STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

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

Summer 2012 Cost of Gas
DG 12-______

Prefiled Testimony of Ann E. Leary

March 15, 2012

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

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

Q. Please state your position with National Grid NH ("National Grid" or the "Company").

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

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

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

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

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

Q. Please summarize your educational background.

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

Q. Have you previously testified in regulatory proceedings?

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

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Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain the Company's proposed firm sales cost of gas rates for the 2012 Summer (Off Peak) Period to be effective beginning May 1, 2012.

COST OF GAS FACTOR

Q. What are the proposed 2012 summer firm sales cost of gas rates?

A. The Company proposes a firm sales cost of gas rate of $0.5118 per therm for residential customers, $0.5103 per therm for commercial/industrial low winter use customers and $0.5126 per therm for commercial/industrial high winter use customers as shown on Proposed Thirty-Fourth Revised Page 87.

Q. Would you please explain tariff page Proposed Sixth Revised Page 86 and Proposed Thirty-Fourth Revised Page 87?

A. Proposed Sixth Revised Page 86 and Proposed Thirty-Fourth Revised Page 87 contain the calculation of the 2012 Summer Period Cost of Gas Rate and summarize the Company's forecast of firm gas sales, firm gas sendout and gas costs. For example, Proposed Thirty-Fourth Revised Page 87 shows that the 2012 Average Cost of Gas of $0.5118 per therm is derived by adding the Direct Cost of Gas Rate of $0.4984 per therm to the Indirect Cost of Gas Rate of $0.0134 per therm. The estimated total Anticipated Direct Cost of gas is $10,675,929 and the estimated Indirect Cost of Gas is $287,917. The Direct Cost of Gas Rate and the Indirect Cost of Gas Rates are determined by dividing each of these total cost figures by the projected firm sales volumes of 21,419,124 therms. Proposed Thirty-Fourth Revised Page 87 further shows that the Residential Cost of Gas Rate, $0.5118 per therm, is equal to the Average Cost of Gas for all firm sales customers. It also shows the calculation of the Commercial/Industrial Low Winter Use Cost of Gas Rate, $0.5103 per therm, and the Commercial/Industrial High Winter Use Cost of Gas Rate, $0.5126 per therm.

The calculation of the Anticipated Direct Cost of Gas is shown on Proposed Sixth Revised Page 86. To derive the total Anticipated Direct Cost of Gas of $10,675,929 the Company starts with the Unadjusted Anticipated Cost of Gas of $11,836,759 and adds the Net Adjustment totaling ($1,160,830).

$11,836,759 + ($1,160,830) = $10,675,929.

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

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

1.	Purchased Gas Demand Costs	$4,129,301
2.	Purchased Gas Supply Costs	7,229,926
3.	Produced Gas Cost	42,000
4.	Hedged Contract Costs	435,532
	Total Unadjusted Anticipated Cost of Gas	**$11,836,759**

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

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

1.	Prior Period (Over)/Under Collection	$(412,104)
2.	Interest	(5,809)
3.	Supplier Refund	(742,917)
	Total Adjustments	**$(1,160,830)**

Q. **Please explain the Supplier Refund credit of $742,917.**

A. The Supplier Refund credit is a refund in the Tennessee Gas Pipeline Rate Case in F.E.R.C. Docket No. RP11-1566 that is associated with the Off Peak period. The refund amount included in this filing is a preliminary estimate. The Company anticipates receiving the actual refund by the end of March 2012. In Schedule 4 page 2 the Company details the breakdown of the refund between the Peak and Off Peak period based upon the specific refund for each contract. In Schedule 5A column b, the Company indicates which contracts are related only to the Peak period.

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

A. As of March 7, 2012, the six-month NYMEX futures price strip for the 2012 summer is $0.2854 per therm. The NYMEX strip for this summer reflects current and projected market conditions in the gas industry nationally. The current COG reflects a decrease from 2011 primarily resulting from the decrease in NYMEX pricing and reduction in hedging costs.

Q. How does the proposed average cost of gas rate in this filing compare to the initial cost of gas rate approved by the Commission for the 2011 Summer Period?

A. The cost of gas rate proposed in this filing is $0.2208 per therm lower than the initial rate approved by the Commission for the 2011 Summer Period ($0.5118 vs. $0.7326). This $0.2208 per therm decrease is the result of a $0.03 per therm decrease in adjustments resulting from pipeline refund credits, a $0.1859 per therm decrease in gas costs (a $0.0639 per therm decrease in demand costs and a $0.1220 per therm decrease in commodity costs), and a $0.0049 per therm decrease in indirect gas costs.

Q. Please explain the variance in the Company's demand charges.

A. The decrease in demand charges is a result of the final approval of the Tennessee Gas Pipeline Tariff rates approved by F.E.R.C. in November 2011. These rates were lower than the Tariff Rates in effect during June through October 2011.

Q. What was the actual weighted average firm sales cost of gas rate for the 2011 Summer Period?

A. The weighted average cost of gas rate for the 2011 Summer Period was approximately $0.7515 per therm. This was determined by applying the actual monthly cost of gas rates for May 2011 through October 2011 to the monthly therm usage of a typical residential heating customer using 1,250 therms per year, or 318 therms for the six summer period months, for heat, hot water and cooking.

PRIOR PERIOD OVER COLLECTION

Q. Please describe the changes the Company has made to the prior period over collection for the period May 2011 through October 2011.

A. The Company has revised its Off Peak 2011 prior period over collection to include the small changes in gas costs and interest identified during the Staff audit. As a result of these changes, the 2011 Off Peak gas cost reconciliation is now an over collection of $412,104 verses the over collection of $416,947 filed in the Company's reconciliation filing on January 31, 2012.

Q. Please explain the prior period over collection of $412,104.

A. The prior period over collection is detailed in the 2011 Summer Period Reconciliation Analysis included in Tab 14 of this filing. Over the 2011 Summer Period, allowable gas costs of 13,108,518 plus the prior Summer Period over collection of $467,024 was less than the actual Gas Cost Revenue of $13,053,598 by $412,104. The net result is an ending over collection balance of $412,104 as of November 1, 2011 as shown on the 2011 Summer Period Reconciliation Analysis. Comparing the actual revenues billed and the gas costs incurred to those that the Company projected in its initial 2011 Summer Period Cost of Gas filing, the over recovery of $412,104 is the net result of the following: (i) a $6,807 increase to interest; (ii) a 3,299 increase in prior period balance, (iii) a $9,899 decrease to the Company for occupant billings (as provided in the approved settlement in Docket DG 07-129 and as discussed below), (iv) a $1,313,449 decrease in actual gas costs compared to projections; and (v) a $901,139 reduction in gas cost revenue billed compared to projections.

CUSTOMER BILL IMPACTS

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

A. The bill impact analysis is presented in Tab 8, Schedule 8 of this filing. The total bill impact for a typical residential heating customer is a decrease of approximately $75, or 17% as compared to the average COG and LDAC for 2011 Off Peak season. The total bill impact for a typical commercial/industrial G-41 customer is a decrease of approximately $138, or 17% as compared to the average COG and LDAC for 2011 Off Peak season. Schedule 8 of this filing provides more detail of the impact of the proposed rate adjustments on heating customers. Please note there is small base rate bill increase of $0.68 for Residential heating customers and $1.26 for G-41 Commercial customers resulting from the July 2011 implementation of the base rates approved in DG 11-106.

OTHER ISSUES

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

A. Yes, in Tab 15, the Company has provided historical data for "occupant" accounts for the period November 2010 through October 2011 which details the number of open and closed occupant accounts along with detailed monthly arrearage information. This provides the supporting data for the adjustment I mentioned earlier and as required by the approved settlement in Docket DG 07-129.

LOCAL DISTRIBUTION ADJUSTMENT CHARGE

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

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

Q. As agreed in DG 11-192, please provide the detail accounting treatment of the environmental labor cost inadvertently included in the Company's base rates.

A. In DG 11-192, the Company indicated that it had inadvertently included environmental labor costs in its base rates approved in DG 10-017, and therefore needed to reflect those recoveries in its calculation of its Environmental Surcharge Factor. For purposes of establishing the 2011-2012 Environmental Surcharge Factor, the Company reduced its environmental costs by the $78,892 for its base rate recoveries thereby zeroing out its Environmental Surcharge factor. The Company also indicated that it would provide the specific accounting in its 2012 Off Peak COG filing. Accordingly, the Company has debited its revenues by $78,892 (thereby reducing revenues) and credited it environmental regulatory asset (thereby reducing the amount of environmental costs).

Q. Does this conclude your testimony?

A. Yes, it does.