 Company is more expert at what's in the queue on the  
6 residential side than I. And, chatted with Steve Frink  
7 about this also, and we came to the conclusion that we  
8 should give the Company the opportunity one more time  
9 to meet its forecast on the residential side. And, it  
10 came with one little caveat, which was mentioned also  
11 by the Company witnesses, and that was that, if, at the  
12 end of the actual spending period, going into the next  
13 CGA, the Company continues to show an underspending on  
14 the C&I side, that the Company will refund that money  
15 at the time of the next CGA.

16 MR. SPEIDEL: And, if I may interrupt?

17 WITNESS CUNNINGHAM: Yes.

18 MR. SPEIDEL: Mr. Cunningham, you're  
19 referring to the residential program?

20 WITNESS CUNNINGHAM: The residential  
21 program, yes.

22 MR. SPEIDEL: Yes. Thank you.

23 CMSR. IGNATIUS: I have nothing else.

24 Thank you.

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[Witness: Cunningham]

1 BY CHAIRMAN GETZ:

2 Q. Yes. Mr. Cunningham, I just want to make sure I can  
3 track some of these numbers and how this plays out,  
4 focusing entirely on the C&I programs. And, if I begin  
5 with Exhibit Number 1, the original filing, Bates stamp  
6 Page 121, --

7 A. Okay.

8 Q. -- and that box in the lower left-hand corner?

9 A. Yes.

10 Q. So, it says "beginning balance", and it's a negative  
11 1,454,000. And, then, it goes to the "Program Budget",  
12 which is 4.5 million. And, I may have confused  
13 something that -- I may have confused residential and  
14 commercial earlier from something Mr. Sherry said. But  
15 the program budget for the upcoming year for C&I is  
16 4.5 million?

17 A. Yes. I see that.

18 Q. And, that beginning balance, that negative, the  
19 1.4 million, is that the unspent funds from the 2010?

20 A. I can clarify that for you. If you look at this  
21 schedule on Bates 121, and you look at the first  
22 boldened line under October of 2011?

23 Q. Yes.

24 A. And, you follow that line across to "Ending Balance

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[Witness: Cunningham]

1 Plus Interest", four columns from the right, the  
2 1.454708 million is the ending balance of the LDAC for  
3 the C&I mechanism, as forecast by the Company at the  
4 end of October 2011, not 2010.

5 Q. Okay.

6 A. So, it's a rolling balance that is accumulated up  
7 through and including all of the actual and the  
8 forecast activity for August, September, and October of  
9 2011. And, that's the starting balance of the  
10 Company's rate calculation as it goes into the new CGA  
11 winter period starting in November 2011.

12 Q. Okay. And, then, the change from Exhibit 3 is  
13 basically on the beginning balance, what the Company  
14 does is add its 1.2 million to the previous  
15 1.454 million, and then goes on from there? Because  
16 the beginning balance in the revised exhibit says  
17 "\$2,700,414". I keep getting the wrong people up here  
18 to ask the questions to, but --

19 A. I'm sorry. Yes, I'm just looking at this for the first  
20 time. I just got it from Attorney Speidel this  
21 morning. The 2.7 million, about all I can tell you  
22 about that number right now is, as I look at it, is  
23 it's the beginning balance, which tracks to the exhibit  
24 above, under the emboldened line for October, at the

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[Witness: Cunningham]

1 same point in time, the end of October.

2 CHAIRMAN GETZ: But, Mr. Camerino, can  
3 you make a representation on whether I'm going down the  
4 right path, that the 2.7 million reflects the Company's  
5 effort to reflect Mr. Cunningham's proposal?

6 MR. CAMERINO: Yes, that's my  
7 understanding. And, also, if the Chairman would like to  
8 have Ms. Leary answer any of these questions, she's  
9 available to do that as well.

10 CHAIRMAN GETZ: All right. Thank you.  
11 I just want to try to walk myself through this.

12 BY CHAIRMAN GETZ:

13 Q. And, if you hadn't made your proposed adjustment here,  
14 this \$1.2 million, and if it turned out, in fact, that  
15 that money wasn't spent in the current year, it would  
16 have rolled out in our next proceeding as a negative  
17 beginning balance, that's the way it would work?

18 A. In our next CGA proceeding?

19 Q. Yes.

20 A. Yes.

21 CHAIRMAN GETZ: Okay. That's all I  
22 have. Mr. Speidel, do you have anything further?

23 MR. SPEIDEL: Yes. If I could just ask  
24 one last question on redirect, Mr. Chairman.

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[Witness: Cunningham]

**REDIRECT EXAMINATION**

1  
2 BY MR. SPEIDEL:

3 Q. We've heard, Mr. Cunningham, some snippets on the  
4 residential refund remedy from both yourself and Mr.  
5 Sherry. But, just to make it clear, what we are  
6 referring to is a mechanism by which the 2011  
7 cumulative overage, the overcollection on residential  
8 energy efficiency collections through the LDAC charge,  
9 must be spent by the Company over the course of the  
10 upcoming cost of gas period and the summer cost of gas  
11 period, so that, as of October 2012, any funds that  
12 have not been spent from that overcollection must be  
13 refunded to the customers. And, I believe,  
14 Commissioners, the potential mechanism, this might  
15 require some level of further discussion by which this  
16 would be accomplished, is that, at the next cost of  
17 gas, we would have an accounting item reporting, where  
18 the remaining overcollection, if any, would be reported  
19 back to Staff, and then would be somehow incorporated  
20 into the cost of gas calculation, so that customers  
21 could have a refund item. Is that your general  
22 understanding of what has been discussed today?

23 A. Yes, it is.

24 Q. Thank you very much, Mr. Cunningham. And,

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[Witness: Cunningham]

1 Mr. Cunningham, ultimately, this sort of remedy has  
2 been first raised to Staff this morning before the cost  
3 of gas hearing, is that correct?

4 A. Yes. That's correct.

5 MR. SPEIDEL: Thank you very much. No  
6 further questions.

7 CMSR. IGNATIUS: Just to clarify one  
8 thing. Mr. Speidel, when you said that it "first be  
9 reported to Staff", do you mean "Staff and the OCA"?

10 MR. SPEIDEL: Well, I was -- yes, Staff  
11 and the entire set of parties on the service list in the  
12 docket as a filing on the cost of gas. But, of course,  
13 Staff would have the responsibility of auditing that  
14 accounting item and reviewing that.

15 CMSR. IGNATIUS: Thank you.

16 MR. SPEIDEL: Thank you.

17 MR. CAMERINO: Mr. Chairman, just to  
18 clean up the record on the line of questioning, if I could  
19 ask Mr. Cunningham a couple of questions?

20 CHAIRMAN GETZ: Please.

21 **RE-CROSS-EXAMINATION**

22 BY MR. CAMERINO:

23 Q. Mr. Cunningham, could you turn to your Exhibit JJC-3  
24 that's attached to your testimony.

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[Witness: Cunningham]

1 A. This is the C&I LDAC rate.

2 Q. It's Page -- Bates Page 012 of your testimony.

3 A. Okay.

4 Q. You see that?

5 A. Yes.

6 Q. And, there you have a first column, and at the bottom  
7 you show an ending balance October 31, 2011 of a credit  
8 of approximately 1.4 million, correct?

9 A. Yes.

10 Q. And, that's from the Company's filing?

11 A. Yes.

12 Q. And, then, you have a second column, which shows, if  
13 your proposal on the C&I energy efficiency charge were  
14 adopted, it would result in a credit of 2.678 million,  
15 do you see that?

16 A. Yes.

17 Q. And, you'll recall that the Chairman was asking about  
18 the difference between that and the Company's Bates  
19 Page 121, which shows a credit of approximately  
20 2.7 million?

21 A. Yes.

22 Q. Okay. Would you just read Footnote 1 in your table and  
23 see if that would be the explanation, from your  
24 understanding, of the slight difference between those

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[Witness: Cunningham]

1 two numbers.

2 A. Without checking further, I would say, yes, that would  
3 be an explanation for that difference.

4 MR. CAMERINO: Right. All right. Thank  
5 you.

6 CHAIRMAN GETZ: And, also, while we're  
7 at it, let's mark for identification as "Exhibit Number 5"  
8 Mr. Cunningham's testimony from October 6.

9 (The document, as described, was  
10 herewith marked as **Exhibit 5** for  
11 identification.) is

12 CHAIRMAN GETZ: Is there anything  
13 further for the witness?

14 (No verbal response)

15 CHAIRMAN GETZ: Hearing nothing, then  
16 you're excused. Thank you. Okay. Now, we have a joint  
17 venture by the Office of Consumer Advocate and the Jordan  
18 Institute.

19 MS. HATFIELD: Thank you, Mr. Chairman.  
20 The OCA calls Dick Henry to the stand.

21 MR. HENRY: "Please slow down."

22 MR. PATNAUDE: Before we even get  
23 started. Please raise your right hand.

24 MR. HENRY: I mean, I'll tell you, the

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[Witness: Henry]

1 stenographer knows me too well.

2 MR. PATNAUDE: Is he going to be sworn  
3 in? He is going to be sworn, correct? Yes. Just raise  
4 your right hand please.

5 MR. HENRY: I'm afraid I am not prepared  
6 to raise my right hand. I am a member of the Society of  
7 Friends and I will affirm.

8 MR. PATNAUDE: Okay. I can do it that  
9 way.

10 (Whereupon *D. Dickinson Henry Jr.*, was  
11 duly sworn/affirmed by the Court  
12 Reporter.)

13 **D. DICKINSON HENRY, JR., AFFIRMED**

14 **DIRECT EXAMINATION**

15 BY MS. HATFIELD:

16 Q. Good afternoon, Mr. Henry.

17 A. Good afternoon.

18 Q. Would you please state your full name for the record.

19 A. My name is David Dickinson Henry, Junior.

20 Q. By whom are you employed?

21 A. I'm the Executive Director of the Jordan Institute.

22 Q. What is your business address?

23 A. Forty-nine North Main Street, Concord, New Hampshire.

24 Q. How long have you been with the Jordan Institute?

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[Witness: Henry]

1 A. Approximately six years.

2 Q. What is your prior experience with regard to energy  
3 efficiency?

4 A. Well, that's a long story. When I was Director of the  
5 administrative staff of the Massachusetts Audubon  
6 Society scientific staff, in the '70s, I participated  
7 in the New England Energy Efficiency Conference as a  
8 member and representative. That was when Amory Lovins'  
9 first soft energy paths came out. And, the  
10 congressional delegation in the Northeast as a result  
11 of very high energy prices and long lines at the gas  
12 station, he was trying to impact national policy. That  
13 was 35 years ago. I have --

14 CHAIRMAN GETZ: You're going to move  
15 this along.

16 **BY THE WITNESS:**

17 A. Yes. I've done a lot. I'm a member of the Energy  
18 Efficiency and Sustainable Energy Board here. I've  
19 served as advisor to Public Service of New Hampshire on  
20 various energy-related issues. You know my background.  
21 But, basically, the more relevant things at the moment  
22 is I serve as the technical advisor to the Enterprise  
23 Energy Fund, and we're dispersing about \$10 million of  
24 ARRA funds. I am in partnership with the Retail

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[Witness: Henry]

1 Merchants Association on a RGGI-funded program for the  
2 commercial and industrial sector, which we have  
3 essentially designed and are implementing. I work with  
4 Jack Donovan at the Business Finance Authority, which  
5 also has \$4 million worth of revolving funds for the  
6 commercial and industrial sector, and numerous other  
7 programs. I have a staff that is experienced in  
8 auditing, have been trained by numerous workshops  
9 working with the many experts all around the country,  
10 both developing policy, but, more importantly, dealing  
11 with the barriers of implementation of energy  
12 efficiency and conservation.

13 BY MS. HATFIELD:

14 Q. And, you've participated in the CORE and gas efficiency  
15 dockets at the Commission?

16 A. I have for many years, both at the Jordan Institute  
17 and, prior to that, at the Massachusetts -- at the New  
18 Hampshire Audubon Society at that time.

19 Q. And, you have expertise in both residential and  
20 commercial/industrial efficiency programs and policies?

21 A. I do.

22 Q. And, you filed a comment letter in this docket, is that  
23 correct?

24 A. I did.

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[Witness: Henry]

1 MS. HATFIELD: Mr. Chairman, would the  
2 Commission like to mark that as an exhibit?

3 CHAIRMAN GETZ: Let's mark it for  
4 identification as "Exhibit Number 6".

5 (The document, as described, was  
6 herewith marked as **Exhibit 6** for  
7 identification.)

8 BY MS. HATFIELD:

9 Q. And, at the beginning of your letter, Mr. Henry, you do  
10 briefly state the Jordan institute's mission, correct?

11 A. Correct.

12 Q. Have you reviewed both the Company's proposal and the  
13 Staff testimony in this docket?

14 A. I have.

15 Q. And, I think, in your letter, you pretty clearly state  
16 that you're opposed to providing a credit back to C&I  
17 customers, is that right?

18 A. I am.

19 Q. And, --

20 A. And, I should say that it's not Dick Henry being  
21 opposed to it, and it's not just the Jordan Institute.  
22 It is the general belief of many of the trade  
23 associations that I've listed at the end of my letter,  
24 in addition to personal communications from numerous

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[Witness: Henry]

1 commercial building owners, as well as speaking to many  
2 vendors in the business, all of which have essentially  
3 said the same thing.

4 Q. Which is?

5 A. They don't want the money back. And, they want to see  
6 the money used for the purposes it was originally  
7 intended.

8 Q. In the second paragraph of your letter, you talk about  
9 unspent funds from both 2010 and 2011, is that correct?

10 A. That is correct.

11 Q. So, is your position that the Company should retain all  
12 of those funds and spend them?

13 A. It is. There's about 1.3 million in the 2010 numbers  
14 and there's about 1.2 million in the 2011 budget.

15 Q. Do you recall that Attorney Camerino asked Mr. Sherry  
16 some questions about the state of the economy and gas  
17 costs?

18 A. I did.

19 Q. Do you agree that economic factors and gas costs are  
20 causing large customers to not make efficiency  
21 investments?

22 A. Well, no, I don't, because the barriers to  
23 implementation are changing rapidly. We worked hard at  
24 Jordan, for instance, to pass the PACE legislation two

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[Witness: Henry]

1 years ago, which would have provided funding. Mr.  
2 Sherry accurately reflects the fact that businesses are  
3 not at all anxious to take on additional expenses that  
4 show up on their balance sheets. But a number of  
5 mechanisms are being developed as we speak, and some  
6 exist at the moment, that allow businesses to go  
7 forward without that dilemma. And, the Enterprise  
8 Energy Fund and many of the other programs I mentioned  
9 using ARRA funds are in the midst of implementing those  
10 projects as we speak. So, there is, you know, several  
11 tens of millions of dollars that are getting  
12 implemented at the moment that were not available even  
13 as little as six months to a year ago. And, the Retail  
14 Merchants Association, the EEF Fund, the Business  
15 Finance Authority Fund, and there are similar programs  
16 on the municipal side, which also would qualify for  
17 these funds that I haven't even listed. There's  
18 another six and a half million dollars in the TRF  
19 Program. There's another \$6 million, as you are aware,  
20 under RGGI Funds from the Pay-For-Performance Program.  
21 In short, there's a lot of money out there right now  
22 that people are anxious to spend, and are under  
23 pressures to spend, because of the limitations of the  
24 ARRA funding, for instance, which has to be out by

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[Witness: Henry]

1 April 30th of this month -- of this coming year, and  
2 the RGGI funds which need to be out within two years.

3 So, there's a lot of projects that are  
4 currently in the works and about to go into or are  
5 already in implementation that could dramatically  
6 benefit from the entire \$6 million that, in my opinion,  
7 should be available from the gas customers.

8 And, the ironic thing here is, the  
9 customers want the money. They have paid it and they  
10 want it used for the purposes that it was intended for.  
11 And, the Company wants -- is eager and willing to work  
12 with the Collaborative to make this happen. The  
13 problem is, the Company, we think, will be changing  
14 hands. And, the new company doesn't want to over  
15 promise and under deliver, which I completely  
16 understand. And, I feel, what I am recommending, is  
17 that the Company be held to the \$3.5 million target,  
18 and the Collaborative will help them spend that. But  
19 the Collaborative should be given the opportunity to  
20 spend the additional \$2.5 million and, you know,  
21 practice what we preach, to quote John Lennon, "give us  
22 a chance."

23 Q. In your fourth paragraph of your letter, you say that  
24 "the Jordan Institute has identified \$4 million worth

[Witness: Henry]

1 of rebates in current projects."

2 A. Yes.

3 Q. I am assuming you can't identify specific projects  
4 because of confidentiality issues?

5 A. Yes. I've shared them with the Company. And, as they  
6 have said, they're going to back to check. Some of  
7 them they knew about; some of them they didn't know  
8 about. I was given approximately two weeks to come up  
9 with this list. And, I'm sure each of the trade  
10 associations have said they would be more than happy to  
11 get notice out to their members, the Hospital  
12 Association, the Restaurant & Lodging Association, the  
13 Grocers Association, the Business & Industry  
14 Association, the Retail Merchants Association,  
15 *etcetera, etcetera*. And, I have also spoken to the  
16 Chambers of Commerce in both Concord and Manchester, I  
17 hadn't had the chance to get to Nashua quite yet, and  
18 they are both interested in folks coming down and  
19 speaking to them.

20 The point is, the marketing at the  
21 medium and large size customers has to be done  
22 one-on-one. That's the only way. These companies do  
23 not have enough time to sort of think this all through  
24 on their own, and that's what we do a lot of at the

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[Witness: Henry]

1 Jordan Institute, and bring to their attention  
2 technologies, financing, rebates, *etcetera, etcetera,*  
3 *etcetera.*

4 And, frankly, I think that the Company  
5 would agree that, for the past two years, very little  
6 of that has been done, and that is certainly what I'm  
7 hearing on the street, is an overall frustration with  
8 the Company, after repeated attempts to get ahold of  
9 them, that they're not responding. So, that is why I  
10 think a collective effort going forward would be very  
11 constructive. But I do not think it's fair to expect  
12 the Company to be responsible for the entire  
13 \$6 million.

14 Q. Mr. Henry, if we do some simple math, and we take the  
15 \$1.2 million credit that Staff is proposing for C&I  
16 customers, and we divide it by the 10,000 C&I customers  
17 that Mr. Sherry testified that the Company has in this  
18 state, that comes out to about a \$120 credit per  
19 customer, not taking into account usage. Would you  
20 agree with that?

21 A. I would agree with that for the 2011 year. There's an  
22 almost similar amount for the 2010 year. So, you're  
23 offering the companies essentially \$20 a month.

24 Q. And, if we look at your second to last paragraph in

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[Witness: Henry]

1 your letter, you talk about the benefits of efficiency,  
2 in that it provides "an economic multiplier effect",  
3 and also the benefits over time from efficiency  
4 measures. And, I was wondering if you could speak to  
5 those benefits?

6 A. Yes. I'd be delighted to. Let us assume that the  
7 commercial and industrial sector is given an  
8 opportunity to spend this additional \$2.5 million. By  
9 and large, this is usually about 30 to 33 percent of  
10 the cost of the budget. So, the industry will put up  
11 another \$5 million. So, right off the bat, ratepayers  
12 will get a two-to-one match. On most programs, --

13 MR. CAMERINO: Excuse me. Just if I  
14 could object to this particular line of questioning. It  
15 just -- it's going to be obviously very fact-intensive. I  
16 think the Company would stipulate that there are benefits  
17 to energy efficiency spending. But we're really not in a  
18 position to be able to cross-examine Mr. Henry on, you  
19 know, the calculations that he's going to offer up here.  
20 I don't think his point of that there are benefits and  
21 leveraging is disputed.

22 CHAIRMAN GETZ: Ms. Hatfield.

23 MS. HATFIELD: Thank you.

24 WITNESS HENRY: Can I just make one

{DG 11-192} {10-17-11}

[Witness: Henry]

1 point? I appreciate Attorney Camerino's position, and I  
2 realize -- I'm happy to be cross-examined on any of this  
3 stuff. But I just want to make one point right now. In  
4 addition to the gas customers, the price differential  
5 between oil and gas is so great now, I don't think we've  
6 ever seen it this great before, that the market-based  
7 drivers to encourage businesses to look at switching over  
8 to gas are overwhelming.

9 This morning, West Texas Intermediate  
10 was at \$87, which is what people look at and think is "oh,  
11 that's a nice low price."

12 (Court reporter interruption.)

13 **BY THE WITNESS:**

14 A. West Texas Intermediate. In fact, no West Texas  
15 Intermediate ever makes it to the Northeast. What is  
16 the real price is \$112 of the Brent oil. So, right  
17 now, the company that switched from gas to oil would  
18 reduce its cost by 61 percent. This is a very serious  
19 driver. Thank you.

20 MS. HATFIELD: I have nothing further.  
21 Thank you, Mr. Chairman.

22 CHAIRMAN GETZ: Mr. Speidel.

23 MS. HATFIELD: Oh. Actually, I did have  
24 one.

{DG 11-192} {10-17-11}

[Witness: Henry]

1 BY MS. HATFIELD:

2 Q. Mr. Henry, did you hear the testimony about a  
3 compromise that would allow the Company to keep the  
4 residential unspent funds?

5 A. I did.

6 Q. Do you support that?

7 A. I do.

8 MS. HATFIELD: Thank you. Nothing  
9 further.

10 CHAIRMAN GETZ: Mr. Speidel.

11 MR. SPEIDEL: I just have one quick  
12 question for Mr. Henry.

13 **CROSS-EXAMINATION**

14 BY MR. SPEIDEL:

15 Q. You alluded to this a little bit earlier, but you  
16 haven't been able to provide Staff, in advance of this  
17 hearing, of any, including Mr. Cunningham, of any  
18 details regarding these projects or the specific  
19 identities of the project progenitors, is that correct?

20 A. I have only given them to the Company.

21 Q. You have only given them to the Company?

22 A. Right. Given enough time, I would be happy to talk to  
23 the clients and get their permission to share the  
24 possibility, you know, the possibility of using these

[Witness: Henry]

1 rebates. Frankly, most of these clients don't even  
2 know they exist.

3 MR. SPEIDEL: Thank you. No further  
4 questions.

5 CHAIRMAN GETZ: Mr. Camerino.

6 MR. CAMERINO: Thank you.

7 BY MR. CAMERINO:

8 Q. Mr. Henry, you list at the end of your letter, which  
9 has been marked as "Exhibit 6", a number of  
10 organizations. Have you been authorized by those  
11 organizations to testify on their behalf today or are  
12 you just testifying on behalf of the Jordan Institute?

13 A. I'm just testifying on behalf of the Jordan Institute.  
14 And, in my letter, what I tried to indicate was that  
15 all of those groups expressed interest in participating  
16 in such a collaborative. But, many of them said to me,  
17 "we would have to take this back to our boards and get  
18 formal approval", and so forth and so on. Which I  
19 think they mostly were eager to do, but the process was  
20 moving so fast, and we had such a short time to work  
21 in, that that kind of a procedural thing could not be  
22 accomplished.

23 Q. You talk at the end of your direct testimony about the  
24 opportunities for converting customers who use other

[Witness: Henry]

1 fuels over to gas, do you recall that?

2 A. Uh-huh.

3 Q. So, with regard to those prospective customers that  
4 you're referring to, obviously, those are people who  
5 are not today customers of National Grid NH, correct?

6 A. That is correct. And, one of the reasons why the  
7 proposed rebate approach by the Staff makes no sense to  
8 those customers, because they wouldn't benefit from it.  
9 They also weren't paying it either.

10 Q. Uh-huh. And, to the extent that those customers are in  
11 the \$4 million worth of projects that you refer to in  
12 your letter, there would be costs associated with  
13 reaching out physically to those customers to connect  
14 them to the system, correct?

15 A. That's all over the map. Some of those costs, for  
16 instance, when we connected River Bend here in Concord,  
17 was literally, you know, 30 feet, if that. Others, the  
18 distances can become prohibitive. And, in discussions  
19 with the Company in the past couple of weeks, it was  
20 made very clear to me that those costs are under a  
21 completely different source of funding and would not be  
22 related to this particular pot of money.

23 Q. You're talking about the cost of extending the  
24 Company's system to reach those customers?

{DG 11-192} {10-17-11}

[Witness: Henry]

1 A. Correct.

2 Q. And, if you know, is that the tariff provision that  
3 relates to when a customer has to contribute to the  
4 cost of connecting to the system?

5 A. I have no idea. But I think there are two problems  
6 here. One is connecting to a customer who hasn't been  
7 connected. And, the other is where gas just isn't  
8 available, you know, you have to go half a mile to get  
9 there. But the other problem is, and we see this in  
10 Concord, is the existing demand for gas, even though  
11 it's in the street, has very limited capacity. And,  
12 if, for instance, Concord Steam were not being able to  
13 rebuild their new plant, for whatever reason, there  
14 would be a lot of customers that would be asking the  
15 gas company for service, and that would require a  
16 significant increase in the capacity, because it's just  
17 not there right now in the street.

18 Q. Okay. So, what I wanted to just focus on for a second,  
19 though, is, when you were making a case that the low  
20 cost of natural gas today is a compelling reason for  
21 these customers to do this project, --

22 A. Yes.

23 Q. -- associated with that, however, there's an obstacle  
24 to overcome, which is the funding of the connection to

{DG 11-192} {10-17-11}

[Witness: Henry]

1 the Company's system, correct?

2 A. That is true.

3 Q. And, there may also be time involved before that can  
4 all occur?

5 A. Yes.

6 Q. Okay. And, we're talking about the spending for 2012,  
7 correct?

8 A. We are.

9 Q. Right. Now, as to customers that are already on the  
10 Company's system, that incentive of low gas prices  
11 versus oil, to come over and convert, that doesn't  
12 exist, because they're already gas customers, right?

13 A. That is true. But there's another reason why they  
14 should be interested. And, that is that most of the  
15 gas boilers and furnaces out there right now are  
16 atmospheric boilers, and they are notoriously poor  
17 performers. So, they're running at around a 60 to  
18 68 percent efficiency. By switching those boilers and  
19 furnaces over to sealed combustion systems, they're  
20 going to jump up to 92 percent efficiency, if they go  
21 the condensing route.

22 Q. You're just describing what one of the energy  
23 efficiency type projects might be?

24 A. One of many.

{DG 11-192} {10-17-11}

[Witness: Henry]

1 Q. Okay.

2 A. And, what I'm saying is, you can expect about a 25 to  
3 30 percent reduction in your cost.

4 Q. Right. I just want to focus on your point about gas  
5 prices. If you're already a gas customer, and gas  
6 prices are low, your incentive to be more efficient is  
7 actually going down as gas prices go down, isn't it?

8 A. Well, --

9 Q. Just looking at the gas price factor.

10 A. I mean, the amount of change here is not going to be a  
11 whole lot more than what it already has been. I mean,  
12 you know, three years ago we were looking at a buck  
13 fifty a therm delivered, now we're looking at about  
14 \$1.08 or something, I think that's what the state  
15 average was last week. And, probably commercial guys  
16 are getting a little bit better. In a down economy,  
17 all of these businesses are looking for any possible  
18 way they can reduce their costs. So, if they're  
19 running a 2, 3, \$400,000 a year budget, and you come to  
20 them and say "look, we can reduce that cost by  
21 25 percent", they're going to pay attention. But the  
22 barrier is, how do you finance that off balance sheet?  
23 And, that is one of the things that we're working very  
24 hard on, so that businesses could go ahead with that

{DG 11-192} {10-17-11}

[Witness: Henry]

1 and not have to take out valuable capital.

2 Q. And, would you agree that, in a down or sluggish  
3 economy, businesses may be averse to taking on  
4 additional financing, and that would at least cause  
5 them to pause, take longer in making decisions, and, in  
6 some cases, not make the investment?

7 A. That's -- I can't say that that's really been our  
8 experience. Our experience, in both the Enterprise  
9 Energy Fund and in the Retail Merchants Association and  
10 other programs, is they are dying for help right now.  
11 And, by implementing the rebates that the gas company  
12 has available, but nobody knew about, and reducing your  
13 energy costs by 25 percent, just on efficiency, and we  
14 can do a lot better than that, it's a very compelling  
15 argument. And, so, I think that there is a huge  
16 opportunity here. And, as we get more and more  
17 examples on the ground in specific geographical areas,  
18 you get a business-to-business information, and  
19 businesses trust each other a whole lot more than they  
20 trust vendors. And, vendors have just, you know, lost  
21 their creditability in the business community.

22 Q. You heard Mr. Sherry describe the staffing going  
23 forward that the Company expects to have in order to  
24 promote its energy efficiency programs?

{DG 11-192} {10-17-11}

[Witness: Henry]

1 A. I did.

2 Q. And, would you agree that it takes company personnel,  
3 and I understand that you're offering your efforts and  
4 those of others as well, but it takes company personnel  
5 to actually implement, market, vet, review these  
6 programs and the projects that come out of them?

7 A. Well, I would respectfully disagree with that. I think  
8 that what would be most helpful would be for the  
9 Company to have people, like Rob McLean, who are  
10 technically skilled and engineers who can work with a  
11 specific company that's decided to go forward. By  
12 taking advantage of the Community Development Finance  
13 Authority programs, such as the Enterprise Energy Fund,  
14 the Better Buildings Program, where we actually have  
15 people on the ground in Nashua trying to scare up work,  
16 the Jordan Institute, that's going around and marketing  
17 these kind of things, there is a whole slew of folks  
18 out there right now that are trying very hard to create  
19 business. So, I don't think the Company, it should  
20 spend, you know, a limited amount of time in the  
21 marketing. But it's the one-to-one relationship on the  
22 very technical basis about "what can you do for my HVAC  
23 system?" that would be most helpful.

24 I also think, I would add that I think

{DG 11-192} {10-17-11}

[Witness: Henry]

1 that the CORE efficiency group should do some  
2 modifications of the restrictions on the Company, so  
3 that we focus more on retrofit and less on new  
4 construction, because that's what's in the market right  
5 now.

6 Q. What you're describing is the kind of collaborative  
7 process you'd like to see, right?

8 A. That's right.

9 Q. And, I assume, when you say "collaborative", that means  
10 that the Company is working on this as well, committing  
11 its staff to that?

12 A. Absolutely.

13 Q. Okay. If you spend, instead of three and a half  
14 million dollars, you're spending \$7 million, that's  
15 going to take more staffing and effort by the Company,  
16 is it not?

17 A. Not necessarily. I mean, if we take the example of  
18 Concord Hospital, they have been working on a combined  
19 heat and power program for the last three years.  
20 They've had three or four different studies. And,  
21 they're planning to spend 3 to \$5 million bucks. They  
22 didn't know about this program.

23 Q. Okay.

24 A. So, working with them, you could have, you know, a 250

[Witness: Henry]

1 to \$500,000 rebate.

2 Q. Wouldn't you expect, especially in the face of a couple  
3 of years of under spending, that if the Company were  
4 here today saying to the Commission "let us keep this  
5 money, because we can spend \$7 million", not, you know,  
6 three and a half million, that it would be essentially  
7 duty-bound to make sure that it committed additional  
8 resources, not the exact same resources as it would  
9 spend as it thinks is necessary for its budgeted  
10 amount, but additional resources to ensure that that  
11 happens, and then it wouldn't come back here a year  
12 from now and say "we're still underspent"?

13 A. No. There's been a lot of turmoil in the Company over  
14 the last two years. First, they bought KeySpan. And,  
15 in the CORE dockets, three years ago I was saying "when  
16 are you guys going to coordinate the electric with the  
17 gas?" And, they said "give us time", "give us time",  
18 "give us time." So, we did. And, then, they decided  
19 to sell the Company, so that was another set of  
20 turmoil. And, as Mr. Sherry has pointed out, they laid  
21 off a large number of employees.

22 Q. If I could -- did you hear Mr. Sherry say that people  
23 were "laid off" from this program?

24 A. I heard him say that the Company downsized its staff

[Witness: Henry]

1 extensively. In other conversations with him, I  
2 believe, and he can correct me if I'm wrong, that most  
3 of the staff that were staffing this here in New  
4 Hampshire were working out of Massachusetts and had  
5 other responsibilities. There were very few dedicated  
6 staff here in New Hampshire working on these programs  
7 in the last few years.

8 Q. Okay. I'm just focused -- I just want a clear record.  
9 You said that Mr. Sherry said that people had been  
10 "laid off" that worked on this program, and, you know,  
11 I don't want to go back to the transcript --

12 A. Maybe they quit, maybe they were fired, I don't know.  
13 But there are fewer people --

14 CHAIRMAN GETZ: Well, that's not my  
15 recollection of what Mr. Sherry said, but we can let the  
16 record speak for itself.

17 WITNESS HENRY: Well, maybe I quoted him  
18 incorrectly. I apologize, Mr. Sherry, if I did.

19 BY MR. CAMERINO:

20 Q. So, my only point is, it takes company participation  
21 and staffing commitment to support these programs, in  
22 addition to the collaborative effort that you envision,  
23 right?

24 A. True.

[Witness: Henry]

1 Q. Okay. And, presumably, if the program is larger for  
2 2012, it would take more of a commitment, is that a  
3 fair statement?

4 A. Well, on most of the Enterprise Energy Fund projects  
5 that we're working on, you know, we have engineers or  
6 several engineers designing the systems. We'd be in  
7 conversations with the Company as to whether these  
8 measures would or wouldn't qualify. And, then, the  
9 Company would say "well, you know, how much does it  
10 cost and what percentages", blah, blah, blah, and we'd  
11 work out most of that prior to even approaching the  
12 Company. So, I think these are very sophisticated  
13 customers and sophisticated projects. And, we're going  
14 to walk in the door saying "we think we're entitled to  
15 \$250,000 based on your criteria."

16 Q. I asked you a question before about the Company making  
17 a commitment to the Commission to spend these  
18 additional funds and being concerned about being able  
19 to meet that commitment, especially after two years of  
20 not having spent the budget.

21 A. Right.

22 Q. If the Jordan Institute or the other members of your  
23 collaborative say "please let us help in this process,  
24 we want to see this money spent", and it doesn't get

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[Witness: Henry]

1 spent, there aren't consequences to the Jordan  
2 Institute or these other members, right, in terms of  
3 Commission action afterwards that can be directed at  
4 them, is there?

5 A. Well, there are certainly consequences for the sector.  
6 And, what I would -- what I said in my letter was, I  
7 didn't think that the utility itself should be held to  
8 more than the 3.5 it was prepared to deal with. But I  
9 did say "challenge the sector to find the additional  
10 2.5." And, this would be very useful to those of us  
11 who are in the field, because, for just the reasons  
12 that Mr. Sherry pointed out, some businesses are  
13 hemming and hawing and, "well, I don't know, I'm not  
14 sure I want for pull the trigger on this." And, if we  
15 can, as essentially a third party, neutral group, say  
16 "listen, you've got to spend this money or you're going  
17 to lose it, or you're going to get a check for 100  
18 bucks next year, which do you want to do?" I think  
19 that will be a powerful, persuasive argument, coming  
20 from a third party that is neither the utility or a  
21 vendor.

22 Q. One other question. You had said that you understood  
23 that the "new company didn't want to over promise", and  
24 I recognize we've created some confusion with

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[Witness: Henry]

1 Mr. Sherry's multiple hats. But you haven't talked to  
2 Liberty Energy, which is, I'm assuming, the "new  
3 company"? You've been talking to National Grid,  
4 correct?

5 A. Yes. I've been talking to National Grid, I've been  
6 talking to Bill Sherry, and Rob McLean, and others in  
7 your office, Mr. Sherry's office.

8 Q. I asked the question --

9 A. Eric Stanley, excuse me. Eric has been very helpful.

10 Q. I ask the question because we're here on behalf of  
11 National Grid. And, I just want to make sure that, in  
12 saying that, you didn't mean literally that Liberty  
13 Energy has indicated to you what they are or are not  
14 willing to do?

15 A. No.

16 MR. CAMERINO: Okay. If I could just  
17 have one second, Mr. Chairman?

18 (Atty. Camerino conferring with Mr.  
19 Sherry.)

20 MR. CAMERINO: Thank you very much.

21 CHAIRMAN GETZ: Commissioner Ignatius.

22 CMSR. IGNATIUS: Thank you.

23 BY CMSR. IGNATIUS:

24 Q. Mr. Henry, you mentioned a number of different funding

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[Witness: Henry]

1 sources involved in energy efficiency investments. So,  
2 I'd like to have you describe how you see the  
3 relationship between those funds and the energy  
4 efficiency dollars we're talking about here.

5 A. Absolutely. Let me give an example of the Laconia  
6 Athletic & Swim Club, which is a project we're  
7 currently working on in Laconia that is served by  
8 National Grid. We are putting approximately half a  
9 million dollars into that program, I say "we", the  
10 Enterprise Energy Fund, just went through an extensive  
11 selection process. And, just to hit the highlights, it  
12 has an antiquated gas boilers, several. It has a  
13 defunct dehumidification system. It has no insulation  
14 whatsoever in the walls of the swimming pool, which  
15 they keep at 88 degrees year-round. And, they  
16 experience, you know, something on the order of 6,500  
17 to 7,000 heating degree days there. So, you have a  
18 delta T of almost 100 degrees when it's 20 below  
19 outside in Laconia, which is not unheard of. So, we're  
20 wrapping that building, replacing the boilers, which  
21 would qualify for one of these rebates. We're talking  
22 to the company about how to do a gas-fired  
23 dehumidification system there, which would cut their  
24 energy costs significantly. And, we have gotten the

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[Witness: Henry]

1 CFA to lengthen the loan. So, this whole thing will be  
2 cash positive, or at least cash neutral, for a business  
3 that is central to Laconia.

4 The rebates from this program, if they  
5 were in the 100,000 range, would make a huge  
6 difference, and allow us to do other things. For  
7 instance, the EEF Fund will not pay for anything  
8 associated with the pool, so we can't do the  
9 dehumidification. So, we have the Retail Merchants  
10 Association helping with that. And, we would hopefully  
11 get a healthy rebate from National Grid for that  
12 program as well. So, it's this bringing together  
13 multiple sources to make these kinds of programs work  
14 and help small businesses and medium and large size  
15 businesses do this.

16 Q. Would the energy efficiency dollars we're talking about  
17 here be spent on programs that are not already approved  
18 as part of the CORE programs?

19 A. Absolute -- well, no, wait. "Not already approved as  
20 the CORE programs"? I'm not quite sure what you mean.

21 Q. Well, the energy efficiency monies collected through  
22 the cost of gas are to fund the CORE program budgets,  
23 are they not?

24 A. Uh-huh.

[Witness: Henry]

1 Q. Are your proposed uses of this money --

2 A. Yes.

3 Q. -- consistent with the CORE programs?

4 A. Absolutely.

5 Q. Is there anything that you would see investing this  
6 money in going towards something that is not identified  
7 as a "CORE program"?

8 A. Well, the interesting thing is, on the gas side, as  
9 long as you can make the cost/benefit ratio argument,  
10 many more items are available through the CORE programs  
11 than is true on the electric side. So, anything you do  
12 that cost-effectively reduces demand above code, you  
13 know, the client's supposed to meet code, but, above  
14 that would qualify for the gas program. So, it's an  
15 extremely useful program to the commercial and  
16 industrial sector because of its breadth. And, so, you  
17 know, a dehumidification system is a fairly arcane  
18 thing, but it applies to every swimming pool in the  
19 state. And, those that are on gas are lucky.

20 Q. Is it your testimony that these funds can help to meet  
21 the deadlines of the ARRA Program that have to be  
22 completed by April 2012?

23 A. They certainly would help meet those deadlines. But,  
24 more importantly, in some cases, they're additive. In

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[Witness: Henry]

1 other words, there are limitations on the ARRA funding  
2 that we know we ought to put in a dehumidification  
3 system here, but we can't do it with ARRA funding. So,  
4 fortunately, the Retail Merchants Association has come  
5 in, and these rebates would make that possible, which  
6 makes the whole program much more energy efficient.  
7 So, whenever anyone comes out to fly the flag about  
8 what a great project this was, all participants can  
9 take credit, no matter how much they put in.

10 Q. I understand the additive benefit in your example is a  
11 good one. How, though, would use of these funds help  
12 ARRA recipients spend down their ARRA money by the  
13 April 2012 deadline?

14 A. Well, on most of the ARRA programs right now, we're  
15 cutting, we're cutting things because, you know, costs  
16 were higher than estimated. So, this makes these  
17 programs work economically, and it preserves the  
18 cost/benefit ratios that were calculated from the  
19 start. So, they're a very important addition to these  
20 programs, and will result in far better energy savings,  
21 carbon reduction, job creation, blah, blah, blah. So,  
22 they are extremely helpful.

23 Does that answer your question?

24 Q. I understand that they're helpful, in your view, in

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[Witness: Henry]

1 supplementing the funding available for programs. I  
2 still don't see how they help the ARRA deadline to be  
3 met, because you said that your problem is the  
4 opposite, that things are coming in higher --

5 A. Well, let me put it another way. Up until two or three  
6 weeks ago, many of these programs didn't even know this  
7 program existed. And, so, now that they do know it  
8 existed and they can apply, and the program has been  
9 very helpful on that, you know, as long as they're not  
10 completed two years ago, if it's in progress, we can  
11 qualify for these rebates. And, sort of word's getting  
12 out that there's some money there that can help these  
13 programs. And, it -- I got to tell you, people didn't  
14 know about this program.

15 Q. What is the Jordan Institute's role if this were  
16 approved? And, then, specifically, are you providing  
17 services that would be paid for out of these funds?

18 A. I'd love it if we were. But, at the moment, we're not.  
19 Basically, we're advising these -- we're retained by  
20 the owner to serve essentially as the owner's rep, and  
21 one of my roles is to find additional sources of funds.  
22 So, that is what I do, whether it's a federal tax  
23 credit or whatever. Because the process is so arcane  
24 that very few people can really understand it all. So,

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[Witness: Henry]

1 that's a service that we perform as part of the soft  
2 costs of the program. But I would not get any  
3 percentage or any kind of direct benefit from these  
4 rebates. I get an "attaboy" and maybe get taken out to  
5 dinner, but that's about the extent of it.

6 Q. When you just said that --

7 CMSR. IGNATIUS: I'm sorry.

8 (Chairman Getz and Commissioner Ignatius  
9 conferring.).

10 WITNESS HENRY: Thank you. It's water.

11 It's just water.

12 CMSR. IGNATIUS: I'd hate to think we've  
13 driven you to drink.

14 BY CMSR. IGNATIUS:

15 Q. You had said a moment ago that your arrangement is with  
16 your clients to seek the most -- to seek whatever  
17 funding might be available for projects.

18 A. Uh-huh. Among other things, yes.

19 Q. Does that mean that the list of companies that you've  
20 presented to National Grid is a list of your clients?

21 A. Some of them are and a bunch of them aren't. We're  
22 asked by the Enterprise Energy Fund, by the Retail  
23 Merchants Association, and on our own as well, to do  
24 audits and assessments of clients. And, I often say to

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[Witness: Henry]

1 someone "have you thought about this?" But a bunch of  
2 these, for instance, the Concord Hospital project just  
3 emerged from the group that met last week, because the  
4 Facilities Manager of Concord Hospital came and said  
5 "Boy, I didn't know about this. I could use the  
6 money." The representative from Hospital Association  
7 came and said "Jeez, we'd really like to talk to you  
8 about, you know, certainly the critical care, 12  
9 critical care hospitals around the state, as well as  
10 the larger ones."

11 John Dumas, at the Rest -- I mean, at  
12 the Grocers Association, when Rob McLean gave the  
13 prescribed savings for some of the facilities, you  
14 know, equipment that's used in grocers went "whoa", and  
15 the Restaurant & Lodging Association, I think, feel  
16 similarly. It's sort of like there are very good  
17 rebates on restaurant equipment, energy recovery  
18 ventilation, and these are prescriptive rebates, so  
19 they go very quickly. Makes a big difference to one of  
20 these projects.

21 Q. You heard the statement from Mr. Sherry about time lags  
22 from people showing initial interest to actual  
23 completion of projects for those who are able to  
24 finally make the investment. Did you agree with his

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[Witness: Henry]

1 sense of the kind of time frames that you can see?  
2 A. I have universally had some skepticism about marketing  
3 programs by regulated utilities. I think they're doing  
4 the very best that they can, given that it's not really  
5 high on their hymnsheet. For other organizations, like  
6 the trade associations, like the Retail Merchants  
7 Associations, and the BIA and so forth, it's a much  
8 higher priority to help their membership lower their  
9 costs. They have a completely sort of different  
10 enthusiasm, shall we say, for the process. And, so,  
11 what we need to do is get, in this collaborative  
12 effort, get really good detailed information from the  
13 Company about "what do you want exactly?" You know,  
14 "what is something you can look at and say "Yep. The  
15 BIA looked over these forms or the Jordan Institute  
16 looked over these forms, and they're all in order, and  
17 all we have to do is say "yes"," we could really speed  
18 things up a lot. And, they're never going to have the  
19 contacts and the personal one-to-one relationships that  
20 each of the trade associations do. So, you talked  
21 about like Jack Donovan, at the Business Finance  
22 Authority, he's been in the business for 25 years. He  
23 knows every business in the gas districts in the area.  
24 And, he's saying "okay, tell me the pipe size in this

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[Witness: Henry]

1 particular street, and I'll tell you how many guys they  
2 can hook up to it." They can't give us that  
3 information. But that doesn't mean we couldn't give  
4 them addresses and say "okay, what could we do here?"

5 So, there's a whole level of sort of  
6 one-to-one handholding that is at the core of making  
7 any of these programs work. And, it's particularly  
8 true on the commercial and industrial side.

9 Q. In your recommendation for a collaborative to work to  
10 make this funding be utilized, you're not recommending  
11 using the CORE programs, not to call it the sort of  
12 working group, there's a sort of ongoing group of  
13 stakeholders.

14 A. Right.

15 Q. Why is that?

16 A. There is very little, if any, representation of the  
17 commercial and industrial sector in that working group.  
18 You have the utilities, you have the Jordan Institute,  
19 you have the low income folks. It's, frankly, a  
20 heavily residential focused group. And, correct me if  
21 I'm wrong, Meredith, but I can't -- you know, Mike  
22 comes when he can, but it's -- you know, they haven't  
23 seen it -- we just don't have the representation in  
24 that group. We have better representation on the EESE

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[Witness: Henry]

1 Board than we do in the CORE Advisory Board. And,  
2 there's nothing formal there, you know what I mean? I  
3 call myself on the CORE Advisory Board, but I don't  
4 have any authority, I don't have any voting rights.  
5 I'm just the techie geek that says "No, that's not  
6 going to work. Why don't you try this."

7 So, there's no formal way to have an  
8 impact on that group. If Staff says "well, that's a  
9 nice idea, Dick, but we're not going to do it", I have  
10 no appeal. I have no way of saying "well, I just  
11 really think there's a better way of doing this."

12 Q. And, what sort of authority are you envisioning in the  
13 collaborative in your proposal here?

14 A. The joy to the Company of walking in the door with  
15 \$6 million worth of projects, rebates, that they didn't  
16 have to spend a whole lot of time going out and looking  
17 for, but they could spend a lot of technical time  
18 vetting and making sure it met the criteria of the CORE  
19 programs. So, I think what we're doing is we're  
20 providing a very effective outreach program, that the  
21 Company can't afford. And, that we have learned,  
22 through these other programs, is very effective if it's  
23 one-on-one. I mean, RMA, we started out like everybody  
24 else. We said "oh, we're going to have five regional

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[Witness: Henry]

1 meetings and we're going to give them breakfast and  
2 everyone's going to come out and look at energy  
3 efficiency." The first three meetings, we had two  
4 people show up for each of the three meetings, and we  
5 stopped. And, we just went to one-on-one, go talk to  
6 Joe, and say "would you like to do this?" "Well, I  
7 don't know anything about it." "Well, here's what's  
8 available." "Really?" "And, I'm not a vendor. I'm  
9 telling you you can cut your bill by 30 percent."  
10 "Really? How do I do that?"

11 So, there's credibility in the trade  
12 associations, and, in all due humility, the Jordan  
13 Institute, that is not there in the vendor community.  
14 And, that's why we're effective. But these rebates are  
15 a big help. And, having this sort of time-sensitive  
16 thing will really help the commercial and industrial  
17 sector, I believe, pull the trigger and do some of  
18 these projects, because they know they're going to lose  
19 the money. They know they're losing the ARRA money.  
20 You know, every time I turn around, RGGI is getting  
21 another shot at it. You know, and, so, this is really  
22 important. And, to say, "you know, if you guys use  
23 this money, and if you show that it really works, then  
24 there's a good chance we'll get more next year."

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[Witness: Henry]

1 CMSR. IGNATIUS: Thank you. Nothing  
2 else.

3 CHAIRMAN GETZ: Let's go off the record  
4 for a second.

5 (Brief off-the-record discussion  
6 ensued.)

7 CHAIRMAN GETZ: All right. So, let's go  
8 back on the record.

9 CMSR. IGNATIUS: I have no other  
10 questions. Thank you.

11 BY CHAIRMAN GETZ:

12 Q. Mr. Henry, let me -- I'm still trying to get some of  
13 these pieces straight in my mind, but, and maybe some  
14 of this is the timing of things. Exhibit 3, the  
15 revisions by the Company, came in on October 14th.  
16 And, as we discussed before on the C&I, it looks like  
17 they were trying to reflect the proposal by Staff on  
18 making an adjustment to the LDAC rate for the C&I  
19 energy efficiency funds. But you, in your letter from  
20 the 16th, in the second paragraph, second sentence, say  
21 "The Commission Staff and National Grid have taken the  
22 position that these monies should be returned to C&I  
23 customers."

24 A. Correct.

[Witness: Henry]

1 Q. But let me get -- so, let me make sure I understand  
2 what your position is. First of all, you disagree with  
3 the proposal by Mr. Cunningham to make the \$1.2 million  
4 adjustment?

5 A. (Nodding affirmatively).

6 Q. Does that mean that you -- does that get us back then  
7 to the original, in terms of the LDAC charge, the  
8 originally proposed by the Company was the 2.98 cents  
9 per therm. Are you supporting that or are you  
10 supporting something else entirely, a higher LDAC  
11 charge?

12 A. Here what's happened, and I invite the Company to  
13 correct me if I'm wrong. I believe the Staff and the  
14 Company agreed that the 2010 rebate of \$1.3 million  
15 should be given back and is reflected in the proposed  
16 LDAC, before they even started talking about the 2011  
17 dollars. And, then, they started talking about the  
18 2011 dollars. And, then, they said "well, maybe we  
19 should give that back, too." So, this number that's  
20 proposed as the going forward mill rate, and correct me  
21 if I'm wrong, reflects giving back the 1.3, and then  
22 taking another 1.2 away. And, what I'm saying is, I  
23 don't think either of those amounts of money should be  
24 removed, should go back essentially to the same rate

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[Witness: Henry]

1 that you had last year, and use the 2.5 for additional  
2 efficiency work, but leave it up to the sector to come  
3 up with that 2.5, don't penalize the utility for it, if  
4 they don't meet that term. Does anybody -- did I state  
5 that more or less correctly?

6 CHAIRMAN GETZ: Well, it's not "call and  
7 response". We may end up having to -- well, Mr. Camerino,  
8 can you, I don't know if you can answer that question,  
9 because it goes to this witness's state of mind, I guess.

10 MR. CAMERINO: I can -- let me see if I  
11 can take a stab at it, because I have spoken to Mr. Henry  
12 and has Mr. Sherry. My understanding is that there was  
13 some discussion when the Company made its filing as to  
14 whether the 2010 underspend should be credited back to  
15 customers or not. And, the Company's filing says "we  
16 think we ought to credit it back to customers", and  
17 Mr. Henry thought otherwise. In the middle of that  
18 discussion as to how to treat 2010, Mr. Cunningham filed  
19 his testimony saying "I think there's also going to be an  
20 underspend in 2011 and that should be credited back."  
21 And, when the Company had assessed what Mr. Cunningham  
22 said, and based on all of these discussions, it believed  
23 it should stay with its original proposal to return or  
24 credit back the 2010 underspend, and now adopt

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[Witness: Henry]

1 Mr. Cunningham's proposal that the projected  
2 underspending, it's not an actual underspending yet, but  
3 the projected underspending appeared realistic enough that  
4 that should be credited back as well.

5 And, what I had understood Mr. Henry,  
6 you can confirm this, to say is "I really don't want 2010  
7 returned, but I absolutely don't want 2011 returned." Is  
8 that a fair summary?

9 WITNESS HENRY: That's absolutely fair.  
10 And, I think, if the parties agreed this morning to give  
11 the residential sector a chance to meet this by  
12 October 2012, I'm saying, you know, what's good for the  
13 goose is good for the gander. But, I will tell you, the  
14 return on the commercial is way higher than on the  
15 residential. Both in reductions in costs and reductions  
16 in carbon emissions and creating more jobs in the state  
17 and preserving jobs in the state, and, *etcetera, etcetera*.  
18 You've heard all that before.

19 CHAIRMAN GETZ: Okay. Ms. Hatfield,  
20 anything further for this witness?

21 MS. HATFIELD: No thank you.

22 CHAIRMAN GETZ: Okay. Then, you're  
23 excused. Thank you, Mr. Henry.

24 WITNESS HENRY: Thank you very much for

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[Witness: Henry]

1 allowing me to testify, and I apologize that I didn't  
2 intervene.

3 CHAIRMAN GETZ: Okay. Is there any  
4 objection to striking the identifications and admitting  
5 the exhibits into evidence?

6 (No verbal response)

7 CHAIRMAN GETZ: Hearing no objection,  
8 they will be admitted into evidence. Anything we need to  
9 address before opportunities for closing?

10 CMSR. IGNATIUS: Mr. Speidel, can I ask  
11 one question to clarify? You've reserved a record  
12 request, Exhibit 4. And, I wasn't certain if that's  
13 something that Staff feels is necessary for a  
14 determination in this cost of gas proceeding or valuable  
15 for future reconciliation purposes?

16 MR. SPEIDEL: Yes. I believe what you  
17 are referring to would be a small item that we discussed,  
18 the Company gas allowance factor. And, I heard from  
19 Mr. Wyatt that that could be submitted as part of a  
20 compliance filing, without a pre-filing with Staff for  
21 record request purposes. It's a single tariff page.

22 CMSR. IGNATIUS: All right. So, -- go  
23 ahead.

24 MR. SPEIDEL: That's fine.

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1 CMSR. IGNATIUS: So, it goes more  
2 towards -- it's not necessary to have that in place and  
3 evaluated for this cost of gas determination. It goes  
4 more towards the next year's reconciliation?

5 MR. SPEIDEL: Correct.

6 CMSR. IGNATIUS: Thank you.

7 CHAIRMAN GETZ: Okay. Then, we'll turn  
8 to closing statements. I guess I would say Mr. Henry has  
9 had ample opportunity to speak to his issues. So, let's  
10 turn to Ms. Hatfield.

11 MS. HATFIELD: Thank you, Mr. Chairman.  
12 And, thank you to the Commission for your flexibility in  
13 allowing everyone to speak today. The OCA has no  
14 objection to the Company's overall winter cost of gas  
15 rate. We thank the Company and the Staff for their  
16 willingness to keep the residential carryover in the  
17 efficiency budget and allow the Company to try to spend  
18 it. We look forward to the new efficiency staff that Grid  
19 is bringing to New Hampshire, and the fact that they are  
20 refocusing on New Hampshire to try to met the goals that  
21 they have already committed to. And, we will certainly  
22 work with the Company and all of the parties in the CORE  
23 docket to ensure that the funds are spent.

24 We also support Mr. Henry's proposal

1 that at least some portion of the carryover for the C&I  
2 sector be retained, and perhaps the Commission would  
3 consider some kind of a compromise where either the whole  
4 2011 underspent funds or a portion of that could be kept  
5 in the budget to try to increase spending for that sector.

6 With respect to the Company's proposal  
7 to begin to recover its rate case expenses, the OCA does  
8 object to that at this time. And, I would point the  
9 Commission to both the settlement agreement that Ms. Leary  
10 read a sentence from, and also to the order in Docket DG  
11 10-017, which was the last rate case of EnergyNorth. And,  
12 I would actually ask that the Commission take  
13 administrative notice of the settlement agreement that was  
14 filed on January 10th, 2011 in that case, and also of the  
15 order in that case, which is Order Number 25,202, on March  
16 10th, 2010. And, I think I misspoke. I think the  
17 settlement has the wrong date on it. I'll check on that.

18 As Ms. Leary read, the settlement does  
19 include language regarding the rate case expenses. And,  
20 it does say that "The Company shall be authorized to  
21 recover the approved rate case expense beginning with the  
22 first peak or off peak filing made after Commission  
23 approval of such amount." And, since the Commission has  
24 not approved an amount, we believe that it would be more

1 appropriate to wait until the off peak filing in the  
2 spring. Thank you.

3 CHAIRMAN GETZ: Okay. Well, I'd just  
4 say, I don't think we need to, as a formal matter, take  
5 administrative notice of our ruling in that docket, but  
6 we'll just reflect that you are citing it for authority on  
7 how we should act here. Mr. Speidel.

8 MR. SPEIDEL: Yes, Mr. Chairman. Thank  
9 you. Staff supports the National Grid New Hampshire  
10 proposed 2011-2012 peak period cost of gas rates as filed.  
11 The Commission Audit Staff has reviewed the 2011-2012 peak  
12 period cost of gas reconciliation and found no exceptions.  
13 The sales forecast for the 2011-2012 peak period cost of  
14 gas is consistent with past experience. The supply plan  
15 is based on the principles of least cost planning. And,  
16 the direct gas costs are based on actual or hedged prices  
17 and projected pricing that reflect market expectations.  
18 There will be a reconciliation of forecasted and actual  
19 gas costs for the 2011-2012 peak period that will be filed  
20 prior to next winter's cost of gas proceeding. And, any  
21 concerns that arise related to the 2011-2012 gas planning  
22 dispatch may be raised and addressed in the 2012-2013 peak  
23 period cost of gas.

24 The Local Delivery Adjustment Charge is

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1 comprised of a number of surcharges, all of which have  
2 been established in other proceedings, and the actual rate  
3 determined in the winter cost of gas and effective for one  
4 year. Audit Staff has submitted a draft of its review of  
5 the environmental remediation costs that included one  
6 issue that the Company has addressed, resulting in an  
7 adjustment that eliminated the proposed environmental  
8 remediation surcharge.

9 Staff recommends approval of the revised  
10 LDAC rate and the proposed cost of gas rates. Staff has  
11 reviewed the proposed supplier balancing charges and  
12 capacity allocator percentage for this year for  
13 reasonableness and accuracy and recommends Commission  
14 approval for these charges.

15 As for the issue related to the  
16 historical company gas allowance factors raised in this  
17 hearing, Staff recommends that the Commission adopt the  
18 suggested remedy of the Company, namely, a retroactive  
19 adjustment of the factors for the most recent 12-month  
20 period. The Company has not profited from this  
21 inadvertent error. And, Staff will monitor the company  
22 gas allowances going forward, as the calculation of the  
23 company gas allowance factors will be included in all peak  
24 period cost of gas proceedings and will be clearly

1 identified on the supplier balancing tariff. Staff has  
2 reviewed the current year's company gas allowance factor  
3 calculations and finds these calculations to be accurate.

4 Staff's commercial and industrial  
5 efficiency fund recommendation is based on the principles  
6 of sound ratemaking, which discourages accumulation of  
7 year-to-year overcollections for cost of gas rate  
8 components. For the residential efficiency funds matter,  
9 Staff accepts the Company's commitment to spend the  
10 overcollected funds over the upcoming year. Under this  
11 commitment, the Company will report the remaining  
12 overcollection balance as part of the 2012 peak season  
13 cost of gas filing. And, overcollection funds remaining  
14 as of the 2012 peak cost of gas proceeding must be  
15 refunded to residential customers by means of an LDAC  
16 credit.

17 Staff appreciates the efforts of the  
18 Company, the Office of the Consumer Advocate in this  
19 matter, and recommends approval of the cost of gas and  
20 LDAC rates subject to the final audits and/or  
21 reconciliations mentioned previously. Thank you.

22 CHAIRMAN GETZ: Thank you. Mr.  
23 Camerino.

24 MR. CAMERINO: Thank you. As Attorney

1 Speidel's comments indicate, under Mr. Henry's two-page  
2 letter, there's actually a regular, plain vanilla cost of  
3 gas filing that the Commission needs to address. And, the  
4 Company believes that the cost of gas rates for the coming  
5 year that have been proposed are just and reasonable,  
6 based on the costs as outlined and the load forecasts as  
7 set forth in the filing. The Company's reconciliation we  
8 believe supports a finding that the dispatch decisions and  
9 gas supply from the prior year were prudent and should be  
10 approved.

11 With regard to the three issues that  
12 have been identified by the Staff and the OCA in their  
13 closings, on rate case expense, obviously, everybody had  
14 anticipated that by now we would have a ruling on rate  
15 case expense that could be flowed through, and that's why  
16 that proposal has been made here. And, there still,  
17 obviously, are a couple of weeks remaining in this month  
18 where such an order could be issued. I'm not suggesting  
19 any kind of conspiracy by the OCA. But, obviously, the  
20 matter has been delayed by the significant opposition put  
21 forward by the OCA, not by some delay by the Company.  
22 And, so, we think if, for some reason, the Commission is  
23 unable to rule, that it, on its own, could implement the  
24 rate on a temporary basis, with, obviously, an adjustment

1 in the following year, it's a reconciling charge anyway.  
2 But I understand the Consumer Advocate's point. And,  
3 obviously, if an order is issued, that would address that.

4 With regard to the company gas allowance  
5 issue, we appreciate the understanding of the Staff and  
6 the OCA as to how we got here. I think Ms. Leary  
7 explained the complexities of going back and kind of  
8 making some kind of estimate of what the misallocation, if  
9 you will, of costs among the customer classes would have  
10 been historically. The bottom line is that the Company  
11 didn't over or undercollect its costs. It has to do with  
12 an allocation, you might call it, a rate design issue.  
13 And, those are all rates that were submitted, reviewed,  
14 and approved. And, the reality is, particularly where the  
15 Company hasn't collected monies that it wasn't authorized  
16 to collect, we don't believe it would be appropriate to go  
17 back past the reconciliation period and make an  
18 adjustment. You'd also have issues as to "are you passing  
19 money between people who weren't even customers at the  
20 time it affected?" And, so, we think the best resolution  
21 is what the Company has proposed.

22 With regard to the multiple energy  
23 efficiency issues raised, on the residential energy  
24 efficiency charge, I really feel compelled to start by

1 saying the year isn't over yet. There is no  
2 underspending. This is purely a forecast on an, as the  
3 OCA suggested, an accounting basis done by the Staff.  
4 And, we can't disagree with the numbers, but the Company  
5 has indicated it believes the budget will be fully spent  
6 this year. The settlement, if you will, the oral  
7 settlement agreed to, indicates that, if for some reason  
8 it isn't all spent, as long as it gets spent in 2012, that  
9 would be the end of it. If it isn't, the Company agrees  
10 that it would not be retained for another year. And, so,  
11 we very much support that resolution. What we wouldn't  
12 want is a reduction, effectively, a reduction in this  
13 year's budget, and then the Company has to curtail its  
14 activities on a program that it thinks will be fully  
15 spent. So, we think that's an appropriate outcome.

16 On the C&I program, there are a lot of  
17 different ways of looking at it. But I think you need to  
18 start by getting the concept of a "refund" out of your  
19 mind and realizing it is a "credit", meaning the Company  
20 has a budget for next year of \$3.5 million. And, the  
21 question is, "what is the rate that needs to be set to  
22 collect that money for next year?" And, the Company is  
23 saying, it's holding money from this year that it doesn't  
24 think will be spent and last year. And, so, we don't need

1 the full 3.5 million. We need something less than that.  
2 And that's what you should do in determining the rate. If  
3 you decide that the Company shouldn't apply that credit in  
4 setting the rate, what you're really doing is changing the  
5 budget for next year, from 3.5 million to 6 million. And,  
6 the Company is telling you that, looking at what's  
7 happened in the last two years, and its staffing and what  
8 needs to be done to get there, it cannot, in good  
9 conscience, recommend that you change the budget to \$6  
10 million. It has talked to Mr. Henry. We have the  
11 greatest respect for him. We are prepared to work with  
12 him to ensure the success of that program. But the  
13 Company can't be in a situation of promising something  
14 that it doesn't know how -- doesn't believe it can  
15 achieve. If the Commission decides that with what  
16 Mr. Henry is committing to, that somehow, you know, some  
17 of that money can be spent, obviously, that's the  
18 Commission's prerogative. But there is staffing involved  
19 at the Company that is committed to these programs. And,  
20 that staffing isn't going to suddenly be doubled. All  
21 you're hearing, it's significant, but it's limited, is the  
22 staffing that the Company has committed to that process  
23 will work very aggressively to ensure that the budget is  
24 spent, and will work with Mr. Henry to do what it can

1 beyond that.

2 But, to expect the Company to -- the  
3 budget is already double what's being spent in the current  
4 year. To double that again, or close to double it, is a  
5 very large undertaking. Yes?

6 CMSR. IGNATIUS: Mr. Camerino, didn't  
7 Mr. Henry say, in effect, he's willing to line up free  
8 outreach services, additional people in the field, so that  
9 the Company does not have to expend additional resources  
10 for those, to spend that additional money?

11 MR. CAMERINO: I heard that. And, as I  
12 indicated, the Company is prepared to, and I want to use  
13 the word "partner" with Mr. Henry, not a collaborative,  
14 because I want to get to the collaborative in a second.  
15 But, absolutely, the Company would utilize Mr. Henry and  
16 the organizations that he's talking to, to try to spend  
17 those funds, if that's what the Commission determines.  
18 But I think it feels that its reputation is on the line,  
19 its efforts are all that it can commit. And, obviously,  
20 Mr. Sherry has indicated what the failings were in the  
21 last couple of years, and some of the challenges beyond  
22 the Company's own staffing. That's history. It wants to  
23 make sure it fulfills its commitment for next year. And,  
24 you can imagine that it's somewhat sensitive to coming in

1 here next year and saying "we told you we could do 6, and  
2 now were at 3 or 3 and a half."

3 So, I think it's -- to some extent, what  
4 I hear Mr. Henry saying, honestly, is "I'm willing to put  
5 my reputation on the line. It's not on the Company's  
6 head, it's on me to deliver." And, that's a choice for  
7 the Commission.

8 The Company has concerns, again, as it  
9 looks through Mr. Henry's list of projects, as to whether  
10 many of those are realistic, in terms of the timing, once  
11 you get into the details of the projects, whether the  
12 companies that he's referring to will be willing to  
13 undertake the financing and risk associated with it,  
14 whether some of those customers can be converted, given  
15 the cost of that. There are a lot of things that need to  
16 be done to make sure that those projects are real. And,  
17 again, we don't doubt Mr. Henry's sincerity. But there's  
18 a long way from saying "I have \$4 million of projects",  
19 and actually delivering those and spending the money. So,  
20 that's where the Company's concern is in that regard.

21 And, in terms of "these customers don't  
22 know about these programs", I'm sure that's true in some  
23 cases. But, in other cases, these are very large  
24 organizations. You know, it may be that the person at

1 Concord Hospital who Mr. Henry is talking to is not the  
2 person that's responsible for the relationship with the  
3 Company. So, the fact that a person who is interested in  
4 this at Concord Hospital doesn't know about the programs,  
5 doesn't mean that the Company's connection, you know,  
6 representative at Concord Hospital doesn't know.

7           Lastly, on the collaborative, I don't  
8 think this process needs another collaborative, if you're  
9 talking about a formal structure that the Company has to  
10 work through in order to implement its own energy  
11 efficiency programs. Partnering with the people that  
12 Mr. Henry is referring to is one thing. The Company has  
13 made a real effort in the last few weeks to work closely  
14 with Mr. Henry, and would continue to do that, in terms of  
15 staying in contact.

16           But, having the Commission formally  
17 establish a collaborative, that's going to meet and then  
18 have some kind of authority over this, I don't think would  
19 be helpful to the process. It would add another  
20 significant layer of bureaucracy that would only take away  
21 company time, company expense, Commission time and  
22 attention. So, we would very much not recommend any kind  
23 of collaborative. We have understood that word, and maybe  
24 wrongly so, to be used loosely, not formally. And, in

1 that regard, I think one of the things that all of us in  
2 this feel a little bit uncomfortable about, and puts the  
3 Commission in a difficult position is, this is a cost of  
4 gas docket. All of the players who normally discuss these  
5 issues are not even here. And, so, I don't think this  
6 would be the time to embark on putting a new structure on  
7 energy efficiency programs and how they're implemented.  
8 Thank you.

9 CHAIRMAN GETZ: Okay. Then, with that,  
10 we'll close the hearing and take the matter under  
11 advisement. Thank you, everyone.

12 (Whereupon the hearing ended at 2:00  
13 p.m.)