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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 17, 2013 - 1:35 p.m.
Concord, New Hampshire

NHPUC APR26'13 PM 4:05

RE: DG 13-082
NEW HAMPSHIRE GAS CORPORATION:
2013 Summer Period Cost of Gas.

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott

Clare Howard-Pike, Clerk

APPEARANCES: **Reptg. New Hampshire Gas Corporation:**
Meabh Purcell, Esq. (Holland & Knight)

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

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

ORIGINAL

[WITNESS: Maloney]

P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in Docket DG 13-082, which is the New Hampshire
4 Gas Corporation's 2013 Summer Cost of Gas Adjustment. On
5 March 14th, 2013, New Hampshire Gas filed with the
6 Commission its proposed cost of gas rates for the summer
7 period beginning May 1st, 2013, and running through
8 October 31st, 2013. And, the Company is proposing a
9 summer rate that is an increase from the average rate of
10 last summer's term.

11 By order issued on March 20th, we
12 scheduled a hearing for this afternoon, beginning at 1:30,
13 and required publication of the order of notice, which
14 appears was done. Thank you for the affidavit of
15 publication.

16 So, let's begin with appearances please.

17 MS. PURCELL: Good afternoon,
18 Commissioners. Meabh Purcell, from Holland & Knight,
19 representing New Hampshire Gas Corporation.

20 CHAIRMAN IGNATIUS: Good afternoon.

21 MR. SPEIDEL: Good afternoon,
22 Commissioners. Alexander Speidel, representing Staff of
23 the Commission, together with Bob Wyatt and Steve Frink of
24 the Gas and Water Division.

[WITNESS: Maloney]

1 CHAIRMAN IGNATIUS: Good afternoon. I
2 see you have Mr. Maloney ready to testify.

3 MS. PURCELL: Yes.

4 CHAIRMAN IGNATIUS: Is there anything
5 prior to taking evidence?

6 MS. PURCELL: No. I have nothing.

7 CHAIRMAN IGNATIUS: All right. Then,
8 why don't you proceed.

9 MS. PURCELL: Thank you. I'd just that
10 he be sworn please.

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

13 MS. PURCELL: Thank you.

14 **BRIAN R. MALONEY, SWORN**

15 **DIRECT EXAMINATION**

16 BY MS. PURCELL:

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

20 A. Brian Maloney, Lead Analyst in the Rates and Regulatory
21 Economics Department at Rochester Gas & Electric
22 Corporation. RG&E provides affiliate services to New
23 Hampshire Gas Corporation.

24 Q. Thank you. And, I'm showing you a copy of a filing

[WITNESS: Maloney]

1 under cover letter of Holland & Knight, dated
2 March 13th, filed with the Commission on March 14th.
3 Could you just identify this for me.

4 A. That's the New Hampshire Gas filing for the cost of gas
5 rate for the Summer Period May 2013 through
6 October 2013.

7 MS. PURCELL: Thank you. I ask that
8 this be marked "Exhibit New Hampshire Gas 1".

9 CHAIRMAN IGNATIUS: And, is that the
10 full packet, that's both the testimony and all of the
11 schedules?

12 MS. PURCELL: That's everything, yes.

13 CHAIRMAN IGNATIUS: All right. So
14 marked.

15 (The document, as described, was
16 herewith marked as **Exhibit 1** for
17 identification.)

18 BY MS. PURCELL:

19 Q. And, Mr. Maloney, since the initial filing, did you
20 need to make any updates or revise the filing?

21 A. No updates were required.

22 Q. Okay. And, do you have any corrections to make to
23 either your prefiled testimony or to any of the
24 schedules in Exhibit 1?

[WITNESS: Maloney]

1 A. No.

2 Q. And, were the documents that have been marked as "New
3 Hampshire Gas Exhibit 1" prepared by you or under your
4 direction and supervision?

5 A. Yes, they were.

6 Q. And, do adopt your testimony as your sworn testimony in
7 this proceeding?

8 A. Yes.

9 Q. And, where in the filing, could you just point to the
10 Company's proposed CGA rate for the Summer Period?

11 A. The cost of gas rate for the Summer Period, which is
12 1.4892, can be seen on the proposed tariff page, and
13 also on Schedule B, Line 9.

14 Q. Okay. Thank you. And, have you done any analysis of
15 the impact of the proposed rate on a typical customer
16 bill?

17 A. Yes. There's two schedules, Schedules I-1 and I-2,
18 that contain analyses of customer bills compared to
19 last summer. Residential heating customer bills are
20 projected to increase by 7 percent, or approximately
21 \$60.

22 Q. Okay.

23 A. This can be seen in Column 14, Lines 35 and 36.

24 Q. Thank you. Do you have anything else to add?

[WITNESS: Maloney]

1 A. No, I don't.

2 MS. PURCELL: Thank you. Mr. Maloney is
3 available for questions.

4 CHAIRMAN IGNATIUS: Thank you.
5 Mr. Speidel.

6 **CROSS-EXAMINATION**

7 BY MR. SPEIDEL:

8 Q. Mr. Maloney, with regards to your testimony on Page 5,
9 Lines 28 through 30, does the Company know what the
10 pipeline unit rate per gallon will be if the FERC
11 approves the settlement?

12 A. Yes. If the Commission approves the settlement
13 agreement, the rate will be 20.33 cents, which is a
14 decrease of 1.87 cents from the currently effective
15 rate.

16 Q. Moving on to the same general vicinity, Page 5, Lines
17 24 through 27, and also Page 6, Lines 5 through 9,
18 where you refer to the settlement. Assuming FERC
19 accepts the terms of the settlement, what would the
20 approximate refund be to New Hampshire Gas Corp.
21 through March 31st, 2013?

22 A. The refund amount to the Company, given the terms of
23 the settlement, would be approximately \$18,000.

24 Q. Regarding your testimony beginning on Page 6, Line 26,

[WITNESS: Maloney]

1 through Page 7, Line 17, could you please provide an
2 update on the Propane Purchasing Stabilization Plan bid
3 results for the 2013-14 RFP?

4 A. The Company sent RFPs to five potential parties; three
5 responded with qualifying proposals that included full
6 hedging commitments. And, the winning proposal
7 contained a premium estimated by us at approximately
8 one cent per gallon. The execution of that contract is
9 expected within the next few days. And, the first
10 hedge is scheduled for April 24th.

11 Q. How does that one cent per gallon premium for the
12 winning proposal compare with the same from last year's
13 winning proposal?

14 A. It's down 8.2 cents from last year's winning proposal
15 premium of 9.2 cents.

16 MR. SPEIDEL: Just one moment please.

17 (Atty. Speidel conferring with Mr.
18 Wyatt.)

19 MR. SPEIDEL: Thank you.

20 BY MR. SPEIDEL:

21 Q. Regarding your testimony on Page 6, Lines 15 through
22 20, in response to Staff Data Request 1-4, did the
23 Company rerun Schedule I-2 using the weather-normalized
24 monthly average usage for November 2011 through

[WITNESS: Maloney]

1 October 2012?

2 A. Yes, we did.

3 Q. How did the monthly average usage figures compare to
4 what the Company uses in Schedule I-2?

5 A. Per the Company's records, the residential heating
6 customer usage on the rerun schedule is 87 therms.
7 And, that's compared to the amount of 318 therms in the
8 original schedule for the summer period.

9 Q. To what do you attribute the monthly usage differences
10 between the two analyses?

11 A. I think it's safe to assume that former space heat
12 customers of New Hampshire Gas have switched out their
13 fuel source over the years, but that this information
14 was not reflected in the Company's database. And,
15 therefore, the average usage as calculated by the
16 Company of its customers is potentially artificially
17 low.

18 Q. In terms of being able to differentiate between the
19 therm usage for its residential heating load versus its
20 non-heating therm load, you've indicated that there are
21 difficulties in differentiating between the two
22 categories. You just know that overall usage has gone
23 down. Is the Company going to try to gauge and develop
24 additional information about its load characteristics

[WITNESS: Maloney]

1 or improve its database in any way?

2 A. There are some analysis techniques we could use to try
3 to refine our data to capture only truly space heat
4 customers in the residential calculation.

5 Q. In Schedule I-2, the typical bill analysis for a
6 residential heating customer uses 1,250 annual therms,
7 with 318 therms being used during the summer period.
8 It would appear that 87 therms is the actual usage rate
9 for last summer, is that correct?

10 A. Correct.

11 Q. Okay. Because New Hampshire Gas Corp. bills all
12 residential customers at the same rate, whether heat or
13 non-heat load for its typical bill impact analysis in
14 Schedule I-2, does the Company consider the monthly
15 residential heating customer billed therm amounts to be
16 a reasonable proxy for those customers as an aggregate
17 group or would it prefer to have a more particular
18 measurement?

19 A. I believe that the calculated number is a bit too low
20 to be a reasonable proxy. And, it would take some
21 additional data analysis to come up with a more
22 refined, accurate number.

23 Q. Would the Company be willing to work with the Staff to
24 develop such a data analysis and to provide the results

[WITNESS: Maloney]

1 of that to us?

2 A. Yes. We'd be happy to do so.

3 CHAIRMAN IGNATIUS: Can I ask for a
4 clarification? You just said the calculated rate you
5 think is too low. Which rate, which number are you
6 referring to?

7 WITNESS MALONEY: I'm sorry, usage, the
8 calculated usage is too low for a residential space heat
9 customer.

10 CHAIRMAN IGNATIUS: So, which number are
11 you saying is too low?

12 WITNESS MALONEY: The table provided in
13 Data Response 1-4.

14 MS. PURCELL: Well, I'm sorry. I don't
15 believe the Chairman -- the Chairperson has the data
16 response, so --

17 MR. SPEIDEL: No.

18 CHAIRMAN IGNATIUS: So, it's not in
19 Schedule 1A that you're referring to? The forecasted --
20 I'm sorry, the typical heating bill impact sheet, that's
21 not -- that doesn't have the number you're saying is too
22 low?

23 WITNESS MALONEY: That does not. No,
24 that does not. That has the standard number in 318, which

[WITNESS: Maloney]

1 is the typical heat usage requested to be used by us by
2 Staff.

3 MR. SPEIDEL: It may be helpful if we go
4 off the record just for a quick sec.

5 CHAIRMAN IGNATIUS: All right.

6 (Brief off-the-record discussion
7 ensued.)

8 MR. SPEIDEL: Okay. I think we're on
9 the record again.

10 BY MR. SPEIDEL:

11 Q. Mr. Maloney, just by way of clarification, what you're
12 describing is the fact that, in the view of the
13 Company, it's most likely that the average actual usage
14 figure for last summer of 87 therms is probably too low
15 for use as a proxy for bill impacts resulting from a
16 cost of gas change, is that fair to say?

17 A. That's fair to say.

18 Q. Yes. And that, on the other side, the 318 therm figure
19 might have its limitations as well, in terms of
20 accuracy, given the differentials and loading between
21 heat and non-heat customers on the system, is that
22 right?

23 A. That's correct.

24 Q. And, so, the Company is interested and willing to work

[WITNESS: Maloney]

1 with Staff to determine new measurement methodologies
2 to more accurately produce a "typical" therm usage
3 figure for these filings?

4 A. Yes. We're agreeable to do that.

5 Q. Excellent. Thank you so much. I guess we've gone
6 through these questions. Mr. Maloney, do you know if
7 the New Hampshire PUC Audit Staff had any issues
8 related to its review of the cost of gas reconciliation
9 from last summer?

10 A. The Audit Staff had no issues with that reconciliation.

11 MR. SPEIDEL: Thank you. And, just one
12 second, if you don't mind.

13 (Atty. Speidel conferring with Mr. Wyatt
14 and/or Mr. Frink.)

15 BY MR. SPEIDEL:

16 Q. Mr. Maloney, is the Audit Staff Report finalized to
17 your knowledge?

18 A. It is finalized.

19 Q. Thank you. That's most helpful. Is the Company aware
20 of a proposal by Tennessee Gas Pipeline to build a new
21 natural gas pipeline from right in upstate New York to
22 Dracut, Mass., with a tentative plan for the route to
23 be across northern Massachusetts?

24 A. Yes, we are.

[WITNESS: Maloney]

1 Q. Has anyone from New Hampshire Gas Corp. or any of its
2 affiliates spoken to Tennessee about the possibility of
3 building a lateral off of the new line to serve New
4 Hampshire Gas Corp.?

5 A. I'm not certain if we have actually spoken to them. We
6 do have a relationship with them through some of New
7 Hampshire Gas's affiliates. We have internally
8 prepared a ballpark cost estimate of building such a
9 lateral.

10 Q. Would you be willing to share that cost estimate with
11 us today?

12 A. I do not have that estimate available right now.

13 Q. That's all right. Thank you. Is the Company willing
14 to consider the construction of such a lateral, if it
15 viewed the cost to be reasonable?

16 A. Yes.

17 Q. And, there's an expectation by the Company that, if the
18 lateral were to be built, that natural gas service
19 would tend, in the aggregate, to be less expensive as a
20 commodity cost than what they're paying right now for
21 propane, is that right?

22 A. That's right.

23 MR. SPEIDEL: Okay. Staff has no
24 further direct questions, I don't think. Thank you very

[WITNESS: Maloney]

1 much, Mr. Maloney.

2 CHAIRMAN IGNATIUS: Thank you.

3 Commissioner Scott, questions?

4 CMSR. SCOTT: Thank you. And, good
5 afternoon.

6 WITNESS MALONEY: Good afternoon.

7 BY CMSR. SCOTT:

8 Q. So, I understand you don't have great figures on the
9 typical average usage. I was just curious if you had a
10 ballpark figure, other than the 1,250, for what an
11 annual usage would be?

12 A. I would think something a little less than that, maybe
13 a thousand therms per year, might be more typical for a
14 space heating residential customer in an area with
15 heating degree days common here.

16 Q. And, you've been careful to delineate space heating.
17 Are you holding that separately, obviously, from those
18 who use it for cooking and other things, or are you
19 look at more industrial usage as the other --

20 A. I'm holding that separate from customers that do not
21 use propane to heat their home.

22 Q. Okay. Again, so, people may have a gas range and hot
23 water heating, but not --

24 A. That's correct.

[WITNESS: Maloney]

1 Q. Okay. They may use --

2 A. The space heating usage tends to boost up the usage in
3 a household significantly.

4 Q. Okay. And, if I heard you correctly, you made a
5 comment about -- you're wondering that perhaps,
6 compared to the past, you've had some former space
7 heating customers switch out fuel?

8 A. That's correct.

9 Q. And, to what? Obviously, oil, is that what you're
10 seeing happening?

11 A. I would think oil and other lower cost alternatives,
12 versus propane through our Company's pipelines.

13 Q. And that, obviously, would drive perhaps your look for
14 a lateral to find a lower cost alternative, it sounds?

15 A. Yes.

16 Q. Okay. Thank you for that. I was also curious, for
17 winter pricing for natural gas, as last year we've seen
18 some rather radical spikes due to demand of natural gas
19 competing for electric production. And, I was curious,
20 your thoughts on the impact that's had on propane
21 supply and pricing?

22 A. I don't think that has had a significant impact on
23 propane supply or price. Propane tends to closely
24 track the crude oil market.

[WITNESS: Maloney]

1 Q. Okay.

2 A. And, there are many other factors, obviously, that are
3 impacting the price of crude at this point.

4 Q. So, obviously, when you look at a lateral, that will be
5 one of your things to look at, obviously, is the
6 relationship between natural gas spikes and compared to
7 where you'd be for propane, I assume?

8 A. Yes.

9 Q. Okay. And, is there an opportunity to do both? I'm
10 just wondering, to kind of hedge one against the other?

11 A. No. The pipeline and the appliances would have to be
12 modified to handle either one or the other, but not
13 both.

14 Q. Makes sense. And, finally, I note you're looking for
15 -- I just want to confirm, you're still requesting a
16 waiver of the Puc Rule 1203.05?

17 A. Yes, we are.

18 Q. And, to your understanding, you've submitted all the
19 documentation to meet that waiver?

20 A. Yes.

21 CMSR. SCOTT: Okay. Thank you. That's
22 all I have.

23 CHAIRMAN IGNATIUS: Thank you. A couple
24 more questions.

[WITNESS: Maloney]

1 BY CHAIRMAN IGNATIUS:

2 Q. First, the unaccounted for gas rate is remarkable, and
3 just a huge improvement from some very bad years, going
4 back away. So, it's impressive.

5 A. Thank you.

6 Q. Hope it continues. On the refund amount that you
7 described as now looking like about \$18,000 from the
8 approval of the settlement at FERC, how would that
9 refund be passed through to the Company and ultimately
10 to customers? Have you figured that out yet?

11 A. We would discuss that with Staff. One option would be
12 to incorporate it into the winter rate next winter,
13 because the increase in the pipeline rate was totally
14 contained within the prior winter period.

15 Q. All right. On the Propane Purchasing Stabilization
16 Plan, I was struck with the enormous drop from a 9 cent
17 premium to one cent. What accounts for such a
18 significant drop?

19 A. In our opinion, it relates to one supplier becoming
20 very aggressive in the marketplace. And, this has put
21 a downward pressure on pricing spreads.

22 Q. So, whether that turns out to be a rate that you see a
23 year from now remains to be seen?

24 A. That's right.

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1 Q. All right. On the usage of what a typical customer
2 might use, and this has been coming up in all of the
3 cost of gas hearings, so we're sort of curious how
4 these norms are used. Is the inclusion of the 1,250
5 therms for a typical residential heating customer for
6 this filing going to result in an undercollection, if,
7 in fact, it's more like a thousand? Or is that really
8 a different calculation and we're not setting ourselves
9 up for an undercollection?

10 A. That's a different calculation. The rate is set on the
11 normalized usage we experienced last summer across all
12 customer classifications, adjusted, if necessary, for
13 any additions or subtractions of customers. So, it
14 would be a different calculation than the "average
15 usage" discussion.

16 Q. I hope we do get more updated standards to use across
17 the industry, partly because of energy efficiency
18 programs, if we're going to look at reductions in
19 people's usage, and we have an artificially high
20 expectation, and then compare that against actuals, we
21 might be measuring the wrong thing. So, it may be that
22 those numbers are really a bit outdated, and bringing
23 them down and using a convention of a thousand or
24 whatever proves to be a better number, it would be a

[WITNESS: Maloney]

1 good thing going forward.

2 I was also curious, when you talked
3 about the possibility of a lateral, what's the
4 conversion ability to move from propane to natural gas?
5 Would you have to make significant changes in your
6 equipment and the customers' equipment? Would that
7 have to also be changed?

8 A. Yes. Our equipment and the customers' appliances would
9 both need to be changed to accommodate a switch to
10 natural gas.

11 CHAIRMAN IGNATIUS: All right. The
12 final comment is just to take back to your office.
13 Whenever we have materials where it includes a number of
14 schedules and attachments, it really should be numbered
15 subsequently, so we don't have to try and figure out the
16 Schedule 2B and 11A, and just turn to Page 43, 44, 45.
17 So, if you can ask your folks, when they're producing the
18 next filing to --

19 MS. PURCELL: To Bates stamp?

20 CHAIRMAN IGNATIUS: Yes.

21 MS. PURCELL: Okay.

22 CHAIRMAN IGNATIUS: To do a Bates stamp
23 system, just running from --

24 MS. PURCELL: Sure.

[WITNESS: Maloney]

1 CHAIRMAN IGNATIUS: -- 1 to whatever
2 would be easier. But -- yes. Oh, Commissioner Scott has
3 another question.

4 CMSR. SCOTT: Thanks again.

5 BY CMSR. SCOTT:

6 Q. And, obviously, we're a little bit intrigued by the
7 potential to change to natural gas. I was curious
8 also, I understand appliances and that type of thing
9 would need to be changed over, are the -- is the
10 distribution, the piping and everything, does that need
11 to be changed over? Are there similar operating
12 pressures or would that all have to be looked at also?

13 A. I believe the actual in-ground piping would be able to
14 stay the same.

15 CMSR. SCOTT: And, again, I know you're
16 exploring all that. So, I'm not going to hold you to
17 that. But thank you.

18 CHAIRMAN IGNATIUS: Any redirect,
19 Ms. Purcell?

20 MS. PURCELL: No. Thank you.

21 CHAIRMAN IGNATIUS: All right. Then,
22 Mr. Maloney, you're excused. Thank you for your
23 testimony.

24 Is there any objection to striking the

1 identification of Exhibit 1 and making it a full exhibit?

2 (No verbal response)

3 CHAIRMAN IGNATIUS: All right. Seeing
4 none, we will do so. Anything else before closing
5 arguments?

6 (No verbal response)

7 CHAIRMAN IGNATIUS: All right.
8 Mr. Speidel.

9 MR. SPEIDEL: Thank you, Chairman.
10 Staff would like to thank the Company for its cooperation
11 during its review of the summer cost of gas filing for New
12 Hampshire Gas. Staff supports the approval of the waiver
13 request brought forward by the Commission. And, also, we
14 also are very pleased about the better unaccounted for gas
15 percentages that have been coming down in recent years,
16 especially this year from the Company. And, we commend
17 the Company for its ongoing efforts in that area.

18 Staff will continue to work with the
19 Company regarding developing a typical usage methodology
20 for bill impacts that more accurately reflects current
21 market conditions.

22 And, we are very pleased that the
23 Company was able to find such a low premium for prepaid
24 gas percentages used in its system. That is very good.

1 And, it is something that will be providing savings for
2 the Company in this gas period.

3 Thank you very much. And, we appreciate
4 the Commission's consideration.

5 CHAIRMAN IGNATIUS: Thank you.
6 Ms. Purcell.

7 MS. PURCELL: Thank you. As always, New
8 Hampshire Gas Corporation appreciates the time and effort
9 of Staff in conducting its review of the Company's
10 proposed summer CGA rate. And, we also appreciate the
11 Commissioners' time today.

12 We respectfully request approval of the
13 proposed rate of 1.4892 per therm on or before May 1st.
14 Thank you very much.

15 CHAIRMAN IGNATIUS: All right. We
16 understand it's a May 1st effective date that you're
17 seeking.

18 MR. SPEIDEL: That's correct. Staff and
19 the Company support approval by May 1st.

20 CHAIRMAN IGNATIUS: All right. So, we
21 will take this under advisement, but know that that is the
22 date that you need an order, if not before.

23 MS. PURCELL: Great.

24 CHAIRMAN IGNATIUS: So, thank you. We

1 are adjourned.

2 MS. PURCELL: Thank you.

3 **(Whereupon the hearing ended at 2:06**

4 **p.m.)**

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