

DG 04-133
DG 04-175

**ENERGYNORTH NATURAL GAS, INC. D/B/A
KEYSPAN ENERGY DELIVERY NEW ENGLAND**

**Gas Dispatch Investigation and
Integrated Resource Plan for November 1, 2004 through October 31, 2009**

Order Approving Settlement Agreement

ORDER NO. 24,531

October 21, 2005

APPEARANCES: Steven V. Camerino, Esq., of McLane, Graf, Raulerson & Middleton, for EnergyNorth Natural Gas, Inc., d/b/a KeySpan Energy Delivery New England; F. Anne Ross, Esq., of the Office of Consumer Advocate, on behalf of residential ratepayers; and Edward N. Damon, Esq., for Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On August 2, 2004, EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England (KeySpan or the Company), filed with the New Hampshire Public Utilities Commission (Commission) an Integrated Resource Plan (IRP) for November 1, 2004 through October 31, 2009, pursuant to Order No. 24,323 (May 7, 2004) in Docket No. DG 03-160. The IRP filing was docketed as Docket No. DG 04-133. On September 20, 2004, Commission Staff filed with the Commission a Status Report regarding Staff's investigation of 2003 summer period gas costs pursuant to Order No. 24,317 (April 30, 2004) in Docket No. DG 04-040. The Status Report noted ongoing Staff concerns regarding KeySpan's gas dispatch and recommended that the Commission open a new docket to address open gas dispatch issues. This matter was docketed as Docket No. DG 04-175.

On September 24, 2004, the Commission issued an Order of Notice consolidating Docket Nos. DG 04-133 and DG 04-175 for procedural purposes and establishing a procedural

incremental load being forecasted in the case of the end-use model. Mr. Silvestrini indicated that the Company's agreement to begin using an econometric model does not mean that it would abandon the end-use model, but instead would blend both the end-use and econometric models in load forecasting.

Mr. Silvestrini testified that the design-day and design-year standards by which KeySpan establishes its supply portfolio are based on a cost/benefit analysis that determines a reasonable level of service reliability taking account of the costs of providing that service. The Company first performs a weather analysis, compares the probabilities of occurrence of different cold weather scenarios and considers a range of resources with various cost levels that can be used to satisfy customers' needs. According to Mr. Silvestrini, such an approach is used by KeySpan's Massachusetts LDC affiliates and is required by the Massachusetts regulators. The Company has agreed, however, to expand its weather analysis to include the Monte Carlo simulation¹¹ recommended by Liberty and also to incorporate a contingency analysis of additional low probability weather events. Mr. Silvestrini testified that the Company has not performed such an analysis in the past because it would have effectively required the Company to plan for conditions that exceeded the Company's specified design conditions.

Mr. Silvestrini testified that the Company continues to believe that its decision to enter into an AMA was prudent and has produced benefits for its customers. According to Mr. Silvestrini, the Company understands Liberty's concerns regarding the profit sharing reports provided by the asset manager and is working with Commission Staff and the asset manager to address them. However, because the kind of reporting requirements Liberty recommends is burdensome for an asset manager to provide to an LDC of this size, KeySpan has agreed not to

¹¹ Monte Carlo simulation is an analytical method meant to imitate a real-life system by randomly generating values for uncertain variables over and over to quickly generate and analyze many results. It is used when other analyses are too mathematically complex or too difficult to reproduce.