

## 1 STATE OF NEW HAMPSHIRE

## 2 PUBLIC UTILITIES COMMISSION

3  
4 April 21, 2011 - 10:04 a.m.  
Concord, New Hampshire

5 NHPUC APR26'11 AM 9:42

6 RE: DG 11-054  
7 NEW HAMPSHIRE GAS CORPORATION:  
8 2011 Summer Cost of Gas.

9  
10 PRESENT: Chairman Thomas B. Getz, Presiding  
11 Commissioner Amy L. Ignatius  
12 Sandy Deno, Clerk

13  
14 APPEARANCES: Reptg. New Hampshire Gas Corporation:  
15 Meabh Purcell, Esq. (Dewey & LeBoeuf)

16 Reptg. PUC Staff:  
17 Alexander F. Speidel, Esq.

18  
19  
20  
21  
22  
23 Court Reporter: Steven E. Patnaude, LCR No. 52

24 ORIGINAL

**I N D E X****PAGE NO.****WITNESS: BRIAN R. MALONEY**

Direct examination by Ms. Purcell 4

Cross-examination by Mr. Speidel 7

Interrogatories by Cmsr. Ignatius 12

**\* \* \*****E X H I B I T S****EXHIBIT NO. DESCRIPTION PAGE NO.**1 NHGC Summer 2011 Cost of Gas  
Adjustment (03-21-11) 52 NHGC Updated Summer 2011 Cost of  
Gas Adjustment (04-18-11) 5**\* \* \*****CLOSING STATEMENTS BY: PAGE NO.**

Ms. Purcell 12

Mr. Speidel 13

1                                    P R O C E E D I N G

2                                    CHAIRMAN GETZ:    Okay.    Good morning,  
3                                    everyone.    We'll open the hearing in Docket DG 11-054.    On  
4                                    March 21, 2011, New Hampshire Gas Corporation filed its  
5                                    proposed cost of gas rates for the Summer Period May 1  
6                                    through October 31, 2011.    The proposed rate at the time  
7                                    of the filing was \$1.8233 per therm, a 14.24 cents per  
8                                    therm increase from last summer, would be an increase of  
9                                    approximately \$34, or 3.6 percent.    We issued an order of  
10                                   notice on March 23 setting the hearing for this morning.

11                                   Can we take appearances please.

12                                   MS. PURCELL:    Good morning,  
13                                   Commissioners.    Meabh Purcell, from Dewey & LeBoeuf, in  
14                                   Boston, representing the New Hampshire Gas Corporation.

15                                   CHAIRMAN GETZ:    Good morning.

16                                   MR. SPEIDEL:    Good morning,  
17                                   Commissioners.    Alexander Speidel for the Staff of the  
18                                   Commission, together with Bob Wyatt and Steve Frink of  
19                                   Staff.    Thank you.

20                                   CHAIRMAN GETZ:    Good morning.

21                                   MS. PURCELL:    I have the return of  
22                                   service letter.

23                                   CHAIRMAN GETZ:    Thank you.

24                                   MS. PURCELL:    Thank you.    I would like

[WITNESS: Maloney]

1 to ask Brian Maloney to take the stand and be sworn.

2 (Whereupon **Brian R. Maloney** was duly  
3 sworn and cautioned by the Court  
4 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. My name is Brian Maloney, Lead Analyst in the Rates and  
12 Regulatory Economics Group at Rochester Gas & Electric  
13 Corporation and NYSEG. My business address is 89 East  
14 Avenue, Rochester, New York.

15 Q. Thank you. And, do Rochester and NYSEG provide billing  
16 services to New Hampshire Gas Corporation?

17 A. Yes, we do, as of November 1st, 2010.

18 Q. Thank you. Mr. Maloney, I'm going to show you a copy  
19 of a filing under cover letter of Dewey & LeBoeuf,  
20 dated March 21, 2011. Could you identify this for me?

21 A. Yes. This is New Hampshire Gas's initial cost of gas  
22 rate filing for the Summer Period May 1st through  
23 October 31st, 2011.

24 Q. Thank you. And, I'm going to show you another document

{DG 11-054} {04-21-11}

[WITNESS: Maloney]

1       dated April 18th. And, could you identify that?

2       A.    This is the updated Summer 2011 Cost of Gas filing,  
3            filed electronically with the Commission and Staff and  
4            sent by overnight mail earlier this week.

5                       MS. PURCELL:   Okay. Thank you. Mr.  
6       Chairman, I'd like to mark these as Company's "Exhibits 1"  
7       and "2", respectively.

8                       CHAIRMAN GETZ:   So marked.

9                       (The documents, as described, were  
10                      herewith marked as **Exhibit 1** and  
11                      **Exhibit 2**, respectively, for  
12                      identification.)

13   BY MS. PURCELL:

14   Q.    And, Mr. Maloney, do you have any corrections to make  
15           to the proposed 2011 Summer COG filing at this time in  
16           either of Exhibits 1 or 2?

17   A.    Yes. I've got two corrections to make. First, in the  
18           initial filing, in the direct testimony, Page 7 of 7,  
19           Line 1, those dates should read "November 2010 through  
20           February 2011".

21   Q.    Thank you. And, your second correction?

22   A.    The second correction is in the updated filing.  
23           Turning to Supplemental Schedule C Page 1 of 3, the  
24           following page should read "Supplemental Schedule C

[WITNESS: Maloney]

1 Page 2 of 3", rather than "Supplemental Schedule D".

2 Q. Thank you. And, we thank Staff for pointing those out.  
3 Mr. Maloney, were the documents which have just been  
4 marked for identification purposes prepared by you or  
5 under your direct supervision?

6 A. Yes, they were.

7 Q. And, do you accept -- do you adopt your testimony in  
8 Exhibits 1 and 2 as your sworn testimony in this  
9 proceeding, as corrected today?

10 A. Yes, I do.

11 Q. Thank you. And, where in your filing in Exhibit 2  
12 would we find the Company's proposed COG rates?

13 A. The proposed COG rate can be found in the exhibit,  
14 first page after the Table of Contents, 48th Revised  
15 Page 25, about two-thirds of the way down there's a  
16 line entitled "Beginning Period Cost of Gas Rate", and  
17 that rate is "\$1.9493" per therm.

18 Q. Thank you. And, Mr. Maloney, have you done any  
19 analysis of the impact of the proposed rate on a  
20 typical customer bill? And, is that --

21 A. Yes.

22 Q. Okay. Go ahead.

23 A. Yes, I have. In the updated filing, Supplemental  
24 Schedule A, second column from the right, near the

{DG 11-054} {04-21-11}

[WITNESS: Maloney]

1 bottom, you will see that the total bill for the  
2 upcoming summer season is forecasted at \$1,023, which  
3 is \$73.86 or 7.8 percent greater than last summer's  
4 total bill for a residential customer.

5 MS. PURCELL: Thank you. And, I guess I  
6 have nothing further at this time. Mr. Maloney is  
7 available for cross-examination.

8 CHAIRMAN GETZ: Mr. Speidel.

9 MR. SPEIDEL: Just a moment, Mr.  
10 Chairman.

11 (Atty. Speidel conferring with Mr.  
12 Wyatt.)

13 MR. SPEIDEL: Thank you, Mr. Chairman.

14 **CROSS-EXAMINATION**

15 BY MR. SPEIDEL:

16 Q. Mr. Maloney, if you could please turn to Page 3, Lines  
17 7 through 8, of your original testimony. At that  
18 point, you indicate forecasted firm sales of 298,632  
19 therms for the Summer Period. This shows a slight  
20 increase in normalized sales this summer compared to  
21 last summer normalized sales forecast of 291,256  
22 therms. Is the Company anticipating any new load  
23 growth opportunities this year that would be reflected  
24 in the upcoming winter cost of gas forecast?

[WITNESS: Maloney]

1 A. No. The Company really expects very minimal customer  
2 growth on the system. The slight increase in  
3 forecasted sales is primarily a function of the sales  
4 normalization process.

5 Q. Thank you. On Page 3, Line 27, of your original  
6 testimony, you show unaccounted for losses of  
7 "1.66 percent". This compares to last year's figure of  
8 3.48 percent, and is the lowest unaccounted for loss  
9 percentage in at least the past ten years. Does the  
10 Company attribute the success in reducing losses to any  
11 particular course of action over the past year?

12 A. Well, over the past handful of years, there's been some  
13 ongoing programs. There's been the Leak Repair  
14 Program, the Cast Iron Main Replacement Program, and  
15 the Meter Replacement Program. The Company attributes  
16 the unusually low loss factor this year probably more  
17 to just a normal annual fluctuation on a calculation  
18 such as this. We can't be sure that this type of level  
19 will hold.

20 Q. Thank you. This may be a little reiterative, but if  
21 you could just provide some additional background for  
22 us, on Page 2, Lines 10 through 12, of your  
23 supplemental testimony and the related Supplemental  
24 Schedule A in the revised cost of gas filing. And, the

{DG 11-054} {04-21-11}

[WITNESS: Maloney]

1 reference in both your original and supplemental  
2 testimony to a rate case surcharge seems to be  
3 reflected in last year's results, in the top half of  
4 Supplemental Schedule A, but not for this year. Are  
5 you able to confirm at this time that there is no rate  
6 case surcharge included in customer bills for this  
7 Summer Period?

8 A. Yes. I can confirm that there -- that the rate case  
9 surcharge ended on October 31st, 2010. And, our tariff  
10 has been updated to reflect that.

11 Q. Thank you. With regards to the relabeled Supplemental  
12 Schedule C as submitted, there is a line item that  
13 indicates a savings to New Hampshire Gas Company  
14 ratepayers of approximately "\$145,450". And, that  
15 would arise presumably from the cost of contract hedged  
16 volumes being approximately 15 percent lower versus the  
17 cost of an equivalent volume of spot market propane for  
18 the first four months of 2010/2011, the Winter Cost of  
19 Gas Period for 2010/2011. Is that a correct  
20 interpretation that there will be a savings of  
21 approximately \$145,450 to ratepayers?

22 A. That is correct, based on the impact of the hedging  
23 program that was in place.

24 Q. Thank you. If we were to divide the 545,000 hedged

{DG 11-054} {04-21-11}

[WITNESS: Maloney]

1 gallons purchased during the four-month period by the  
2 approximate savings over the same period, the  
3 per-gallon savings comes to approximately \$0.2669, or  
4 26.69 cents, 0.2669 per gallon. Is that a fair  
5 representation of the hedged propane unit cost savings?

6 A. Yes. That is a correct interpretation.

7 Q. Thank you.

8 A. I would just like to point out that that's a favorable  
9 byproduct of the Hedging Program. But the primary  
10 purpose of the Hedging Program is to stabilize the  
11 winter cost of gas rates. And, this year that ended up  
12 having a favorable impact for customers.

13 Q. Thank you. Has the Company and Staff discussed working  
14 out some possible redesign and refinements of the New  
15 Hampshire Gas Company cost of gas template currently  
16 being used?

17 A. Yes, we have. And, I look forward to working with Bob  
18 and other Staff on making this a better process for all  
19 involved.

20 Q. Will the Company keep Staff informed of any new  
21 developments related to its search for a supplemental  
22 winter propane storage site to replace the capacity  
23 that had been leased from Berkshire Gas over the past  
24 several years?

{DG 11-054} {04-21-11}

[WITNESS: Maloney]

1 A. Yes, we will. And, in fact, we have located a storage  
2 operator about 30 miles from Keene. We've had verbal  
3 discussions, and a contract is being drawn up right  
4 now.

5 Q. Thank you. The Company currently contracts for most,  
6 if not all, of its propane supply from the Selkirk, New  
7 York terminal. Has the Company discussed with Staff  
8 the possibility of diversifying the source of some of  
9 its contract propane supply volumes in the future?

10 A. Yes, we have discussed that with Staff. And, we are  
11 going to discuss it more internally.

12 Q. Will the Company keep Staff informed on any new  
13 developments on that front?

14 A. Yes, we will.

15 Q. Thank you. Have the cost of gas results from last  
16 summer been reviewed by the Commission Audit Staff?

17 A. Yes, they have.

18 Q. Were there any exceptions related to the audit of those  
19 costs?

20 A. No.

21 MR. SPEIDEL: Thank you very much.  
22 Staff has no further questions.

23 CHAIRMAN GETZ: Thank you.

24 CMSR. IGNATIUS: One thing.

{DG 11-054} {04-21-11}

[WITNESS: Maloney]

1 BY CMSR. IGNATIUS:

2 Q. Mr. Maloney, I just wanted to comment on the drop in  
3 the unaccounted for gas. It's a remarkable change from  
4 looking back ten years ago or so. And, it may not hold  
5 at 1.66, but it's a really significant drop. So,  
6 that's good news.

7 A. Yes. Absolutely.

8 CHAIRMAN GETZ: Any redirect?

9 MS. PURCELL: None. Thank you.

10 CHAIRMAN GETZ: Then, you're excused.

11 Thank you, Mr. Maloney.

12 Any objection to striking  
13 identifications and admitting the exhibits into evidence?

14 MR. SPEIDEL: No.

15 CHAIRMAN GETZ: Hearing no objection,  
16 they will be admitted into evidence. Opportunity for  
17 closings.

18 MR. SPEIDEL: Any closing?

19 MS. PURCELL: Sure. I'll make a brief  
20 comment. The Company appreciates the Commission's and  
21 Staff's time in helping to move this Summer CGA forward.  
22 And, we particularly appreciate the efforts of Staff at  
23 this time in helping the transition from Berkshire to  
24 NYSEG and RG&E, heard from Mr. Maloney it was very

{DG 11-054} {04-21-11}

1 helpful. And, we just respectfully request approval of  
2 this CGA by May 1. Thank you.

3 CHAIRMAN GETZ: Thank you.

4 MR. SPEIDEL: Thank you, Mr. Chairman.  
5 Staff recommends approval of New Hampshire Gas  
6 Corporation's proposed 2011 Summer Period cost of gas  
7 rate. The Commission Audit Staff reviewed the 2010 Summer  
8 Season Reconciliation and found the costs to be materially  
9 accurate. The sales forecast and supply planning appear  
10 to be consistent with recent cost of gas forecasts.  
11 Actual 2011 Summer gas costs and revenues will be  
12 reconciled prior to the 2012 Summer cost of gas, and any  
13 concerns that may arise will be addressed in that  
14 proceeding.

15 Staff commends the Company for its  
16 success in reducing its unaccounted for gas losses to the  
17 lowest levels we have seen in at least the past ten years.  
18 This is all the more important to the New Hampshire Gas  
19 Corporation ratepayers at a time when the Company's  
20 operations need to be as efficient as possible to offset  
21 higher propane market prices.

22 The Company's Hedging Program has helped  
23 mitigate some of the price volatility over the past year,  
24 and Staff supports a continuation of the program for the

1       upcoming year.

2                       The Company has transitioned from what  
3       was managed by the former Iberdrola affiliate, Berkshire  
4       Gas Company, to that of current Iberdrola affiliates  
5       Rochester Gas & Electric Corporation, with additional  
6       operations expertise from New York State Electric & Gas,  
7       both of Rochester, New York. From Staff's perspective,  
8       the transition appears to be seamless to date and  
9       appreciates the cooperation it has received from the new  
10      management.

11                      That concludes Staff's statement.

12                      CHAIRMAN GETZ: Okay. Thank you. Then,  
13      we'll close the hearing and take the matter under  
14      advisement.

15                      **(Whereupon the hearing ended at 10:21**  
16                      **a.m.)**