

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 26, 2012 - 10:04 a.m.
Concord, New Hampshire

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RE: DG 12-001
ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH:
Investigation into Excess Capacity.
(Prehearing conference)

PRESENT: Suzanne G. Amidon, Esq.
(Presiding as Hearings Examiner)

Sandy Deno, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas, Inc.
d/b/a NATIONAL GRID NH:
Patrick H. Taylor, Esq. (McLane, Graf...)
Steven V. Camerino, Esq. (McLane, Graf...)

Reptg. Residential Ratepayers:
Stephen R. Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander F. Speidel, Esq.

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

ORIGINAL

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1 P R O C E E D I N G

2 MS. AMIDON: Just for the record, my
3 name is Suzanne Amidon. I'm a Staff attorney with the
4 Commission, and I've been asked to sit as Hearings
5 Examiner on this prehearing conference. So, good morning,
6 everyone. I'd like to open the prehearing conference in
7 Docket Number DG 12-001, EnergyNorth Gas, Inc., d/b/a
8 National Grid. It's an investigation into excess
9 capacity.

10 On January 11th, 2012, the Commission
11 issued Order Number 25,317, approving the Integrated
12 Resource Plan filed by EnergyNorth in Docket Number DG
13 10-041, and directing the Company to make improvements to
14 its next IRP. The Commission also said that it would open
15 a separate proceeding to investigate EnergyNorth's
16 projected supply/demand balance and whether it was prudent
17 for EnergyNorth to retain more gas supply capacity than it
18 needs to meet the forecasted design-day peak demands or
19 whether EnergyNorth ought to take action to reduce excess
20 capacity.

21 So, on January 11th, 2012, the
22 Commission issued the Order of Notice scheduling the
23 prehearing conference for today. And, for the record, I
24 note that the Company filed an affidavit of publication on

{DG 12-001} [Prehearing conference] {04-26-12}

1 March 6, 2012 in this docket. And, I further note that
2 the Office of Consumer Advocate filed a letter stating
3 that the Office will be participating in this docket on
4 behalf of residential ratepayers.

5 Now, from the docket, I see that there
6 are no pending Motions to Intervene. Is there any member
7 of the public here who wishes to move to intervene in this
8 proceeding?

9 (No verbal response)

10 MS. AMIDON: For the record, I hear that
11 no members of the public are present who would wish to
12 participate in the proceeding.

13 And, so, with that, I will go ahead and
14 proceed with taking appearances of the parties, beginning
15 with the Company.

16 MR. TAYLOR: Thank you. Patrick Taylor
17 and Steven Camerino, from McLane, Graf, Raulerson &
18 Middleton, representing EnergyNorth Natural Gas,
19 Incorporated, doing business as National Grid New
20 Hampshire. With me here today is Elizabeth Arangio from
21 the Company.

22 MS. AMIDON: Good morning.

23 MR. TAYLOR: Good morning.

24 MR. ECKBERG: Good morning, madam

1 Hearings Examiner. Appearing for the Office of Consumer
2 Advocate this morning, I am Stephen Eckberg.

3 MS. AMIDON: Good morning.

4 MR. SPEIDEL: Good morning, Attorney
5 Amidon. Alexander Speidel, representing Staff. And, I
6 have with me George McCluskey of the Electric Division.

7 MS. AMIDON: Good morning.

8 MR. SPEIDEL: Good morning.

9 MS. AMIDON: Now, are there any
10 preliminary procedural issues I should consider before we
11 move to taking positions of the parties?

12 (No verbal response)

13 MS. AMIDON: Hearing none, Mr. Taylor,
14 if you would please provide the initial position for the
15 Company.

16 MR. TAYLOR: Certainly. Thank you.
17 EnergyNorth welcomes this docket to explain why the amount
18 of capacity in its resource portfolio is prudent and in
19 the public interest. EnergyNorth understands that this
20 docket is an outgrowth of its most recent Integrated
21 Resource Planning proceeding, DG 10-041, in which the
22 Staff concluded that the amount of gas supply capacity
23 appeared to exceed the Company's forecasted load, and
24 asked the Commission to open a proceeding to determine

1 whether the Company has excess capacity.

2 The crucial point that EnergyNorth
3 wishes to make at the outset of this proceeding is that
4 the Company needs the capacity in its resource portfolio,
5 and that no amount of its capacity should be deemed
6 "excess".

7 The Company also wants to explain that
8 requiring EnergyNorth to retire any of its capacity assets
9 will not be in the public interest, will impair the
10 Company's ability to maintain reliable service, and will
11 render the Company unable to meet certain regulatory
12 requirements, such as the seven-day storage -- seven-day
13 storage rule under the Public Utility Commission's rules.

14 The Company requires the use of its
15 supplemental resources to meet forecasted design-day
16 requirements, as well as satisfy certain regulatory
17 requirements, including the seven-day storage rule, which
18 is Puc 506.03. National Grid's -- or, I'm sorry,
19 EnergyNorth's resource portfolio consists of various
20 resources, including supplemental resources, such as
21 liquefied natural gas and liquefied propane gas on system
22 facilities, which are most effective for meeting peaking
23 demands on the coldest day of the year. These facilities
24 are facilities that National Grid has control over and can

1 deploy on short notice for as long as needed when there is
2 peak demand. These facilities also enhance supply
3 reliability, if and when other resources are curtailed or
4 interrupted, and the Company uses these facilities, when
5 necessary, to support system pressures in its distribution
6 system.

7 Now, simply comparing design-day
8 requirements with projected load may give the appearance
9 that there is more capacity than is currently needed to
10 serve EnergyNorth customers. However, this assumes the
11 continued availability of all peaking resources through
12 2016, and doesn't account for certain regulatory
13 requirements, including the seven-day storage rule.
14 EnergyNorth will lose the benefit, for example, of its
15 peaking contract with Granite Ridge Energy, LLC, as of
16 September 30th of this year, because Granite Ridge will no
17 longer be able to guarantee delivery of the required
18 supply. Loss of this contract will mean that the
19 Company's seven-day storage requirement will rise. And,
20 to meet design-day requirements, as well as this seven-day
21 storage rule, the Company will need access to and use of
22 its on-system facilities, as well as very likely
23 additional capacity through dedicated supply and trucking
24 contracts.

1 Now, it may be the case that
2 EnergyNorth, like any gas utility, may temporarily have
3 more capacity than it needs from time to time. And, that
4 is because EnergyNorth must forecast and plan for its
5 resource needs several years in advance. Though, the
6 Company obviously makes every effort to plan its resource
7 needs as accurately as possible, it is not practically
8 possible to manage exactly its customers' year-to-year
9 forecasting requirements when acquiring resources. It's
10 resource investments are, therefore, lumpy in nature. The
11 Company procures sufficient capacity to meet projected
12 customer needs, and then grows into its investments. When
13 the Company grows into its investments, it then must
14 procure additional resources.

15 It is therefore absolutely imperative
16 that the Company have available resources within its
17 portfolio to meet customer requirements. And, the
18 Company's supplemental peaking facilities are an essential
19 element of that portfolio. And, the Company notes that,
20 when it temporarily has more capacity than it needs, it
21 optimizes its resources by selling a certain amount of
22 those resources into the market, and then crediting those
23 payments back to customers.

24 Now, retiring the Company's on-system

1 resources would not be in the public interest. These
2 resources are necessary for serving customers and meeting
3 regulatory mandates. And, they are extremely costly and
4 difficult to replace if needed again in the future.
5 Simply siting and permitting such facilities would take
6 years, and it may not be feasible at all.

7 And, as the loss of the Granite Ridge
8 peaking contract demonstrates, the Company's contracted
9 supplemental resources are often in flux. And, these
10 on-system facilities represent a stable supplemental
11 resource that is under the Company's control when it is
12 critical to meet demand.

13 So, in sum, the amount of capacity in
14 the Company's resource portfolio is prudent. It's
15 consistent with the needs of EnergyNorth's customers, as
16 well as regulatory requirements that the Company is
17 subject to. Retiring any on-system peaking facilities
18 would impair the Company's ability to maintain reliable
19 service for its customers, meet customer -- meet peak
20 customer demands, maintain the supply/demand balance in
21 the system, and meet the seven-day on-system storage
22 requirement. And, given the difficulty of bringing them
23 back on line, they should not be retired -- required to
24 retire those facilities.

1 So, that's all that I have to say on
2 that. Thank you.

3 MS. AMIDON: Thank you. And, I note
4 that the Company filed testimony on the 24th, is that
5 correct?

6 MR. TAYLOR: Yes.

7 MS. AMIDON: Okay. Thank you.

8 MR. TAYLOR: Thank you.

9 MS. AMIDON: Mr. Eckberg.

10 MR. ECKBERG: Good morning. The OCA has
11 no position in this matter at this time. Our Office did
12 participate in a limited way in the initial docket, the
13 Company's IRP, from which this docket has arisen. And, we
14 anticipate participating also in a somewhat limited way in
15 this docket. But, as there are issues which are of
16 importance to ratepayers, we will be doing our best to
17 participate. Thank you.

18 MS. AMIDON: Thank you. Mr. Speidel.

19 MR. SPEIDEL: Yes. Thank you. Staff,
20 at the present time, does not have a specific preliminary
21 position to outline. However, Staff would like to mention
22 that it will continue to investigate this matter as
23 outlined in the Order of Notice, via discovery that will
24 be established through a procedural schedule, that we

1 anticipate would be discussed in today's tech session, and
2 filed for Commission approval via Staff report.

3 Staff would like to note that it
4 received, that is Mr. McCluskey received the testimony
5 filed by the Company as of yesterday. And, so, it would
6 be inopportune to make a preliminary position at this time
7 on the basis of that. And, the Staff would like to
8 stipulate that going forward materials that are submitted
9 for Staff review should be sent through the entire service
10 list as provided through the Commission website.

11 Another element to discuss would be the
12 fact that I am substituting for Attorney Thunberg, and she
13 will be handling this matter going forward. But I will
14 definitely engage with the Company today to establish a
15 procedural schedule. Thank you.

16 MS. AMIDON: Thank you. Mr. Taylor, do
17 you have any -- was there an issue with respect to the
18 service list that resulted in the delay for Mr. McCluskey
19 receiving the filing?

20 MR. TAYLOR: My understanding is that we
21 used the service list that was on the Commission website,
22 but we'll confirm, we'll confirm that and check against
23 what's actually on the website. Hopefully, --

24 MS. AMIDON: Well, it doesn't sound like

1 there was -- I'm sorry to interrupt. It doesn't sound
2 like there was any harm done. It's just that, for the
3 future, that is sort of the standard service list that the
4 Commission requests that the Company and other parties
5 use.

6 MR. TAYLOR: We will absolutely use the
7 service list that's on the Commission website.

8 MS. AMIDON: Okay. Thank you. Are
9 there -- at this point, Mr. Speidel, you said that you
10 will be addressing the preparation of a procedural
11 schedule in the technical session that will follow this?

12 MR. SPEIDEL: Yes.

13 MS. AMIDON: Do you anticipate that any
14 -- that any discovery will commence at that point?

15 MR. SPEIDEL: I believe there might be a
16 slight delay in the issuance of Staff and intervenor
17 discovery, on the basis of the fact that Mr. McCluskey
18 will be very busy during the second week in May for an
19 Electric Division matter. But, soon after that, discovery
20 would commence.

21 MS. AMIDON: Okay. And, probably
22 nothing will be going forward at the technical session
23 today, in terms of discovery?

24 MR. SPEIDEL: No, nothing substantive,

1 I'd imagine. There may be a couple of general inquiries.
2 But, aside from that, I think Attorney Thunberg and
3 Mr. McCluskey will be able to propound discovery going
4 forward.

5 MS. AMIDON: Okay. And, so, the
6 Commission can expect to have a report from Staff
7 regarding a procedural schedule?

8 MR. SPEIDEL: Correct.

9 MS. AMIDON: Thank you. Any other
10 procedural matters which we should address this morning?

11 (No verbal response)

12 MS. AMIDON: Hearing none, I will
13 summarize by saying that I will file a brief report of the
14 prehearing conference with the Commission. And, thank
15 you, everyone. I will close the prehearing conference.
16 Thank you.

17 (Whereupon the prehearing conference
18 ended at 10:17 a.m., and the Staff and
19 the Parties conducted a technical
20 session thereafter.)
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