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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 16, 2014 - 1:34 p.m.
Concord, New Hampshire

NHPUC APR23'14 AM 9:39

RE: DG 14-074
NEW HAMPSHIRE GAS CORPORATION:
Summer 2014 Cost of Gas.

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

Sandy Deno, Clerk

APPEARANCES: Reptg. New Hampshire Gas Corporation:
Brian R. Maloney

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

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

ORIGINAL

P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: Let me open the
3 hearing in DG 14-074. This is New Hampshire Gas
4 Corporation's 2014 Summer Period Cost of Gas Adjustment.
5 New Hampshire Gas submitted on March 17th its proposed
6 cost of gas rates for the Summer Period beginning May 1st,
7 2014 and running through October 31st, 2014. We issued an
8 order of notice on March 19th calling for a hearing this
9 afternoon, and also asking for petitions to intervene to
10 be filed by today.

11 So, let's begin first with appearances.
12 And, I'm going to start with Mr. Sheehan.

13 MR. SHEEHAN: Thank you. Michael
14 Sheehan, on behalf of Staff. With me is Steve Frink,
15 Al-Azad Iqbal, and Alexander Speidel.

16 CHAIRMAN IGNATIUS: And, by the miracle
17 of Skype?

18 MR. MALONEY: My name is Brian Maloney.
19 I'm a Lead Analyst in the Rates and Regulatory Economics
20 Department at Rochester Gas & Electric Corporation. RG&E
21 provides affiliate services to New Hampshire Gas
22 Corporation.

23 CHAIRMAN IGNATIUS: And, Mr. Maloney,
24 you can hear us all right?

1 MR. MALONEY: Very well.

2 CHAIRMAN IGNATIUS: And, you can see, it
3 looks like we have a couple of different camera angles set
4 up, you can see?

5 MR. MALONEY: Yes.

6 CHAIRMAN IGNATIUS: All right. We can
7 see you.

8 CMSR. HONIGBERG: Can I suggest, though,
9 that Mr. Sheehan doesn't need to stand up. Because, if he
10 does stand up, he actually disappears. Mr. Maloney can
11 only see his midsection if he stands up. So, it actually
12 might be helpful for Mr. Sheehan to stay seated.

13 MR. SHEEHAN: We commented, when you
14 guys walked in, there were bellies on the screen.

15 CMSR. HONIGBERG: Same problem.

16 CHAIRMAN IGNATIUS: All right. Then,
17 obviously, if at any point you're not able to hear, it
18 gets complicated with the camera system, give us word. If
19 we see something go funny and you get cut off, we'll make
20 the reconnections. But this is a -- it's a good process
21 to continue to try to learn how to make this system work.
22 so, thank you. You're one of our trial witnesses.

23 MR. MALONEY: You're welcome.

24 CHAIRMAN IGNATIUS: Why don't we begin

1 then. Mr. Sheehan, do you know the order of presentation
2 for today?

3 MR. SHEEHAN: Well, what I propose to
4 do, since Mr. Maloney is far away without counsel, is to
5 mark the exhibit he's filing and to walk him through the
6 adoption of his testimony. And, then, we have some
7 cross-examination questions for him.

8 CHAIRMAN IGNATIUS: All right. I think
9 that's fine. Is that acceptable to everyone?

10 (No verbal response)

11 MR. SHEEHAN: So, first, as "Exhibit 1",
12 we'd like to mark New Hampshire Gas's complete filing in
13 this docket, titled "Summer 2014 Cost of Gas Filing",
14 which is Bates Pages 1 through 29.

15 CHAIRMAN IGNATIUS: So marked.

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

19 MR. SHEEHAN: Mr. Maloney, do you have a
20 copy of that in front of you?

21 MR. MALONEY: I do.

22 MR. SHEEHAN: And, the first seven pages
23 is your direct testimony, is that correct?

24 MR. MALONEY: That is correct.

1 MR. SHEEHAN: And, is that testimony, if
2 you were to repeat it today, has anything changed from the
3 time you filed the testimony until today?

4 MR. MALONEY: No. Nothing has changed.

5 MR. SHEEHAN: Okay. And, you would
6 adopt that in full if you were to testify live today as to
7 contents of this testimony?

8 MR. MALONEY: Yes.

9 CHAIRMAN IGNATIUS: Mr. Sheehan, before
10 you go any further, we have not yet sworn the witness.

11 MR. SHEEHAN: Okay. We have to do a
12 re-do. Mr. Patnaude is going to swear you in.

13 (Whereupon **Brian R. Maloney** was duly
14 sworn by the Court Reporter.)

15 MR. SHEEHAN: Okay. Mr. Maloney, you
16 just disappeared from -- okay. Never mind. We're all
17 set.

18 MR. SPEIDEL: Good job.

19 **BRIAN R. MALONEY, SWORN**

20 **DIRECT EXAMINATION**

21 BY MR. SHEEHAN:

22 Q. You've already stated your name and your work
23 affiliation. Now that you're under oath, I'll ask you
24 the questions about the filing that you've made on

1 BY MR. SHEEHAN:

2 Q. Have you looked at current future prices for propane?

3 A. I have.

4 Q. And, if your filing were to be updated to reflect those
5 current prices, would it have any impact on your
6 proposed rates?

7 A. The futures prices are up about five to six cents since
8 the time I filed this. Offsetting that somewhat is a
9 lower weighted average cost of gas rate that's going to
10 go into the summer period. And, therefore, if I
11 updated this filing today, the change in the rate would
12 be probably less than three cents.

13 Q. Your testimony describes -- mentions a "Propane
14 Purchase Stabilization Plan". Could you please explain
15 what that is.

16 A. That plan is our Hedging Program. That locks in the
17 purchase price for about two-thirds of our winter
18 supply requirements. Each month, in April through
19 September, we lock in prices based on the Mont Belvieu
20 futures for the upcoming winter. And, the program
21 provides us with, and our customers, with stability for
22 the winter cost of gas rate, and it also facilitates
23 our offering of the Fixed Price Option for customers.

24 Q. Can you update us on that plan, the bid results for

1 this, that you just went out recently, I believe it was
2 in March and April you were doing that process?

3 A. Yes. We received qualifying responses from four of the
4 seven parties that received our requests for proposal.
5 The winning bid contained a premium estimated by us at
6 approximately 9 cents per gallon. The final execution
7 of the contract is scheduled within the next few days,
8 possibly even today. And, the first hedge will be
9 entered into by the end of this month.

10 Q. And, you calculated the premium at about 9 percent
11 [cents?]. How does that compare to the premium you
12 paid last year for the same program?

13 A. It's about nine cents. This year is quite a bit higher
14 than last year, as expected. Last year there was some
15 very aggressive parties bidding on the contract, and
16 that -- which was unusual. This price is more -- this
17 premium is more consistent with what we've seen in some
18 more recent years besides last year.

19 Q. Okay. In Schedule C, you estimated the Supplier Charge
20 at 8 cents per gallon. Based on the latest
21 information, will that charge remain at 8 cents per
22 gallon?

23 A. Yes. We expect that to remain at 8 cents per gallon.
24 We don't see that changing.

1 Q. Okay. How do the 2014 supply plans compare with last
2 summer's?

3 A. The supply plans are identical. All propane will be
4 purchased on the spot market over the summer. We do
5 not have any sort of hedging program for the summer
6 season.

7 Q. Given the extreme rate spikes this past winter, does
8 the Company expect any customer loss this summer?

9 A. No, we don't expect any losses this summer. The
10 extreme market spikes didn't hit our customers too hard
11 because of the hedging program. The average Non-FPO
12 rates for this winter was \$2.01, and compared to \$1.50
13 last winter. There's a possibility that some customers
14 may research some other options for next winter, but
15 they'll likely see that all fuels were higher over the
16 winter. If anything, more customers may pursue our
17 Fixed Price Option next winter.

18 Q. You've already mentioned some of the overall market
19 conditions from last winter season. Does the Company
20 foresee any changes in future cost of gas strategy
21 going into this coming winter and beyond?

22 A. Yes. We've already made two changes to our supply
23 strategy. We increased the prepurchases under the
24 Hedging Program, from 700,000 gallons to

1 725,000 gallons. And, we have also obtained a verbal
2 commitment for an increase in our off-site storage,
3 from 50,000 gallons to 70,000 gallons. We're actually
4 hoping to obtain another 30,000 gallons of off-site
5 storage, if it can be found at a reasonable price.

6 Q. The proposed bill impact for this summer compared to
7 last is a bit higher. Can you discuss the reasons for
8 the increase in the overall bills compared to last
9 summer?

10 A. The only significant factor is there's an increase in
11 forecasted spot prices of propane this upcoming summer,
12 as compared to actual spot purchase prices last summer.

13 Q. Did Staff finalize its audit of the 2013 Summer Cost of
14 Gas for your company?

15 A. Yes, it did.

16 Q. Were there any issues identified?

17 A. The audit was found to be accurate. The only issue
18 identified was a \$160 trucking charge. And, we are in
19 the process of obtaining a refund of this charge. The
20 credit will go into the summer cost of gas rate.

21 MR. SHEEHAN: That's all the questions I
22 have. The Commissioners -- I'm sorry, one more.

23 BY MR. SHEEHAN:

24 Q. Given the extreme rate volatility last winter, would

1 you consider increasing the risk premium of two cents
2 per therm for next winter?

3 A. Yes. We would consider that.

4 Q. And, that's on the Fixed Price Program?

5 A. Yes.

6 MR. SHEEHAN: Okay. The Commissioners
7 may have some questions for you.

8 CHAIRMAN IGNATIUS: Thank you.
9 Commissioner Scott.

10 CMSR. SCOTT: Hello. How's the weather
11 in Rochester? Are you in Rochester?

12 WITNESS MALONEY: Yes. We're back to
13 mid-winter weather right now. But it's not supposed to
14 last much longer.

15 CMSR. SCOTT: Okay. Well, it's sunny
16 and getting warmer here. So, good to see you.

17 CHAIRMAN IGNATIUS: There's snow on the
18 ground.

19 MR. SPEIDEL: It's all melted. It
20 melted this morning.

21 CMSR. SCOTT: There was snow this
22 morning.

23 BY CMSR. SCOTT:

24 Q. So, you mentioned just now, and also on Page 5 of your

1 testimony, that you do not enter into pre-purchase
2 contracts for summer periods. I just would like to --
3 I would like to understand why you don't do any of
4 that. I can understand why you wouldn't do the whole
5 thing, but why don't you do any?

6 A. For the most part, the summer propane prices remain
7 very stable. And, we have not seen any types of spikes
8 in the summer season, mainly because there's so little
9 demand over that period of time. It's never been
10 determined that there's a need to enter into hedging
11 contracts for that period of time, because there is a
12 slightly higher cost that would have to get embedded
13 into the price of propane.

14 Q. So, it sounds like, so that extra premium wouldn't be
15 worth the benefit it sounds like?

16 A. That has been our position over the years.

17 Q. Okay. Thank you. I seem to remember in past
18 proceedings there was some discussion, I think you
19 mentioned that there was some thought to explore, with
20 extra pipeline capacity coming in the relatively near
21 area, perhaps a lateral, or some exploration of the
22 utility converting to natural gas or exploring a
23 connection to a natural gas pipeline. Is that still
24 going on?

- 1 A. Yes. There's still talk by Tennessee Gas Pipeline to
2 build what they call the "Northeast Expansion" across
3 northern Massachusetts, but it's still not even
4 definite. It's dependent on them getting the necessary
5 level of firm capacity commitments. Just a few weeks
6 ago, they, at a public meeting, they mentioned that
7 there's no definitive plans to build that pipeline. If
8 it does end up going forward, the earliest possible
9 construction date would be sometime in 2017. That's a
10 start date for the construction. So, anything along
11 these lines is at least a handful of years away.
- 12 Q. And, again, you mentioned that, that construction date
13 you gave would be for the main line, not any laterals
14 that come off it, is that correct?
- 15 A. That's correct. Those would come later. And, again,
16 they would be dependent on capacity commitments up in
17 southern New Hampshire.
- 18 Q. Thank you. And, for the winter program, you mentioned,
19 sounds like, given the volatility last winter, you
20 anticipate -- it sounds like you anticipate more people
21 perhaps signing up for your Fixed Price offering over
22 the winter. Have you -- I'm just curious, is that --
23 if that were to happen, how does that impact you?
- 24 A. We set the rate based on an expectation of how many

1 customers and what volume of therms will sign up for
2 the Program. So, we're going to need to do some
3 analysis next winter, even prior to next winter, to try
4 to come up with a good forecast for that level of
5 commitment. And, Steve Frink mentioned the possibility
6 of increasing the premium to attain that Program. And,
7 I think that could be a very good idea.

8 Q. Interesting. Obviously, you also just had the
9 discussion also about the Winter Stabilization Program.
10 Is that discussion informational or does that have a
11 bearing on the summer, this filing here, this Summer
12 Cost of Gas?

13 A. That was informational. We have entered into the
14 contract for the purchases this summer to cover our
15 Hedging Program receipts next winter.

16 Q. Thank you. And, finally, from me, you have in your
17 filing a request for a waiver of Puc rule 1203.05, to
18 allow rate changes to be on a bills rendered basis. Is
19 that -- should we anticipate that pretty much would be
20 the standard request moving forward from you?

21 A. I think it will be a standard request for the
22 foreseeable future, due to the cost of discarding that
23 system and converting to a whole new system.

24 Q. Okay. Thank you.

1 A. But, with a customer base the size of New Hampshire
2 Gas, it's hard to obtain any economies of scale in
3 terms of putting into place a new billing system.

4 Q. On that front, have you received any complaints from
5 customers regarding this type of billing?

6 A. No. To my knowledge, we've never received a complaint.
7 And, in fact, customers are so familiar with this
8 process that there's some concern that, if we changed
9 it, that would provide a great deal of confusion.

10 CMSR. SCOTT: Okay. Thank you. That's
11 all I have.

12 CHAIRMAN IGNATIUS: Thank you.
13 Commissioner Honigberg?

14 CMSR. HONIGBERG: I have no questions
15 that haven't already been asked and answered.

16 CHAIRMAN IGNATIUS: All right. Just a
17 little bit from me, not much.

18 BY CHAIRMAN IGNATIUS:

19 Q. Mr. Maloney, you stated on Page 3 of your testimony, in
20 that bottom paragraph, that the unaccounted-for volumes
21 in your most recent report was 1.64 percent, and that
22 that was a great improvement over several years ago.
23 How does it compare to the 2012 number, do you know?

24 A. I believe the 2012 number was approximately

1 1.2 percent. So, it was a little bit higher than that
2 number. But a measurement like this I think is just
3 bound to fluctuate, due to the nature of the
4 calculation.

5 Q. You don't see any sort of trend starting to climb back
6 upward, do you? I don't have any reason to think you
7 do, I'm just curious.

8 A. No. I don't think there would be any reason for that
9 to climb upwards on a trend. All of the leak repair
10 programs we put into place and cast iron main
11 replacements and meter change-outs, I think it's done a
12 great job in bringing down the losses to a level that
13 will be consistently reasonable.

14 Q. Okay. Well, thank you. You've done a remarkable job.
15 It was at extremely high levels many years ago. And,
16 let's hope it stays consistently, it may fluctuate, but
17 stays consistently low.

18 CHAIRMAN IGNATIUS: I had no other
19 questions. Was there anything else that -- was there
20 anything else that you wanted to bring out? I would
21 normally ask your counsel for any redirect. Anything else
22 you thought of, as a result of other questions, that you
23 wanted to bring to our attention?

24 WITNESS MALONEY: No. There's nothing

1 else.

2 CHAIRMAN IGNATIUS: All right. Then,
3 thank you. You're excused.

4 CMSR. SCOTT: Stay on the line.

5 WITNESS MALONEY: Thank you.

6 CHAIRMAN IGNATIUS: But don't go
7 anywhere. Is there any objection to striking the
8 identification on Exhibit 1, your filing?

9 MR. SHEEHAN: No.

10 CHAIRMAN IGNATIUS: Seeing nothing,
11 we'll do that. Anything else to take up before just final
12 closing comments?

13 MR. SHEEHAN: Staff has nothing further.

14 CHAIRMAN IGNATIUS: No? All right.
15 Then, Mr. Sheehan, why don't you begin.

16 MR. SHEEHAN: Sure. Staff supports New
17 Hampshire Gas Corporation's proposed cost of gas rate and
18 waiver request of Puc 1203.05. The sales forecast and
19 supply plan for the Summer Period is consistent with prior
20 years. And, there will be a reconciliation of forecasts
21 and actual costs. Concerns that may arise related to the
22 actual use and costs during the upcoming summer can be
23 addressed in next year's cost of gas proceeding.

24 The Commission Audit Staff reviewed the

1 winter -- 2013 Winter Cost of Gas Reconciliation and found
2 no exceptions. Staff has reviewed the deferred revenue
3 surcharges calculated by the Company and verified the rate
4 is accurate and complies with the approved terms of the
5 settlement in the related proceeding. No Commission
6 action is required.

7 The Staff appreciates the Company's
8 efforts and cooperation throughout this proceeding and in
9 limiting expenses related to this particular hearing.
10 Thank you.

11 CHAIRMAN IGNATIUS: Thank you. Mr.
12 Maloney?

13 MR. MALONEY: Thank you. New Hampshire
14 Gas would like to thank the Commission Staff for its
15 diligent review of our filing. The Company would also
16 like to thank all parties involved for allowing the
17 hearing to be conducted by video conference.

18 We respectfully request the Commission's
19 approval of the Summer Cost of Gas rate by May 1st. Thank
20 you.

21 CHAIRMAN IGNATIUS: Thank you. And,
22 thank you for reminding us of the effective date that
23 you've requested in the proceeding.

24 All right. If there's nothing else?

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(No verbal response)

CHAIRMAN IGNATIUS: Then, we'll take all of this under advisement. And, we're adjourned.

**(Whereupon the hearing was adjourned at
1:58 p.m.)**