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I N D E X

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WITNESS PANEL: DAVID B. SIMEK
FRANCISCO C. DaFONTE

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Liberty Utilities - Keene Division 2016-2017 Cost of Gas Filing, consisting of Direct Testimony of Francisco C. DaFonte and David B. Simek, tariff pages, and schedules (09-15-16)	5

P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: We're here this
3 morning in Docket DG 16-812, which is Liberty
4 Utilities - Keene Division's 2016-2017 Winter
5 Period Cost of Gas Adjustment proceeding.

6 We have two witnesses who are already
7 in place. But, before we do anything else,
8 let's take appearances.

9 MR. SHEEHAN: Good morning,
10 Commissioners. Mike Sheehan, for Liberty
11 Utilities. Present with me are the two
12 witnesses, Mr. Simek and Mr. DaFonte. At
13 counsel's table is Debbie Gilbertson. She will
14 be assuming a lot of Mr. DaFonte's duties going
15 forward, the day-to-day operations of that
16 office, and will be appearing in future cost of
17 gas. So, we brought her here today to see the
18 show.

19 And, in the back of the courtroom,
20 are two Liberty employees who are also here
21 just to observe, Sarah Fergusson [Finegan?] and
22 Robin Descoteaux. Thank you.

23 MR. CLIFFORD: John Clifford, Staff
24 Attorney, New Hampshire Public Utilities

[WITNESS PANEL: Simek~DaFonte]

1 Commission. With me at counsel's table is
2 Steve Frink, Assistant Director of the Gas &
3 Water Division, and Al-Azad Iqbal, a Staff
4 Analyst, Gas & Water Division.

5 CHAIRMAN HONIGBERG: Are there any
6 preliminary matters we need to deal with before
7 the witnesses start? Mr. Sheehan.

8 MR. SHEEHAN: Chairman, I'd like to
9 mark as "Exhibit 1" the filing in this matter,
10 which is Tab 1 of the Commission filing, and it
11 Pages 001 through 037 [038?], the testimony and
12 attachments.

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

16 CHAIRMAN HONIGBERG: Anything else?

17 MR. SHEEHAN: No, sir.

18 CHAIRMAN HONIGBERG: All right.

19 Mr. Patnaude.

20 (Whereupon **David B. Simek** and
21 **Francisco C. DaFonte** were duly
22 sworn by the Court Reporter.)

23 **DAVID B. SIMEK, SWORN**

24 **FRANCISCO C. DaFONTE, SWORN**

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 A. (Simek) I'm a Lead Utility Analyst.

2 Q. And your name is?

3 A. (Simek) David Simek.

4 Q. And, as a analyst, what role did you play with
5 the filing that's put before the Commission?

6 A. (Simek) I also prepared prefiled testimony, and
7 worked together with Mr. DaFonte to calculate
8 the rate.

9 Q. And your prefiled testimony, if I were to ask
10 you the same questions today, would your
11 answers be the same?

12 A. (Simek) Yes.

13 Q. Any changes or corrections to that testimony?

14 A. (Simek) No, there is not.

15 Q. All right. Can you briefly explain what the
16 rate change is that we're proposing for the
17 Keene Division this winter?

18 A. (Simek) Yes. The cost of gas rate for the
19 Keene Division is proposed at \$1.5152 per
20 therm. Which is an increase from the Non-FPO
21 rate that was proposed and approved last year
22 of 87.88 cents per therm.

23 Q. And can you give us a overview of the reason
24 for that change in rate?

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[WITNESS PANEL: Simek~DaFonte]

1 A. (Simek) Yes. The main driver for the increase
2 in the rate is due to the prior period
3 under-recovery, which is mainly driven by two
4 things. One, the inclusion of production
5 costs, which include basically the labor for
6 the 27 -- 24/7 labor manning of the production
7 facility. And, then, also, the warm weather
8 from this past winter, which led to higher
9 priced contracted volumes being used to serve
10 higher than anticipated percentage of sales.

11 MR. SHEEHAN: Thank you. The
12 witnesses are available for cross-examination.

13 CHAIRMAN HONIGBERG: Mr. Clifford.

14 MR. CLIFFORD: Thank you.

15 **CROSS-EXAMINATION**

16 BY MR. CLIFFORD:

17 Q. I think this first question goes right to the
18 heart of the matter. Is you've explained part
19 of the rationale between the higher volume --
20 higher under-collection, but can you explain
21 what those rates were by month? Why this
22 didn't get picked up?

23 A. (Simek) Yes. Our monthly trigger that we do
24 was the -- the last one that we did for April,

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[WITNESS PANEL: Simek~DaFonte]

1 I think you're alluding to, shows what we
2 projected to have a \$14,000 under-collection.
3 Which, in the trigger for April, the monthly
4 trigger includes only actual data from November
5 through February. So, we were missing
6 accounting information for March and April.
7 Also, the production costs at the time were not
8 approved from the PUC Audit Staff. So, those
9 costs were not included. And, also, part of
10 driver here was that March and April were also
11 exceptionally warm, as were the other months,
12 but the sales were still projected to be
13 weather-normalized. So, all that combined led
14 to the prior period under-collection of
15 \$394,761.

16 Q. And, so, what was the maximum allowable rate
17 that was set forth at that time for the spring
18 period? I think you have --

19 A. (Simek) I believe that the maximum allowed
20 Non-FPO cost of gas rate was 1.0985.

21 Q. And, so, in your April monthly adjustment, you
22 actually -- you forecasted lower sales compared
23 to the filing. So, kind of explain where there
24 was a disconnect there? Because you had

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 lower -- you forecasted lower sales for -- in
2 your April 2016 monthly adjustment. And, I
3 just want to know why -- how that process came
4 out?

5 A. (Simek) If I understand you correctly, the
6 April monthly forecasted sales, --

7 Q. Right.

8 A. (Simek) -- where I'm looking at the total
9 SENDOUT of 153,000 and the 77,950?

10 CMSR. SCOTT: Can you share with us
11 where you're looking at?

12 MR. CLIFFORD: Yes.

13 BY MR. CLIFFORD:

14 Q. Can you point to the page you're on, which
15 schedule? Oh, this is last year's. So, sorry,
16 that's not going to be part of the record. But
17 that's what I'm asking, just can you explain
18 sort of why that adjustment was off, was lower
19 than last, than compared to -- your April 2016
20 monthly adjustment, you forecasted lower sales
21 compared to this filing. And I just want to
22 explain -- for you to explain why it's lower?
23 Yes. It's 75,000, compared to 118,000 --
24 118,000.

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[WITNESS PANEL: Simek~DaFonte]

1 A. (Simek) Yes. Just bear with me for a moment
2 please.

3 Q. Sure. That's fine. So, you see your filing,
4 Schedule B, which is Bates Page 021, you've got
5 an April figure of about 118,415, but your --

6 A. (Simek) Right.

7 Q. You see that, Bates Page 021?

8 A. (Simek) Yes. I guess I don't fully understand
9 your question. Because the April projection
10 for April of 2016 was "77,950", yet the
11 April 2017 projection for this filing is
12 "116,061".

13 Q. Well, actually, I was comparing the April 6 --
14 the Winter Period 2015-2016 April was 118, and
15 then your adjustment forecast for the April '16
16 was 75. I just wanted to get at the
17 differential of 30 something thousand.

18 A. (DaFonte) If I could interject, the forecast
19 that we're talking about for last year, which
20 would have been April of 2016, that was still a
21 forecast, not an actual. So, it was still
22 based on the original forecast that we
23 submitted with the original filing to be
24 effective November 1st. The forecast for this

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[WITNESS PANEL: Simek~DaFonte]

1 year has increased across the board. So, it's
2 not just April, but every month is slightly
3 higher than what we filed last year. So, we've
4 projected an increase in demand under normal
5 weather conditions. So, that's why -- that may
6 be why you're seeing a higher number in the
7 forecasted volume for this year than for last
8 year for April.

9 MR. CLIFFORD: Could we go off the
10 record for a minute?

11 CHAIRMAN HONIGBERG: Sure.

12 *(Atty. Clifford conferring with*
13 *Mr. Iqbal.)*

14 MR. CLIFFORD: All right. We'll go
15 back on.

16 BY MR. CLIFFORD:

17 Q. So, just my point is is that your forecast was
18 118, and then your -- excuse me -- your filing
19 was 118, and your forecast was 75 in the April
20 adjustment. And I'm just trying to get at why
21 did that disparity come up or how did that come
22 about, if you could just answer that?

23 CHAIRMAN HONIGBERG: Mr. Simek, do
24 you understand the question, because I'm afraid

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 I don't?

2 Mr. Clifford, could you be a little
3 bit more precise about what it is you're
4 looking at, and the numbers that you are
5 reading. You talk about a "forecast", you talk
6 about an "adjustment".

7 MR. CLIFFORD: Right.

8 CHAIRMAN HONIGBERG: And I think
9 you're talking about 2016. But, since none of
10 us has the document in front us, --

11 MR. CLIFFORD: Right.

12 CHAIRMAN HONIGBERG: -- except for
13 you, I -- maybe I'm the only one who's
14 confused.

15 MR. CLIFFORD: Okay.

16 CHAIRMAN HONIGBERG: But can you
17 clarify exactly what it is you're talking
18 about?

19 MR. CLIFFORD: I'll move on. We'll
20 revisit that question another time.

21 CHAIRMAN HONIGBERG: I mean, maybe
22 there's an interesting question here. Is the
23 point, and maybe Mr. DaFonte was getting at it,
24 but is the point that a year ago you projected

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[WITNESS PANEL: Simek~DaFonte]

1 April's number to be 118. When you actually
2 made an adjustment during the course of the
3 year, you lowered that projection
4 significantly, down to 70 something I think is
5 what you said. And now you're here saying
6 "116". You know, why aren't you projecting
7 "77"?

8 Is that essentially what you want to
9 know?

10 MR. CLIFFORD: Actually, that is
11 essentially my question. That's what I want to
12 know.

13 CHAIRMAN HONIGBERG: All right. Mr.
14 Simek, --

15 BY MR. CLIFFORD:

16 Q. Why you projected one thing, you came in lower,
17 and then you came up with a higher projection
18 again for the coming year. And I wanted to
19 know what happened in the interim? How did it
20 go -- it goes from 118 to 75, and then back up.
21 I mean, was the forecasting bad or you just
22 miss something?

23 A. (Simek) My understanding, for the forecasting,
24 is that we take weatherized normal sales, and

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[WITNESS PANEL: Simek~DaFonte]

1 that's what we begin with for the filing. So,
2 it's projected, at the time when we make the
3 filing in September, based on the 30-year
4 normal calculations for the forecast. And,
5 then, we move it forward from there, and make
6 any adjustments -- adjustments necessary on a
7 monthly basis.

8 Q. Okay. Fine. Well, then, can you explain the
9 higher priced contracted volumes that were used
10 to serve a higher than anticipated percentage
11 of sales due to the warm weather?

12 A. (DaFonte) Yes. I can answer that. The Company
13 engages in hedging of its propane purchases
14 under an approved plan by the Commission. And,
15 for the Winter of 2015-16, that volume was
16 approximately 725,000 gallons of propane. So,
17 with the warm weather, the Company used more of
18 that product, only because it's hedged already.
19 It's a fixed price.

20 And, so, under normal weather conditions,
21 normal consumption, you would have had
22 approximately 50 percent of the portfolio
23 hedged and 50 percent of it would be floating
24 or fixed with storage. Because the volumes

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[WITNESS PANEL: Simek~DaFonte]

1 were so low, and we were obligated to the
2 hedge, that hedge price was higher than the
3 other two supply -- supply portfolio volumes.

4 So, what Mr. Simek was saying is that
5 we've used a higher percentage of the higher
6 priced hedged fuel, as compared to what was
7 filed. And, so, therefore, the rate should
8 have been higher as a result.

9 But, again, as Mr. Simek mentioned, there
10 is a lag of a couple months before we actually
11 have all of the usage volumes available to us
12 to determine whether or not the customers were
13 consuming what was anticipated under normal
14 weather conditions.

15 Q. Okay. And does your proposed maximum rate give
16 you now enough flexibility to absorb, other
17 than sort of normal price fluctuations, through
18 these monthly rate adjustments?

19 A. (Simek) We believe so, yes.

20 Q. And, to follow up, do you expect any other
21 issues regarding this large under-collection?
22 In other words, what steps are you taking to
23 reduce that this coming season?

24 A. (Simek) Again, we will work diligently to try

[WITNESS PANEL: Simek~DaFonte]

1 and stay on top of the rates as much as we can.
2 One of the drivers of this under-collection
3 were the production costs that were not
4 approved to be included in the cost of gas
5 until after the winter period. So, it was
6 approved to include them, but we weren't aware
7 of it at the time to make any type of
8 adjustments for it.

9 Q. So, for this coming winter, what percentage of
10 your supplies is actually hedged?

11 A. (DaFonte) It's approximately the same amount.
12 It's the 725,000 gallons.

13 Q. And, so, how does the cost of the hedged supply
14 compare to market price? Can you describe that
15 differential?

16 A. (DaFonte) It's slightly higher than what we
17 have in storage. And what we anticipate for
18 spot market purchases are roughly about the
19 same right now. So, the hedges are pretty much
20 equal to what the spot price is anticipated at
21 this time.

22 Q. So, are there any changes to trucking, supplier
23 or storage and gas plant since last winter?

24 Any --

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 A. (DaFonte) Nothing's changed. That we're using
2 the same suppliers, the same storage out of the
3 Amherst facility. And we anticipate that, you
4 know, spot purchase will be made on a least
5 cost basis.

6 Q. Okay. So, what's your percentage of that is in
7 your forecasted enrollment for FPO this year,
8 your Fixed Price Option?

9 A. (Simek) I believe the percentage was at -- just
10 give me one moment. I believe the percentage
11 is at 25 percent.

12 Q. And how does that compare to last?

13 A. (Simek) On Bates Page 034, Schedule M, shows
14 that last year's participation in the FPO
15 Program was at "24.54 percent".

16 Q. So, you're on track for essentially the --

17 A. (Simek) We kept it consistent, yes.

18 Q. Okay. And when was your last enrollment offer
19 mailed and sort of your expected FPOs, today's
20 numbers, if you know?

21 A. (Simek) Unfortunately, I don't have a count as
22 of yet. They were mailed out October 1st.

23 Q. Yes. And what's the cut-off date for those?

24 A. (Simek) I don't know.

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[WITNESS PANEL: Simek~DaFonte]

1 Q. You don't. So, any material changes to
2 customer growth, load growth, over the past
3 year, that either of you have seen?

4 A. (DaFonte) I think, based on the normalized
5 actuals and a recalculation of the expected
6 usage, it would like, at this point in time,
7 that the expected usage is slightly higher this
8 year than what was forecast for last year.

9 Q. And, then, finally, we were wondering if --
10 well, actually, the next question is, are you
11 contemplating yearly cost of gas filings?
12 We've had many utilities move to a yearly, one
13 filing per year, reconciliation one time, so
14 you don't have to come in twice.

15 A. (Simek) Yes.

16 Q. Want to know what your planning is on that?

17 A. (Simek) Yes. We are planning on working
18 towards one filing for next next year,
19 consistent with what we filed this year for
20 EnergyNorth.

21 Q. Okay.

22 A. (DaFonte) If I could just add one thing with
23 regard to the production costs. The Company is
24 at this time in the process of working to

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[WITNESS PANEL: Simek~DaFonte]

1 convert the High Line over to natural gas
2 service to compressed natural gas. And we're
3 hoping that -- or, we anticipate that that
4 would alleviate some of those 24/7 facility
5 manning costs. And that conversion we would
6 hope would take place in the late spring of
7 next year, so that it would be in place for
8 next winter.

9 MR. CLIFFORD: Thank you. No further
10 questions at this time.

11 CHAIRMAN HONIGBERG: Commissioner
12 Scott.

13 CMSR. SCOTT: Thank you. And good
14 morning.

15 BY CMSR. SCOTT:

16 Q. I'd like to talk a little bit more about the
17 production costs. So, it's -- you said that
18 portion of the increase is related to staffing
19 the facility 24/7, correct?

20 A. (Simek) Mostly, yes.

21 Q. So, help me out here. So, that's a fixed cost,
22 isn't it? That that doesn't vary, that
23 staffing cost doesn't vary with the amount of
24 propane that your customers use, does it?

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 A. (Simek) No.

2 Q. Okay.

3 A. (Simek) What happened was, previously, the
4 production costs were not included in the cost
5 of gas. And we went through the tariff and
6 were researching different ways of how we could
7 work with our cost of gas and what should be
8 included and what shouldn't be included. And
9 we found that production costs should be
10 included.

11 So, we went ahead and reached out to the
12 PUC Audit Staff, and pointed out our findings
13 and asked them if they agreed, and they did.
14 So, they approved that we include these costs,
15 it did go through audit. And these are the
16 costs that we are now including. But they
17 weren't added until after the winter period was
18 already over. So, that's going to be an
19 undercollection for those costs.

20 Q. So, help me out. Generally speaking, aren't
21 those type of fixed costs more like a
22 distribution charge than a cost of gas variable
23 cost?

24 A. (DaFonte) Well, typically, there are what we

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[WITNESS PANEL: Simek~DaFonte]

1 call "indirect costs", and those are includable
2 in the cost of gas. So, the same occurs with
3 EnergyNorth. For example, they have LNG and
4 propane facilities, but there are indirect
5 costs related to those facilities that are
6 collected through the cost of gas. And I think
7 that's how we see these production costs the
8 same way.

9 Q. Okay. Thanks. I was curious, you said a
10 couple times you're expecting an increased
11 demand or you're forecasting an increased
12 demand from last year -- not from last year,
13 but from your prediction last year. So, what
14 accounts for that?

15 A. (DaFonte) Well, we rely on an econometric
16 forecast from Moody's. And, so, we -- you
17 know, Moody's will look at the general economy,
18 and will either increase or decrease the
19 expected usage based on that economy. And, so,
20 I think the outlook for this upcoming winter
21 was slightly higher than what was predicted for
22 the prior winter. And, so, that's the reason
23 for the increase.

24 Q. Has your customer count gone up?

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[WITNESS PANEL: Simek~DaFonte]

1 A. (DaFonte) I think it's been pretty flat,
2 remains that way.

3 Q. So, interpreting what you just said, so, the
4 economy is a little bit better, so they're
5 expecting people to use more gas, effectively,
6 is that --

7 A. (DaFonte) Well, it's more related to, you know,
8 sort of businesses. And the businesses either,
9 you know, operating for a longer period of
10 time, whether it's, you know, in most cases,
11 it's commercial, there really aren't a lot of,
12 you know, any industrial customers to speak of.
13 But it would be businesses picking up, so,
14 therefore, they would think that their energy
15 use would also pick up as a corollary to the
16 economy.

17 Q. Thank you. I was curious, you mention in the
18 filing you have a figure for unaccounted for
19 gas. I was curious to how that compared to
20 past, I know you've not owned the utility that
21 long in Keene, but I was curious how that
22 compared?

23 A. (Simek) This year, the 3.7 percent was the lost
24 and unaccounted for gas, which is --

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[WITNESS PANEL: Simek~DaFonte]

1 unfortunately, I don't have last year's number,
2 but it is higher. I was told from our Keene
3 folks that a portion of that is related to our
4 December 19th issue, where they had to purge
5 some gas at that point.

6 Another study, that I talked to our
7 engineering group and asked them to go out and
8 look at what other companies are reporting to
9 the DOT for their lost and unaccounted for gas,
10 and they had over -- actually, just bear with
11 me for a moment.

12 Q. Uh-huh.

13 A. (Simek) They had over 355 companies that
14 reported, and they took out about 20 outliers,
15 and then did an average calculation, and it was
16 at 3.11 percent. So, of 355 companies that are
17 reporting their lost and unaccounted for gas in
18 the DOT, it sounds like the average is 3.11
19 percent, compared to our 3.7 in Keene. But,
20 again, I was told from our Keene folks that a
21 large portion of the increase from -- which was
22 below 3 percent last year, was due to the issue
23 in December, when they had to purge a bunch of
24 gas.

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[WITNESS PANEL: Simek~DaFonte]

1 Q. Okay. Thank you. In past years, that
2 franchise has been subject to some supply
3 issues regarding transportation. Is there any
4 indication that we'll see propane
5 transportation issues this coming year?

6 A. (DaFonte) No. We should not have that issue.
7 We actually, since EnergyNorth acquired Keene,
8 Keene has had access to the Amherst storage
9 facility. And, so, the actual product is
10 available within a much smaller proximity to
11 the Keene facility itself, as opposed to coming
12 from Selkirk, New York. And, so, we think that
13 that helps, because you can move trucks more
14 quickly to and from, and the product is -- we
15 know it's available. We're not expecting that
16 there would be any curtailments of Selkirk.
17 But, if there were, we do have the storage
18 that's available, and we would take advantage
19 of that.

20 Q. Okay. Thank you. And my last question should
21 be no surprise, any time there's a rate
22 increase, I always ask the same question. So,
23 hopefully, your attorney is taking note.

24 So, you have a fair increase. How are

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 customers being notified to plan on this?

2 A. (Simek) There has already been a letter sent
3 out of what we had proposed for the rate, and
4 that was included with the FPO as well. And,
5 then, there's also going to be, on the next
6 bill, that's going to include a note at the
7 bottom of the bill as well notifying customers.

8 Q. So, with a 74 percent -- I think it's a
9 74 percent increase, if I'm having trouble
10 paying my bill, what do I do? I assume there's
11 programs that you offer?

12 A. (Simek) Yes. They are asked to call the
13 Customer Service number, and then they're going
14 to address the issues. I'm not sure exactly
15 what the programs are that are out there. But,
16 again, we've talked about it internally, and
17 they are planning to address everything.

18 Q. Thank you.

19 A. (DaFonte) One thing I would say is that this
20 is --

21 Q. Go ahead.

22 A. (DaFonte) -- the rate is not unprecedented. I
23 mean, prior to last winter, the rate was
24 roughly about the same, if not higher, in past

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 winters. So, we are cognizant that the
2 customers, having had the lower rate, now see
3 this as a significant increase. And, so, we
4 want to make sure that they do understand that
5 what was available to them in the past to pay
6 their bills would still be available under the,
7 you know, the auspice of Liberty Utilities.

8 But, again, hopefully, it's not something
9 that swings up and down. And, as I mentioned
10 earlier, we're doing some things now to help to
11 avoid these production costs in the future, and
12 to bring natural gas service, a much more
13 reliable and cost-effective service, to the
14 community.

15 CMSR. SCOTT: Thank you.

16 CHAIRMAN HONIGBERG: Commissioner
17 Bailey.

18 CMSR. BAILEY: Commissioner Scott
19 asked almost every single one of my questions.
20 So, I only have an easy one.

21 BY CMSR. BAILEY:

22 Q. Did you send the customer notice to our
23 Consumer Affairs Division?

24 A. (Simek) Yes. And, as part of our internal

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[WITNESS PANEL: Simek~DaFonte]

1 process now, when it gets sent to the head of
2 the Consumer Affairs, I'm also copied on the
3 e-mail. So, I can definitely say "yes, we
4 did."

5 CMSR. BAILEY: Good. All right.
6 Thank you. That's all I had.

7 CHAIRMAN HONIGBERG: Ah, anticipated
8 a question, I see, Mr. Simek.

9 BY CHAIRMAN HONIGBERG:

10 Q. Let me follow up on the questions that I think
11 Mr. Clifford was interested in, with respect to
12 how your projections for usage are made to
13 weather-normalize them. And at what point does
14 a series of relatively mild winters cause the
15 "normal" to change that you use?

16 A. (DaFonte) Well, it does, you know, every --
17 it's sort of a rolling 30 years. So, a warm
18 winter will have an impact, depending on which
19 type of winter rolled off. So, I don't know
20 for sure which one was kicked out of the
21 30-year, might have been a warm winter as well,
22 or might have been a very cold winter. We're
23 not sure about that. But, again, over 30
24 years, it shouldn't have that much of an impact

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 on the total. I mean, that's really why we use
2 the 30-year normal.

3 Q. And notwithstanding some dispute in political
4 circles, it seems fairly clear scientifically
5 that the most recent decade is roughly the
6 warmest on record, and each month of the last
7 nine or ten months has been the warmest ever
8 recorded. Is there -- will there be some look
9 at maybe weighting more heavily the more recent
10 years in making your rolling average
11 calculations?

12 I guess the answer to that probably -- I
13 can probably answer that myself. Is that, if
14 you see a lot of mishits, you'll probably start
15 reevaluating how you do this, is that fair to
16 say?

17 A. (DaFonte) Yes, I think so. And, when you're
18 looking at 30 years, if 10 of those are now
19 warmer-than-normal winters, let's say, then
20 you're going to have that reflected in that
21 30-year normal.

22 If you shorten it up, you do run the risk
23 that you are putting too much weight on the
24 most recent winters.

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 And, again, not to get political on any of
2 this stuff, but it's hard to determine if we're
3 just in a, you know, a cycle that may run five
4 or ten years, or if it's kind of a permanent
5 issue. And you could even go back and look at
6 the Winter of '13-14 and '14-15 and say "well,
7 you know, there was a Polar Vortex in '13-14,
8 and '14-15 was also colder than normal."

9 So, you know, is it a cycle or is it
10 permanent? You know, at this point, because we
11 had two really cold winters, I would say it's
12 maybe a cycle. And, so, we wouldn't want to
13 just kind of change the whole forecasting
14 process because of last winter, and maybe the
15 winter of '11-12, it was also warmer than
16 normal.

17 But I think you understand, --

18 Q. Uh-huh.

19 A. (DaFonte) -- you know, how we do have to try to
20 be as precise as we can. But, again, we'll
21 look at trends. And, if the trend is, you
22 know, specifically showing that the
23 warmer-than-normal weather is here to stay,
24 then we would make adjustments accordingly.

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 CHAIRMAN HONIGBERG: The other
2 questions I had have all been answered.

3 Mr. Sheehan, do you have any further
4 questions for your witnesses?

5 MR. SHEEHAN: Just a couple.

6 **REDIRECT EXAMINATION**

7 BY MR. SHEEHAN:

8 Q. Mr. DaFonte, you testified that the slight
9 increase in the forecast is based largely on a
10 change in the Moody's forecast, is that
11 correct?

12 A. (DaFonte) Correct.

13 Q. And has the Company used that Moody's forecast
14 in years past?

15 A. (DaFonte) Yes. We use that consistently to
16 develop our forecast for our EnergyNorth
17 service territories and for Keene.

18 Q. And the other question was about the hedge. I
19 think you testified that the expectation is the
20 hedge will be roughly 50 percent of the total
21 load. Do you have an estimate of what
22 percentage it was this past year? Was it
23 60 percent? Was it 80 percent? Do you have
24 some sense?

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 A. (DaFonte) Yes. Roughly, I can say that, based
2 on the actual consumption, the hedge was closer
3 to 75 percent of the total actual consumption.

4 MR. SHEEHAN: That's all I have.
5 Thank you.

6 CHAIRMAN HONIGBERG: All right. I
7 think that's all we have for the witnesses.
8 You can probably stay where you are, because I
9 don't think it's going to take long from this
10 point.

11 I assume there's no objection to
12 striking the ID on Exhibit 1?

13 *[No verbal response.]*

14 CHAIRMAN HONIGBERG: The ID will be
15 struck on Exhibit 1. Is there anything else we
16 need to do before the parties sum up?

17 MR. SHEEHAN: Not from the Company.

18 CHAIRMAN HONIGBERG: All right.
19 Mr. Clifford, you may proceed.

20 MR. CLIFFORD: No, I just wanted
21 to --

22 CHAIRMAN HONIGBERG: Oh, I'm sorry.
23 Did you have something you wanted to say?

24 MR. CLIFFORD: I did. I actually

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 want to, one follow-up question, I guess this
2 is more education only.

3 BY MR. CLIFFORD:

4 Q. Is what --

5 CHAIRMAN HONIGBERG: Well, let's
6 just, before you ask the question, let's find
7 out what the question would be?

8 MR. CLIFFORD: The question would be
9 is what other forecasts are out there, besides
10 Moody's, for doing this winter forecast? I'd
11 like to know, since we've had this discussion
12 now about variances from the forecast. And I'd
13 like to know if there are other forecasting
14 models out there.

15 CHAIRMAN HONIGBERG: Mr. Sheehan, do
16 you have any objection to re-opening the
17 questioning of your witnesses for Mr. DaFonte
18 to answer that question?

19 MR. SHEEHAN: I don't. And I'm
20 assuming the answer will be "there are many."
21 But I don't have an objection.

22 CHAIRMAN HONIGBERG: Yes. Well,
23 perhaps you'd like to testify now, Mr. Sheehan?

24 MR. SHEEHAN: Make it quicker, maybe.

{DG 16-812} {10-13-16}

[WITNESS PANEL: Simek~DaFonte]

1 MR. CLIFFORD: That's fine. Then, --

2 CHAIRMAN HONIGBERG: All right. Mr.
3 DaFonte, do you understand the question?

4 WITNESS DaFONTE: I do.

5 CHAIRMAN HONIGBERG: Why don't you
6 provide an answer then.

7 WITNESS DaFONTE: I believe there are
8 other service providers. But Moody's is
9 probably the best recognized and most accurate
10 provider of this type of service. And it's
11 used extensively by pretty much, I think, all
12 of the companies I've worked for in my career,
13 and most of the companies in New England and
14 the Northeast, that I'm aware of. So, it is
15 commonly used, and we suspect that there would
16 be no reason to change it.

17 Again, it's a forecast. And we all
18 know how difficult it is to try to predict an
19 economic trend, you know, especially if it's --

20 *[Court reporter interruption.]*

21 WITNESS DaFONTE: -- even for one
22 year. So, the Company does not have any plans
23 to switch from this particular vendor at this
24 time.

{DG 16-812} {10-13-16}

1 MR. CLIFFORD: Thank you. No other
2 questions.

3 CHAIRMAN HONIGBERG: All right. Do
4 we have anything else?

5 *[No verbal response.]*

6 CHAIRMAN HONIGBERG: All right.
7 Mr. Clifford, why don't you sum up first.

8 MR. CLIFFORD: Just wanted to thank
9 you for your time today and thank you for
10 answering questions.

11 Staff does support the Liberty Keene
12 Division's Winter 2016-2017 Cost of Gas filing.
13 We would like to see, however, that
14 under-collection avoided with this coming
15 period. It's the hope, I think, by everyone
16 here.

17 But we support the filing and ask the
18 Commission to approve it.

19 CHAIRMAN HONIGBERG: Thank you,
20 Mr. Clifford. Mr. Sheehan.

21 MR. SHEEHAN: Thank you. Just wanted
22 to state, the Company is aware of the impact
23 that such a change in rates has on the customer
24 community. We do make every effort to avoid

1 these "blips", for lack of a better word.

2 We hope to solve the production cost
3 piece of it by this spring, moving off the High
4 Line, and years down the road increasing the
5 natural gas presence in Keene.

6 We ask that you support the proposed
7 cost of gas rate. Thank you.

8 CHAIRMAN HONIGBERG: All right.
9 We'll take this matter under advisement, issue
10 an order as quickly as we can, and adjourn this
11 hearing.

12 *(Whereupon the hearing was*
13 *adjourned at 11:45 a.m.)*

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