

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 20, 2011 - 1:31 p.m.
Concord, New Hampshire

NHPUC OCT28'11 PM 3:44

RE: DG 11-212
NEW HAMPSHIRE GAS CORPORATION:
2011-2012 Winter Period Cost of
Gas Adjustment.

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

Sandy Deno, Clerk

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

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

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

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I N D E X

PAGE NO.

WITNESS: BRIAN R. MALONEY

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Ms. Purcell 16

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E X H I B I T S

EXHIBIT NO.

D E S C R I P T I O N

PAGE NO.

1 Winter 2011-2012 Cost of Gas Filing (09-20-11) 5

2 Updated Winter Cost of Gas Filing (10-17-11) 5

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

2 CHAIRMAN GETZ: Okay. Good afternoon.
3 We'll open the hearing in Docket DG 11-212. On
4 September 20, 2011, New Hampshire Gas Corporation filed
5 revisions to its tariff providing for its cost of gas
6 rates for the Winter Period November 1, 2011 through
7 April 30, 2012. The proposed rate is \$2.2157 per therm, a
8 41.8 cents per therm increase from last winter.

9 We issued an order of notice on
10 September 23rd setting the hearing for this afternoon.
11 So, can we take appearances.

12 MS. PURCELL: Good afternoon,
13 Commissioners. My name is Meabh Purcell, from Dewey &
14 LeBoeuf, representing the New Hampshire Gas Corporation.

15 CHAIRMAN GETZ: Good afternoon.

16 MR. SPEIDEL: Yes. Good morning,
17 Commissioners. This is Alexander Speidel, for the Staff
18 of the Commission, with Bob Wyatt and Steve Frink of Staff
19 as well.

20 CHAIRMAN GETZ: Good afternoon. Are you
21 ready to proceed, Ms. Purcell?

22 MS. PURCELL: Yes, I am. Thank you.
23 I'd like to just give the Clerk the return of service.
24 And, I'd like to ask Brian Maloney to take the stand.

[WITNESS: Maloney]

1 We do have a couple of pending motions
2 for protective order I just want to point out that need to
3 be ruled on. One was with the initial filing and one was
4 just on a single discovery request.

5 CHAIRMAN GETZ: Is there any objection
6 to the Motions for Confidentiality?

7 MR. SPEIDEL: None, Mr. Chairman. No.

8 CHAIRMAN GETZ: Okay. We'll rule on
9 them in the context of the final order.

10 MS. PURCELL: Okay. Thank you. Just
11 ask the witness be sworn.

12 (Whereupon **Brian R. Maloney** was duly
13 sworn by the Court Reporter.)

14 MS. PURCELL: Thank you.

15 **BRIAN R. MALONEY, SWORN**

16 **DIRECT EXAMINATION**

17 BY MS. PURCELL:

18 Q. Mr. Maloney, will you please state your full name and
19 your position and your business address for the record.

20 A. My name is Brian Maloney. I'm a Lead Analyst in the
21 Rates and Regulatory Department at Rochester Gas &
22 Electric Corporation. RG&E provides affiliate services
23 to New Hampshire Gas Corporation.

24 Q. Thank you. Mr. Maloney, I'm showing you a copy of a

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1 filing under cover letter of September 20th, and ask if
2 you could please identify this for me?

3 A. This is the initial New Hampshire Gas filing for the
4 winter period cost of gas rate for November 2011
5 through April 2012.

6 MS. PURCELL: Thank you. I'd like to
7 ask that this be marked "New Hampshire Gas Exhibit 1"
8 please?

9 CHAIRMAN GETZ: So marked.

10 (The document, as described, was
11 herewith marked as **Exhibit 1** for
12 identification.)

13 BY MS. PURCELL:

14 Q. I'm showing you a document dated October 17th, 2011,
15 and ask if you could identify this document?

16 A. This is the updated winter cost of gas filing filed
17 with the Commission and Staff earlier this week.

18 MS. PURCELL: Okay. Thank you. This is
19 "Exhibit New Hampshire Gas 2"?

20 CHAIRMAN GETZ: So marked.

21 (The document, as described, was
22 herewith marked as **Exhibit 2** for
23 identification.)

24 MS. PURCELL: Thank you. I would just

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1 like to point out to everyone for future years, in case
2 you're confused, the cover letter is actually dated "2010"
3 on New Hampshire Gas Exhibit 1, and that's just a typo. I
4 just noticed it now.

5 BY MS. PURCELL:

6 Q. Okay. Mr. Maloney, since your initial filing, have you
7 made any revisions to the proposed cost of gas
8 adjustment?

9 A. The only revision is the updated filing made earlier
10 this week.

11 Q. Okay. And, do you have any corrections or anything
12 that you need to make to any part of either New
13 Hampshire Gas 1 or 2?

14 A. Yes. I need to make a correction to the initial
15 testimony, Page 8 of 9, Row 27. The order referenced
16 there should be "25,039", rather than "25,309".

17 Q. Thank you. And, Mr. Maloney, were the documents, which
18 have just been marked for identification as
19 "Exhibits 1" and "2", prepared by you or under your
20 direction and supervision?

21 A. Yes, they were.

22 Q. And, where in your filing can you find the Company's
23 proposed COG rates?

24 A. The rates can be seen on Schedule B of the updated

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1 exhibits. The FPO rate per therm can be seen on Row 9,
2 that's \$2.2357, and the Non-FPO rate can be seen on
3 Line 12, \$2.1678 per therm.

4 Q. Thank you.

5 A. Those rates can also be seen on the tariff page.

6 Q. Okay. And, Mr. Maloney, have you analyzed the impact
7 of the proposed new rate on a typical customer bill?

8 A. Yes. Those Schedules K and L can be found in the
9 exhibits. The total bill impact for a residential
10 customer, assuming normal weather, will be an increase
11 of 15 to 18 percent compared to last winter.

12 Q. Okay. Thank you. And, do you have any --

13 MS. PURCELL: I have nothing further.

14 Mr. Maloney is available for cross-examination.

15 CHAIRMAN GETZ: Thank you. Mr. Speidel.

16 MR. SPEIDEL: Thank you, Mr. Chairman.

17 **CROSS-EXAMINATION**

18 BY MR. SPEIDEL:

19 Q. If we could return to Page 2 of your testimony in the
20 updated cost of gas forecast marked as "Exhibit 2".

21 You state that the updated estimated total cost of
22 forecasted propane requirements for the period is

23 "\$2,134,869"?

24 A. Yes.

[WITNESS: Maloney]

1 Q. How does this compare to the same figure from the
2 original filing?

3 A. This figure is about \$40,000 lower than the original
4 filing, because of a decrease in propane futures prices
5 since the original filing.

6 Q. How does this updated cost compare to actual propane
7 costs for the prior winter period?

8 A. The updated cost is approximately \$220,000 higher than
9 actual propane costs for the prior winter period. The
10 cost per therm is forecasted at \$1.95 versus \$1.76 per
11 therm, the actual cost for last winter.

12 Q. Are the prior winter period actual costs reflected
13 anywhere in this forecast?

14 A. Yes. On Schedule G, which is the prior period
15 over-/undercollection, on there you can see that, as
16 part of that calculation, the actual winter costs from
17 last year.

18 Q. Have the propane costs from last winter been audited by
19 the New Hampshire PUC Audit Staff?

20 A. Yes, they have.

21 Q. Were there any issues related to the audit of last
22 year's results?

23 A. The audit found the results to be materially accurate,
24 and it also contained four recommendations for us,

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1 which we have instituted.

2 Q. Thank you. Has the Company seen any market indicators
3 that suggest that we may see a further decline in the
4 Mont Belvieu and spot market propane prices, similar to
5 what he have seen with NYMEX and spot market natural
6 gas prices?

7 A. The propane market tends to track a lot more closely to
8 the price of crude oil, rather than natural gas. And,
9 it's obvious that it's hard to predict, given the
10 volatility of crude oil, what's going to be happening
11 in the future. But there's definitely been a downward
12 trend in prices over the last month and a half or so.
13 The futures prices dropped by about ten cents between
14 the time of the initial filing in mid September and the
15 rates used for the updated filing as of last Friday.
16 And, then, this week they dropped another eight cents
17 per gallon. So, we're seeing a nice downward trend.
18 Hopefully, that continues or at least stabilizes.

19 Q. On Page 4, Lines 7 through 22, of your initial
20 testimony, you note that the Company has "pre-purchased
21 700,000 gallons of propane" that are locked in "at a
22 weighted average [delivered] price of \$1.7949 per
23 gallon" for the New Hampshire Gas Corp. Propane
24 Purchase Stabilization Plan, or "PPSP" for short.

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[WITNESS: Maloney]

1 Approximately what percent of New Hampshire Gas Corp.'s
2 anticipated winter supply requirements have been
3 pre-purchased?

4 A. That would be approximately 60 percent.

5 Q. Are those PPSP purchases consistent with current
6 Commission policy on hedging propane supplies?

7 A. Yes, they are.

8 Q. From what you have seen, does the Plan continue to be
9 an effective tool to mitigate propane price volatility?

10 A. Yes, absolutely.

11 Q. We have a few questions related to the Company's FPO
12 Program. Could you provide the Commission with an
13 update on the FPO enrollment numbers to date for this
14 upcoming winter period?

15 A. Enrollment to date has been approximately 17 percent of
16 the forecasted therms for the upcoming winter.

17 Q. You would say that would be typical for a given year?

18 A. Well, last year, we didn't have an FPO Program, because
19 of the problems with the Selkirk terminal.

20 Q. Yes.

21 A. But the rate two years ago was 17.1 percent of therms
22 enrolled in the FPO Program.

23 Q. Thank you. What is the cut-off date for enrolling in
24 the program?

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1 A. The cut-off date was yesterday, October 19th, based on
2 the postmark. So, there could still be a small
3 increase to that 17 percent that I quoted.

4 Q. Did you provide an historical summary of the FPO
5 Program results in this filing?

6 A. Yes. That is Schedule M. It shows participation in
7 the FPO Program back to 2003.

8 Q. Mr. Maloney, what is the projected bill impact on a
9 typical residential heating customer for this winter
10 period?

11 A. For a typical residential heating customer, it will be
12 an increase of \$449 for a customer taking the FPO
13 Option, and \$386 for a Non-FPO customer.

14 Q. Have there been any changes in the Company's trucking
15 supplier, on-site storage, and gas plan arrangements
16 since last winter?

17 A. No, there have not.

18 Q. Would you briefly summarize any off-site storage
19 changes, supplemental off-site storage changes for this
20 winter period?

21 A. Okay. Due to the sale of Berkshire Gas Company, New
22 Hampshire Gas needed to locate a replacement for the
23 60,000 gallons of off-site storage we used to lease
24 from Berkshire. And, that search led us to a propane

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1 storage facility in Greenville, New Hampshire, which is
2 about 40 miles from the plant in Keene. And, at that
3 facility, we are leasing 60,000 gallons of storage for
4 the upcoming winter, and that storage has been filled.

5 Q. Does New Hampshire Gas Corp. rely on the supplemental
6 storage to meet its seven day storage requirement
7 established by the New Hampshire PUC?

8 A. Yes, it does.

9 Q. Does the Company's primary source of propane storage
10 continue to be located on-site in Keene, New Hampshire?

11 A. Yes. The plant at Keene, New Hampshire has -- contains
12 about 60 percent, just over 60 percent of the total
13 storage capacity available.

14 Q. Has the Company experienced any changes to management
15 or operations personnel at or related to New Hampshire
16 Gas Corp. during the past year?

17 A. No.

18 Q. Have there been any financial or operational issues or
19 problems related to the transition from a Berkshire Gas
20 managed New Hampshire Gas Corp. to the NYSEG/Rochester
21 Gas & Electric management team?

22 A. No. We feel that transition has gone smoothly. At
23 least partly due to the fact that NYSEG had previously
24 managed New Hampshire Gas before that responsibility

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1 was transferred to Berkshire about eight years ago.

2 Q. And, just for the record, Mr. Maloney, could you just
3 briefly summarize the primary driver of the increase in
4 gas costs for customers this winter?

5 A. In summary, I would say it's simply the higher spot
6 market and future prices of propane for the upcoming
7 winter. There's also a delivery rate increase that is
8 kicking in as of November 1st, as part of the rate
9 agreement -- the delivery rate agreement that was
10 established two years ago.

11 Q. And, that's for the trucking company that serves you --
12 it's out of Vermont, correct?

13 A. No. By "delivery", I mean the delivery -- the delivery
14 rates on our system.

15 Q. I see. Oh, for your --

16 A. To transport the gas from our plant to the customers'
17 location.

18 MR. SPEIDEL: Thank you very much. I
19 have no further questions for the witness.

20 CHAIRMAN GETZ: Thank you. Anything
21 further, Ms. Purcell?

22 MS. PURCELL: I have nothing. Thank
23 you.

24 CHAIRMAN GETZ: Okay. Then, the witness

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1 is excused. Thank you.

2 Is there any objection to striking the
3 identifications and admitting the exhibits into evidence?

4 MS. PURCELL: No objection.

5 CHAIRMAN GETZ: Hearing no objection,
6 they will be admitted into evidence. Anything prior to
7 opportunity for closings?

8 (No verbal response)

9 CHAIRMAN GETZ: Hearing nothing, then,
10 Mr. Speidel.

11 MR. SPEIDEL: Thank you, Mr. Chairman.
12 Staff supports the New Hampshire Gas Corporation's
13 proposed revised 2011 and 2012 peak period cost of gas
14 rate as filed. The Commission Audit Staff has reviewed
15 the 2010-2011 peak period cost of gas reconciliation and
16 found no exceptions. The sales forecast for the 2011-2012
17 peak period cost of gas is consistent with past
18 experience. The supply plan is consistent with those from
19 prior years. And, propane costs are based on actual or
20 hedged prices and projected pricing that reflect market
21 expectations.

22 There will be a reconciliation of
23 forecast and actual propane costs for the 2011-2012 peak
24 period that will be filed prior to next winter's cost of

1 gas proceeding. And, any concerns that may arise related
2 to the 2011-2012 gas planning and dispatch may be raised
3 and addressed in the 2012-2013 peak period cost of gas.

4 Staff commends the Company in its
5 apparent seamless transition from operating under a
6 Berkshire Gas Company management team to a NYSEG/Rochester
7 Gas & Electric management team. The Company was
8 successful in its search for an off-site supplemental
9 propane storage facility, securing additional usable
10 capacity of 51,000 gallons. The off-site storage facility
11 is within a reasonable distance to the New Hampshire Gas
12 Corp. gas operations facility, being at a distance of
13 approximately 40 miles from the Keene gas plant. This
14 supplemental storage capacity replaces a similar
15 arrangement that the Company had with Berkshire Gas
16 Company over the past several years. The additional
17 storage provides an additional level of supply reliability
18 and also assures Staff that the Company will be able to
19 meet the seven day storage requirement for the winter
20 period.

21 In sum, Staff appreciates the efforts of
22 the Company in these matters, and recommends approval of
23 the cost of gas and FPO. Thank you.

24 CHAIRMAN GETZ: Thank you. Ms. Purcell.

1 MS. PURCELL: Thank you. New Hampshire
2 Gas respectfully requests approval of the proposed FPO and
3 Non-FPO new rates on or before November 1. And, we would
4 like to thank the Commission and the Staff. In
5 particular, we appreciate Staff's willingness to address
6 any of the issues related to the Company's filings quickly
7 and informally, in order to ensure a smooth and efficient
8 hearing.

9 And, that's all I have. Thank you.

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

13 **(Whereupon the hearing ended at 1:51**
14 **p.m.)**