

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DG 12-273

Northern Utilities, Inc.

2012/13 Winter Period

Cost of Gas
Forecast

Direct Testimony

of

Robert J. Wyatt
Utility Analyst IV

October 15, 2012

1 **Q. Please state your name, occupation and business address.**

2 **A.** My name is Robert J. Wyatt. I am employed by the New Hampshire Public Utilities
3 Commission (Commission) as a Utility Analyst in the Gas & Water Division. My
4 business address is 21 South Fruit Street, Suite 10, Concord, New Hampshire 03301.

5 **Q. Please describe your educational and professional background.**

6 **A.** Please refer to attachment RJW-1.

7 **Q. Have you testified as a Staff witness before this Commission in previous dockets?**

8 **A.** Yes I have, in cost of gas, cost of (steam) energy and other gas and steam related
9 proceedings. I have also filed cost of service/rate design testimony in DG 10-017 and
10 DG 11-069, the most recent EnergyNorth and Northern base rate cases.

11 **Q. What is the purpose of your testimony in this proceeding?**

12 **A.** My testimony will briefly summarize Staff's review of Northern's 2012/13 cost of gas
13 filing including its forecast for the upcoming winter period and provide additional
14 background related to the \$4.1 million credit adjustment that is now included in
15 Northern's 2011/12 winter period cost of gas reconciliation.

16 **Q. Do you support the cost of gas forecast and the adjusted reconciliation?**

17 **A.** I do support the adjusted reconciliation but have a concern regarding the supply planning
18 and dispatch, as explained below. This concern was discussed with the Company at the
19 October 2, 2012 COG technical session.

20 **Q. Please describe the issue of concern.**

21 **A.** My concern relates to the Company's supply forecast for the 2012/13 winter period. As
22 presented, the forecast does not reflect least cost planning with regard to one new winter
23 period delivered supply resource. The supply in question is referenced as TGP Zone 6

1 spot in Table 5 (Bates page 45) of Mr. Wells' testimony. Although the supply is labeled
2 as spot supply it is in fact a base load supply from November through March. A base
3 load supply requires the Company to dispatch the resource at its maximum daily quantity
4 (MDQ) each day during the five month term of the agreement. As can be seen in Table
5 5, the unit cost of this supply is higher than other available resources such as those from
6 the Algonquin Path, Niagara Path and Chicago Path.

7 **Q. How did the Company respond to your concerns?**

8 A. The Company made note of my concern with the forecast and understood why I was
9 questioning this decision. The Company says that it will optimize its available resources
10 and take advantage of opportunities to sell any excess supply resources off-system when
11 they are not needed to meet on-system requirements.

12 **Q. Do you believe the Company will have opportunities to utilize this TGP Zone 6
13 supply on a least cost basis?**

14 A. That remains to be seen and is dependent on market conditions throughout the winter
15 period. Since the new base load agreement has daily must-take volumes from November
16 through March, other lower cost alternatives will be displaced. If during the winter
17 period we experience a colder than normal weather scenario, or if system demand is
18 otherwise higher than forecast, this supply may prove to be more beneficial than it
19 appears to be in Northern's cost of gas forecast at this time. Northern, through its asset
20 management agreements, will be active in pursuing off-system sales opportunities with
21 any excess resources. Prior to next winter's cost of gas proceedings I will be looking
22 closely at Northern's cost of gas reconciliation for this winter period. I will want to see
23 to what extent the Company was able to generate offsetting revenues from off-system

1 sales. It is not good policy to contract for higher cost supply resources that limit the
2 Company's ability to dispatch existing lower cost supplies. In this case, I believe the
3 Company would have been better served by a smaller base load contract for a shorter
4 period or by increasing volumes on one of its peaking contracts.

5 **Q. Do you propose any course of action by the Commission regarding the Company's**
6 **supply contracting and dispatch plans for this winter?**

7 A. Not at this time. I do not recall Staff previously having had issues with Northern related
8 to least cost dispatch and I expect the Company will do everything it can to dispatch its
9 gas supplies on a least cost basis throughout the winter period. I also expect the
10 Company to take advantage of every opportunity to sell underutilized resources off-
11 system whenever possible. Staff will expect Northern to more carefully consider these
12 contracting issues in the future. This issue will be a topic of discussion in Northern
13 Integrated Resource Planning proceeding, Docket No. DG 11-290, currently before the
14 Commission, and may be raised as an issue in next winter's COG based on Staff's review
15 of Northern's 2012/13 winter period cost of gas reconciliation.

16 **Q. Do you recommend approval of the cost of gas rates as updated by the Company?**

17 A. Yes. I recommend the Commission approve the rates in Northern's 2012/13 cost of gas
18 filing. Although the proposed plan indicates Northern is not strictly adhering to 'least
19 cost dispatch' actual results will determine whether customers were harmed and, if so, to
20 what extent. If significant harm were to occur, the issue may be addressed in next
21 winter's COG proceeding.

22 **Q. Do you care to comment on the adjusted reconciliation that Northern provided in**
23 **Tab 15 of this cost of gas filing?**

1 A. Yes. Turning to Bates page 225 of the original filing, the second line of this Schedule 2
2 is a credit adjustment to the prior period beginning balance that represents corrections to
3 the prior period gas commodity cost allocations between Northern's Maine and New
4 Hampshire divisions, dating back to December 2008. As footnote number 1 notes, this
5 adjustment is the result of an investigation that was opened in docket DG 12-131. The
6 amount corrects 100% of the allocation error, plus interest, and returns the full amount to
7 Northern's New Hampshire customers during this winter cost of gas period. The
8 adjustment is the result of a settlement between Staff, the Office of Consumer Advocate
9 (OCA) and Northern that is likely to be filed on Monday, October 15, 2012, to the
10 Commission in that docket and subject to Commission approval in that proceeding.

11 **Q. Does Staff have any thoughts on how to reduce the risk of this sort of error in the**
12 **future?**

13 A. Yes. Collectively, the parties have agreed to work together on this issue. Already, the
14 Company has agreed to revise the cost of gas reconciliation to provide the total combined
15 purchased commodity volumes and costs by month for Northern Utilities, plus the
16 allocated amounts to Northern's Maine and New Hampshire divisions. This alone will
17 be a significant improvement over what is currently available in the cost of gas
18 reconciliations.

19 **Q. Are there any other issues related to the cost of gas that you would like to comment**
20 **on at this time?**

21 A. Yes. These cost of gas proceedings require the Company, Staff and OCA to expend
22 significant efforts for its preparation and during the review process. Because of the
23 compressed schedule for these cost of gas proceedings, from the filing date to when we

1 go to hearing to when the rates go into effect, the process is not always as polished as we
2 would like. When issues of concern arise, it becomes even more of a challenge. I would
3 like to express my appreciation to the Company for its full cooperation throughout this
4 expedited review process. The Company provided timely responses to Staff's inquiries
5 as well as to inquiries from Audit Staff and OCA.

6 **Q. Does this conclude your testimony?**

7 **A. Yes.**