

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

October 21, 2013 - 1:38 p.m.
Concord, New Hampshire

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RE: DG 13-261
NEW HAMPSHIRE GAS CORPORATION:
Winter 2013-2014 Cost of Gas.

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

Sandy Deno, Clerk

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

Reptg. PUC Staff:
Michael J. Sheehan, Esq.
Alexander F. Speidel, Esq.
Stephen P. Frink, Asst. Dir./Gas & Water Div.

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

ORIGINAL

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WITNESS:

BRIAN R. MALONEY

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[WITNESS: Maloney]

P R O C E E D I N G

CHAIRMAN IGNATIUS: Good afternoon. I'd like to open the hearing in Docket DG 13-261. This is New Hampshire Gas Corporation's 2013-2014 Winter Period Cost of Gas Adjustment. The Company filed, on September 19th, 2013, its proposed cost of gas -- cost of gas rates for the period November 1st, 2013 through April 30th, 2014. And, the proposal is for an increase in the rate as compared to last winter's rate. It also sought approval of a Fixed Price Option and further recovery of a phased-in deferred revenue surcharge.

So, let's begin first with appearances.

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

CHAIRMAN IGNATIUS: Good afternoon.

MR. SHEEHAN: Good afternoon. Mike Sheehan, representing Staff. And, with me is Steve Frink, the Director of the Gas, and co-counsel Alexander Speidel.

CHAIRMAN IGNATIUS: Good afternoon. Is there anything to take up before we begin with testimony?

MS. PURCELL: No. The return of service was submitted directly to the Commission by New Hampshire Gas. So, I would like to ask Mr. Maloney to take the

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1 stand.

2 CHAIRMAN IGNATIUS: Thank you.

3 (Whereupon **Brian R. Maloney** was duly
4 sworn by the Court Reporter.)

5 MS. PURCELL: Thank you.

6 **BRIAN R. MALONEY, SWORN**

7 **DIRECT EXAMINATION**

8 BY MS. PURCELL:

9 Q. Mr. Maloney, could you please state your full name and
10 your position and your business address for the record.

11 A. I'm Brian Maloney. Lead Analyst for Rochester Gas &
12 Electric Corporation. RG&E provides affiliate services
13 to New Hampshire Gas Corporation.

14 Q. Thank you. And, I'm showing you a copy of a filing
15 under cover letter of Holland & Knight dated September
16 18th. Could you please identify this filing or these
17 documents.

18 A. This is New Hampshire Gas's filing for the cost of gas
19 rate for the Winter Period October 2013 through
20 April 2014.

21 MS. PURCELL: Thank you. I'd like this
22 to be marked as "New Hampshire Gas Exhibit Number 1".

23 CHAIRMAN IGNATIUS: And, that's the
24 testimony and supporting exhibits?

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1 MS. PURCELL: Yes. And, I will note
2 that they're Bates stamped this time, at the Staff's
3 request or someone's request.

4 CHAIRMAN IGNATIUS: Thank you.

5 MS. PURCELL: But we dutifully did that.

6 CHAIRMAN IGNATIUS: So marked as
7 "Exhibit 1" for identification.

8 (The document, as described, was
9 herewith marked as **Exhibit 1** for
10 identification.)

11 BY MS. PURCELL:

12 Q. And, Mr. Maloney, were the documents that have been
13 just marked for identification as "New Hampshire Gas
14 Exhibit 1" prepared by you or under your direction and
15 supervision?

16 A. Yes, they were.

17 Q. And, did the Company need to update the filing this
18 year?

19 A. It did not.

20 Q. Okay. So, Mr. Maloney, where in the filing can we find
21 the Company's proposed cost of gas rate, referring to
22 the Bates stamp numbers?

23 A. The FPO and Non-FPO rates can be seen on the proposed
24 tariff page, which is Bates stamp Page 12.

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1 Q. Okay.

2 A. The rate is \$1.6785 for the Non-FPO rate and \$1.6985
3 for the FPO rate.

4 Q. Thank you. And, have you done any analysis of the
5 impact of the proposed rate on a typical customer bill?

6 A. Yes. Schedules K and L, which are Bates Pages 24 to
7 27, contain analyses of the customers' bills compared
8 to last year. And, those schedules show total bill
9 increases of approximately 6 percent.

10 MS. PURCELL: Okay. Well, I have
11 nothing further for the witness. And, he's available for
12 cross-examination.

13 CHAIRMAN IGNATIUS: All right.
14 Mr. Sheehan.

15 MR. SHEEHAN: Good afternoon. Thank
16 you. Good afternoon, Mr. Maloney.

17 WITNESS MALONEY: Good afternoon.

18 MR. SHEEHAN: I have a few questions for
19 you.

20 **CROSS-EXAMINATION**

21 BY MR. SHEEHAN:

22 Q. Can you tell me about what percentage of the gas
23 supplies in this forecast are hedged, pre-purchased or
24 otherwise tied to a predetermined fixed price?

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1 A. Approximately 60 percent of our supply is pre-purchased
2 at a fixed price through the hedging program.

3 Q. And, is that the only way that -- the only category of
4 pre-purchased or hedged supplies?

5 A. Yes.

6 Q. How does the cost of those hedged supplies compare to
7 the projected market prices?

8 A. The hedged supply is at \$1.45 per therm, and that's 17
9 cents lower than the projected price for our spot
10 market purchases.

11 Q. And, in pricing your non-hedged propane supplies, you
12 use propane future prices as of September 16 of this
13 year. If you were to recalculate using the rate based
14 on current future prices, do you know what the rate
15 would be?

16 A. It would be one cent higher, approximately.

17 Q. If you updated it?

18 A. Yes.

19 Q. Okay. Does the proposed maximum rate of \$2.0981 allow
20 enough flexibility to absorb this small increase you
21 just testified to, and any other normal price
22 fluctuations through the monthly rate adjustments
23 without adjusting the rate at this time?

24 A. Yes. With 60 percent of our purchases locked in, spot

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1 prices would need to move up very significantly for the
2 maximum rate to be reached.

3 Q. Okay. Have there been any changes in the Company's
4 trucking, supplier, on-site storage, and gas plant
5 arrangements since last year?

6 A. No. Nothing in those areas.

7 Q. Have there been any changes in the Company's
8 supplemental off-site storage from last year?

9 A. No. We are again using EnergyNorth storage in Amherst,
10 New Hampshire.

11 Q. Did New Hampshire Gas use any of its supplemental
12 off-site storage last year?

13 A. No. There was no need to last year, with the typical
14 winter temperatures and the Selkirk terminal
15 experiencing no problems.

16 Q. Does the primary source of propane storage continue to
17 be your location in Keene?

18 A. Yes. Yes. We have two large storage tanks in Keene
19 totaling about 75,000 gallons.

20 Q. Regarding the FPO or Fixed Price Option Program, a
21 couple questions. Could you provide the Commission
22 with an update on the FPO enrollment numbers to date?
23 I think you've closed the enrollment period, is that
24 right?

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1 A. The replies need to be postmarked by today, the 21st.

2 Q. Okay. So, do you have information at least as current
3 as possible?

4 A. Yes. As of last Friday, only 10 percent of forecasted
5 sales have enrolled in the FPO.

6 Q. And, you just said the cut-off is today. And, how many
7 -- what percentage -- is that 10 percent of your volume
8 or 10 percent of your customers?

9 A. Ten percent of our volume.

10 Q. And, do you have a percentage of customers?

11 A. I don't have that with me.

12 Q. And, how does that compare to prior years?

13 A. Well, for instance, last year, 21 percent of the
14 volumes signed up for the FPO Program.

15 Q. And, that's been the case for some years before that as
16 well, is that correct, about 20?

17 A. Yes. Twenty percent has been a typical average for the
18 last handful of years.

19 Q. Any idea why the -- what appears to be a change,
20 pending the last day or two?

21 A. Well, there's still some time to sign up. But, I think
22 maybe, due to the fact that for the last couple of
23 years it ended up costing a little bit more to be in
24 the FPO Program, might have some impact on the amount

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1 of customers signing up for it.

2 Q. Changing topics. Was the calculation of the deferred
3 revenue surcharge consistent with how that was
4 calculated last year and in prior years in which the
5 surcharge was in effect?

6 A. Yes. It was the same methodology.

7 Q. And, is this the final year of that deferred revenue
8 surcharge?

9 A. Yes. It ends October 2014.

10 Q. At Staff's request, you proposed a change in how the
11 interest on monthly over or under recoveries is
12 calculated, to use a monthly prime rate rather than the
13 quarterly prime rate. What's the expected impact of
14 that proposed change?

15 A. That change will just make the calculation more
16 reflective of current market lending rates. And, it
17 will also make us consistent with the methodologies
18 used by other New Hampshire gas utilities.

19 Q. Has the Company had any changes to management or
20 operations personnel at New Hampshire Gas or related to
21 New Hampshire Gas?

22 A. No.

23 Q. During the past year?

24 A. No.

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1 Q. Has the Company had any material changes in customer or
2 load growth over the past year?

3 A. A shopping center and a college housing facility were
4 brought on line about one year ago. Those have been
5 the only material changes.

6 Q. Are you anticipating any material change to load over
7 the next year?

8 A. No. There is nothing seen at the present time.

9 Q. We had a brief discussion before we went on the record,
10 but do you have any information on the status of the
11 Kinder Morgan Northeast Expansion Project that you can
12 share?

13 A. Well, TGP is building a northeast expansion that
14 involves a pipeline across northern Massachusetts, with
15 potentially some laterals reaching up into New
16 Hampshire. If everything goes as planned, they're
17 hoping for construction to be completed in about four
18 to five years.

19 Q. Do you have any more definite information on that or is
20 that sort of the nature of the information that's out
21 there right now?

22 A. That's the nature of the information I have right now.

23 MR. SHEEHAN: Okay. Those are all the
24 questions Staff had.

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1 CHAIRMAN IGNATIUS: Thank you.

2 Commissioner Harrington.

3 CMSR. HARRINGTON: Good afternoon. Just
4 a very few questions, actually.

5 BY CMSR. HARRINGTON:

6 Q. It looks like the price of propane is going up in the
7 somewhat over 11 percent range, is that correct?

8 A. Yes.

9 Q. And, what's the driver for causing the price to go up
10 11 percent over last year?

11 A. The spot market prices have moved up by --

12 Q. I didn't mean so much -- I understand the prices went
13 up, that's why you have to pay more. But what's
14 causing the prices to go up? Do you have any knowledge
15 of that?

16 A. Propane generally tracks the crude oil market, and that
17 has moved up over the past few months.

18 Q. And, is the -- looking into the future, would you
19 expect this to be a trend or would you expect it to be
20 stabilizing? I mean, as best one can, there must be
21 futures out there that you can look at for more than
22 one year.

23 A. I've only looked at the futures for the next six
24 months. And, prices, although volatile, seem to be

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1 staying within a relatively narrow range around where
2 they are right now, and close to the rates used in this
3 filing.

4 Q. Okay. And, has the increase in, I mean, drilling for
5 natural gas, people are after the liquids, because
6 there's more money in those. As those number of oil --
7 gas wells go up and more liquids are produced, do you
8 think that would have a beneficial effect on the price
9 of propane or it just isn't enough to make a
10 difference?

11 A. I'm not an expert in that area. But it doesn't seem
12 that, to date, the increase in shale gas has had a
13 material effect on propane prices.

14 Q. And, you know, I guess your competition for heating for
15 the most part is oil, because, you know, if people are
16 on a natural gas pipeline, and you're on it or you're
17 not on it, how are the propane prices compared to
18 heating oil costs? I mean, I'm not looking for
19 anything absolute, but are they slightly lower? A lot
20 lower?

21 A. Well, propane through our distribution system right now
22 is slightly higher than oil.

23 Q. Okay. And, there was mention of the Kinder Morgan
24 Pipeline might be coming in. If that were to come into

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1 the area, would you expect -- do you expect people
2 might, if they had the option, switch from propane to
3 natural gas?

4 A. In my opinion, no question about it.

5 CMSR. HARRINGTON: Okay. All right.

6 Thank you. That's all I have.

7 CHAIRMAN IGNATIUS: Commissioner Scott.

8 CMSR. SCOTT: Good afternoon.

9 WITNESS MALONEY: Good afternoon.

10 CMSR. SCOTT: A couple quick questions.

11 BY CMSR. SCOTT:

12 Q. I'm reading your testimony, Page 3, Bates 3, for
13 unaccounted gas, it sounds like a "good news" story,
14 but I just -- it looks like you have basically a half
15 percent increase in unaccounted for gas losses -- in
16 unaccounted for gas --

17 A. Yes.

18 Q. -- since last year. Do you consider that kind of like
19 in the normal statistical norm or does that give the
20 Company any concerns?

21 A. I think we consider that within the statistical
22 variability of a ratio such as that.

23 Q. And, in your testimony, you mentioned five, ten years
24 ago it was considerably higher. Can you give me a

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1 range what it was?

2 A. It was, at certain periods, up above 5 percent.

3 Q. Okay. Well, one and a half, 1.6 is much better than
4 5 percent.

5 A. We believe so.

6 Q. On the -- you talked a little bit about the FPO
7 offering. Did you advertise this year the same as you
8 did last year? I'm just struck by the change, and,
9 again, maybe it's just because --

10 A. It was the exact same letter sent to all customers,
11 with a change in the date and the rate.

12 Q. Okay. So, it wasn't -- okay. Well, that's good. So,
13 it wasn't a secret?

14 A. Right.

15 Q. That's good to know. And, you mentioned on that front
16 that those who did lock in last year had to pay a
17 little bit more. Do you have a rough range? Was it
18 like 5 percent more or --

19 A. That's detailed in Schedule M, which is Bates stamp 28.
20 And, it was just a minor amount for the average
21 customer last year, \$12 additionally, to be a
22 participant in the FPO Program.

23 Q. Interesting.

24 A. The year before was \$59.

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[WITNESS: Maloney]

1 Q. Well, okay. Thank you. And, regarding your waiver
2 request, and you mention it on Bates 10, am I correct
3 that the way that your billing system is designed you
4 will -- at this point your intention is to always
5 request a waiver? Is that the correct assumption?

6 A. I think that's a correct assumption, yes.

7 Q. Okay.

8 A. Due to the cost of redesigning the system for a
9 customer base such as, you know, the size that we're
10 dealing with here.

11 Q. Okay. And, not to put you on the spot, but you are on
12 the stand. Can you give me any idea what kind of -- I
13 mean, an order of magnitude? Are we talking --

14 A. You know, I just don't know. I'm sorry.

15 CMSR. SCOTT: Okay. That's fair enough.
16 That's all I have.

17 CHAIRMAN IGNATIUS: Thank you. A couple
18 quick questions.

19 BY CHAIRMAN IGNATIUS:

20 Q. Commissioner Harrington asked about people's preference
21 if there were more natural gas coming into the area
22 through the Tennessee Gas Pipeline expansion were to
23 come up into your area. Do you mean that people might
24 leave the Keene Gas system, get off entirely and

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1 somehow take natural gas? Or, do you mean there would
2 be a push to replace your fuel for Keene Gas and have
3 it run on natural gas?

4 A. I think there would be a push for our system to convert
5 to natural gas.

6 Q. And, is that something that's feasible to do?

7 A. From a technological standpoint, it is. It would
8 require just customers changing their -- changing some
9 of the equipment on their appliances, but it wouldn't
10 require a wholesale replacement.

11 Q. All right. I was also curious about a phrase in your
12 testimony on Page 4. At the top of the page it says
13 that some of the things you've done to control losses
14 include, the last one you said was "maintaining gas
15 sendout" at a certain level "as mechanically possible",
16 as close to that level as we can, if possible. What
17 does that mean? How does fluctuation in the sendout
18 out affect losses?

19 A. It affects calculated losses. All of our measurements
20 are based on therms, and a therm is 1,000 BTU. And, as
21 long as we keep the gas at 740 BTU per cubic feet, the
22 mathematical measurement of our therm sales will be as
23 optimal as possible.

24 Q. So, it's not actually related to losses on the system?

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1 A. It would relate to calculated losses on the system,
2 therms in versus therms out. As opposed to cubic feet
3 in versus cubic feet out.

4 CMSR. HARRINGTON: Just I have two --

5 CHAIRMAN IGNATIUS: Commissioner
6 Harrington, another question.

7 BY CMSR. HARRINGTON:

8 Q. And, just to follow up on that. Is that you say it's
9 740 BTUs per cubic foot, but how much of a range is
10 there in your fuel? Does it vary substantially from
11 that?

12 A. It can, because we mix air with our propane. But it
13 should vary by no more than, say, one to two BTUs per
14 cubic feet.

15 Q. And, keeping it at this level then, when it burns, it
16 maximizes your thermal output? Is that the idea of
17 this?

18 A. Keeping it at this level, and not above this level,
19 will keep our therm loss factor from expanding
20 unnecessarily.

21 Q. Okay. A just a completely different subject. You had
22 mentioned, you know, the possibility, if there was an
23 expansion of natural gas, that your company could look
24 into changing its fuel from propane to natural gas.

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1 Have you looked at anything to do, because we know
2 this, as you're probably aware, there's a couple
3 companies coming on line in New Hampshire now on
4 compressed gas, as an option, where they take natural
5 gas from the pipeline and put it -- compress it in
6 tankers and just, you know, truck it to locations.
7 And, at least as far as I've been told, as it compares
8 to oil, it's -- you can do all that and still sell it
9 to somebody, and they save money on their heating bill
10 compared to oil. Has your company looked into the
11 possibility of getting compressed natural gas as a
12 fuel?

13 A. That is something that's been looked at by our Energy
14 Supply Group.

15 Q. And, is it something you're pursuing or was it found
16 not to be a good idea or --

17 A. At this point in time, it's not being actively pursued.

18 Q. Because it was found to be too expensive or just trying
19 to figure out what the downside was?

20 A. Yes. The overall conversion cost was found to be too
21 expensive, given the customer base as it exists right
22 now.

23 CMSR. HARRINGTON: All right. Thank
24 you. That's all I had.

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1 CHAIRMAN IGNATIUS: Commissioner Scott.

2 CMSR. SCOTT: On a similar line, I had a
3 quick follow-up.

4 BY CMSR. SCOTT:

5 Q. You had, under questioning earlier, you had mentioned,
6 regarding the Tennessee Pipeline expansion, and I just
7 want to make sure I heard you right in the context, you
8 were guessing "four to five years" for completion time.
9 Was that for the line running through Massachusetts or
10 was that for potential laterals?

11 A. They have published that their expected timeframe for
12 the Massachusetts line is four to five years.

13 Q. Okay. And, any lateral, obviously, would be on top of
14 that?

15 A. Yes. The laterals would involve obtaining commitments
16 for any capacity that -- to support the cost of
17 building those laterals off the main line.

18 CMSR. SCOTT: Thank you.

19 CHAIRMAN IGNATIUS: Thank you.

20 Ms. Purcell, any redirect?

21 MS. PURCELL: None.

22 CHAIRMAN IGNATIUS: All right.

23 MS. PURCELL: Thank you.

24 CHAIRMAN IGNATIUS: Then, Mr. Maloney,

1 you're excused. Thank you. Is there any objection to
2 striking -- I assume there's no testimony from Staff,
3 correct?

4 MR. SHEEHAN: There's not. And, there's
5 no objection to striking the exhibit.

6 MS. PURCELL: None.

7 CHAIRMAN IGNATIUS: All right. Then,
8 we'll do that. So, unless there's anything else to bring
9 up, we'll have opportunity for closing statements. Unless
10 there's anything the further?

11 (No verbal response)

12 CHAIRMAN IGNATIUS: Then, Mr. Sheehan.

13 MR. SHEEHAN: We have nothing further.

14 CHAIRMAN IGNATIUS: Do you have closing
15 comments?

16 MR. SHEEHAN: I do.

17 CHAIRMAN IGNATIUS: Thank you.

18 MR. SHEEHAN: Commissioners, Staff does
19 support New Hampshire Gas's proposed 2013-14 Winter Cost
20 of Gas rate. The sales forecast and supply plan for the
21 2013-14 Winter Period is consistent with prior years, and
22 there will be a reconciliation of forecast and actual
23 costs. Concerns that may arise related to actual usage
24 and costs during the upcoming winter can be addressed in

1 next year's COG proceeding. The Audit Staff -- Commission
2 Audit Staff has reviewed the 2012-13 Winter COG
3 reconciliation and found no exceptions.

4 The Staff recommends Commission approval
5 for the use of the monthly prime interest rate, rather
6 than the quarterly rate, to calculate carrying costs on
7 the monthly over or under balances. The proposed changes
8 would more accurately reflect carrying costs, as it will
9 capture changes in interest rates in a more timely
10 fashion.

11 Staff has reviewed the deferred revenue
12 surcharge as calculated by the Company, and verified the
13 rate is accurate and complies with the approved terms of
14 the settlement in the related proceeding. And, no
15 Commission -- no Commission action is required for that
16 matter.

17 In sum, we appreciate the efforts of the
18 Company in these matters and recommend approval of the
19 cost of gas and the Fixed Option -- Fixed Price Option.
20 Thank you.

21 CHAIRMAN IGNATIUS: Thank you.
22 Ms. Purcell.

23 MS. PURCELL: Thank you. New Hampshire
24 Gas, as always, thanks the Commission's Staff for its

1 diligent and efficient review of the Company's -- of this
2 winter's CGA filing. And, the Company respectfully
3 requests the Commission approval of the proposed FPO and
4 non-FPO rates on or before November 1st. Thank you very
5 much.

6 CHAIRMAN IGNATIUS: Thank you. If
7 there's nothing else, then we will take that under
8 advisement. We understand you need an order in
9 anticipation of November 1 billing changes. And, we will
10 meet that deadline. Thank you. We're adjourned.

11 MS. PURCELL: Thank you.

12 **(Whereupon the hearing was adjourned at**
13 **2:03 p.m.)**