

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 16, 2014 - 9:05 a.m.
Concord, New Hampshire

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RE: DG 14-076
LIBERTY UTILITIES (ENERGYNORTH NATURAL
GAS) CORP. d/b/a LIBERTY UTILITIES:
Summer 2014 Cost of Gas.

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (EnergyNorth
Natural Gas) Corp. d/b/a Liberty Utilities:
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:
Rorie E. P. Hollenberg, Esq.
Stephen Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Michael J. Sheehan, Esq.

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

ORIGINAL

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WITNESS PANEL: **MARK G. SAVOIE**
 FRANCISCO C. DaFONTE

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1	Liberty Utilities (EnergyNorth Natural Gas) Corp. Summer 2014 Cost of Gas Filing, including the Testimony of Mark G. Savoie and the Testimony of Francisco C. DaFonte, including attachments, tariff pages, etc. (03-17-14) (CONFIDENTIAL & PROPRIETARY)	5
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2	Liberty Utilities (EnergyNorth Natural Gas) Corp. Summer 2014 Cost of Gas Filing, including the Testimony of Mark G. Savoie and the Testimony of Francisco C. DaFonte, including attachments, tariff pages, etc. (03-17-14) (Redacted version - for public use)	5
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P R O C E E D I N G

CHAIRMAN IGNATIUS: We are here today on the Docket DG 14-076. This is EnergyNorth Natural Gas, also known as Liberty Utilities, 2014 Summer Period Cost of Gas Adjustment proceeding. The Company filed its proposed cost of gas rates for the period May 1st, 2014 through October 31st, 2014. That filing came in on March 17th, 2014. And, on March 20th, we issued an order of notice calling for a hearing today, and requested any interventions.

So, let's begin first with appearances.

MS. KNOWLTON: Good morning, Commissioners. My name is Sarah Knowlton. And, I'm here today on behalf of Liberty Utilities (EnergyNorth Natural Gas) Corp. And, with me today are the Company's two witnesses, Mark Savoie and Francisco DaFonte. And, Steve Hall is at counsel's table as well.

CHAIRMAN IGNATIUS: Good morning.

MS. HOLLENBERG: Good morning, Commissioners. Rorie Hollenberg and Stephen Eckberg here for the Office of Consumer Advocate.

MR. SHEEHAN: Good morning. Mike Sheehan, on behalf of Staff. Present with me is Steve Frink, the Assistant Director of the Staff -- the Gas

[WITNESS PANEL: Savoie~DaFonte]

1 Division, Al-Azad Iqbal, and Alexander Speidel.

2 CHAIRMAN IGNATIUS: Good morning.
3 Welcome, everyone. What's the order of business for
4 today, in terms of presentation of witnesses?

5 MS. KNOWLTON: The Company proposes to
6 put on as a panel Mr. Savoie and Mr. DaFonte. And, we
7 have two exhibits to mark for identification.

8 CHAIRMAN IGNATIUS: All right.

9 MS. KNOWLTON: The first would be, as
10 "Exhibit 1", the confidential filing that was submitted on
11 March 17, the Summer Cost of Gas.

12 CHAIRMAN IGNATIUS: And, that's the full
13 white notebook?

14 MS. KNOWLTON: That's correct. And,
15 Exhibit 2 is the redacted version of that filing.

16 CHAIRMAN IGNATIUS: All right. So,
17 marked for identification. Thank you.

18 (The documents, as described, were
19 herewith marked as **Exhibit 1** and
20 **Exhibit 2**, respectively, for
21 identification.)

22 CHAIRMAN IGNATIUS: All right. Is there
23 anything else?

24 (No verbal response)

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[WITNESS PANEL: Savoie~DaFonte]

1 CHAIRMAN IGNATIUS: If not, the
2 witnesses can be seated and sworn.

3 MS. KNOWLTON: The Company calls
4 Messrs. Mark Savoie and Francisco DaFonte.

5 (Whereupon **Mark G. Savoie** and
6 **Francisco C. DaFonte** were duly sworn by
7 the Court Reporter.)

8 CHAIRMAN IGNATIUS: Please proceed.

9 **MARK G. SAVOIE, SWORN**

10 **FRANCISCO C. DaFONTE, SWORN**

11 **DIRECT EXAMINATION**

12 BY MS. KNOWLTON:

13 Q. Good morning, Mr. DaFonte.

14 A. (DaFonte) Good morning.

15 Q. Would you please state your full name for the record.

16 A. (DaFonte) Francisco C. DaFonte.

17 Q. By whom are you employed?

18 A. (DaFonte) I am employed by Liberty Energy Utilities New
19 Hampshire Corp.

20 Q. What is your position with the Company?

21 A. (DaFonte) I am their Senior Director of Energy
22 Procurement.

23 Q. Would you describe your responsibilities in that
24 position.

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1 A. (DaFonte) Sure. I am responsible for the planning,
2 procurement, customer choice, as well as the
3 forecasting for the EnergyNorth portfolio.

4 Q. Would that include activities related to the Company's
5 summer cost of gas?

6 A. (DaFonte) Yes, it would.

7 Q. Do you have before you what we've marked for
8 identification as "Exhibit 1", which is the
9 confidential version of the Company's March 17th, 2014
10 Summer Cost of Gas filing?

11 A. (DaFonte) I do.

12 Q. Does that contain your testimony and schedules?

13 A. (DaFonte) Yes, it does.

14 Q. Was that testimony prepared by you or under your
15 direction?

16 A. (DaFonte) Yes, it was.

17 Q. Do you have any corrections or updates to that
18 testimony?

19 A. (DaFonte) I do not.

20 Q. If I were to ask you the questions today that are
21 contained in your testimony, would the answers be the
22 same?

23 A. (DaFonte) Yes, they would.

24 Q. Mr. Savoie, would you please state your full name for

1 the record.

2 A. (Savoie) My name is Mark G. Savoie.

3 Q. By whom are you employed?

4 A. (Savoie) I'm employed by Liberty Energy Utilities New
5 Hampshire Corp.

6 Q. What is your position with the Company?

7 A. (Savoie) I'm a Utility Analyst.

8 Q. What do your job duties include?

9 A. (Savoie) My job duties include preparing the cost of
10 gas filings for Liberty Utilities (EnergyNorth Natural
11 Gas) Corp. and related reconciliations, computing the
12 revenue requirement for the Company's Cast Iron/Bare
13 Steel Replacement Program, administering the Company's
14 tariff, and appearing as a witness on rate matters.

15 Q. Do you have before you the document that's been marked
16 as "Exhibit 1" today?

17 A. (Savoie) I do.

18 Q. Does that contain your prefiled testimony and
19 associated schedules?

20 A. (Savoie) Yes.

21 Q. Was that testimony prepared by you or under your
22 direction?

23 A. (Savoie) Yes.

24 Q. Do you have any corrections or updates today to your

1 testimony?

2 A. (Savoie) I do not.

3 Q. If I were to ask you the questions today that are
4 contained in your testimony, would the answers be the
5 same?

6 A. (Savoie) Yes.

7 MS. KNOWLTON: I will make the witnesses
8 available for cross-examination.

9 CHAIRMAN IGNATIUS: Thank you.

10 Ms. Hollenberg, questions?

11 MS. HOLLENBERG: Thank you. I've
12 actually asked Staff to ask their questions first, to be
13 more efficient. If that's okay with the Commission?

14 CHAIRMAN IGNATIUS: That's fine.

15 MS. HOLLENBERG: Thank you.

16 MR. SHEEHAN: Thank you.

17 CHAIRMAN IGNATIUS: Mr. Sheehan.

18 **CROSS-EXAMINATION**

19 BY MR. SHEEHAN:

20 Q. Mr. Savoie, your cost of gas filing is based in part on
21 a NYMEX price that you chose in early March, is that
22 correct?

23 A. (Savoie) Yes.

24 Q. And, has that price changed from the date of filing

1 until the present?

2 A. (Savoie) The NYMEX price has changed slightly. I
3 looked at the 15-day average NYMEX ending last Friday,
4 April 11, and I also looked at a 5-day average ending
5 Friday, April 11. The difference in the cost of gas
6 proposed rate using a 15-day average is a decrease of
7 0.92 cents. If you apply the cap to that, the 1.25
8 percent cap, that would be an increase of \$1.15 on the
9 maximum rate we'd be allowed to charge. Using the
10 5-day NYMEX average price, the rate would increase by
11 6/100ths of a cent. After the cap, that would be
12 8/100ths of a cent. So, both are very small amounts,
13 and the Company chose not to do a refiling.

14 Q. Did the PUC Audit Staff complete its audit from last
15 summer's cost of gas period?

16 A. (Savoie) Yes.

17 Q. And, were there any findings from that audit?

18 A. (Savoie) The findings concurred with the over
19 collection that was filed on March 17th of
20 approximately 1.1 million.

21 Q. Okay. And, no other significant findings?

22 A. (Savoie) There were -- no. There were two small audit
23 findings that I wouldn't consider "significant".

24 Q. The Company has discovered an issue with what we've

[WITNESS PANEL: Savoie~DaFonte]

1 been calling the "Tilton meter". Could you first
2 explain, in a big picture, what the Tilton meter did
3 and what the Company found and how it affected the
4 calculation of company-used gas?

5 A. (Savoie) Okay. First, if I may just explain how
6 unaccounted for works, --

7 Q. Sure.

8 A. (Savoie) -- to put the Company meter into perspective?

9 Q. Sure.

10 A. (Savoie) Okay. Unaccounted for gas is calculated first
11 by looking at all gas that came into the system,
12 whether it's what Mr. DaFonte purchased, you know, for
13 natural gas or took out of storage, LNG, LP, everything
14 that came into the system is, you know, step one. Step
15 two is to subtract all the billings to customers,
16 because you can account for that, you billed it. You
17 subtract those two, and that is, you know, everything
18 that you didn't bill that you purchased and brought
19 into the system. Now, one thing you do know is what
20 the company use was. You can measure that, you have
21 meters, and it's used for heating your buildings or for
22 compressors. Once you subtract that number, the rest
23 is all the unaccounted for. And, part of that
24 unaccounted for would be the impact of the occupant

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[WITNESS PANEL: Savoie~DaFonte]

1 billing policy. Gas that might have been used by
2 customers on accounts that are closed, that would be
3 part of the unaccounted for.

4 Q. And, we'll talk about that in a minute?

5 A. (Savoie) We will. But I wanted to at least get the --

6 Q. Yes.

7 A. (Savoie) -- kind of why company use is important and
8 how it ties to the unaccounted for gas.

9 Q. Right.

10 A. (Savoie) Company use, we had a list of approximately
11 27, 28 meters that were considered "company use". And,
12 after a conversion to the new billing system, one of
13 the revenue requirement accountants was looking at a
14 meter that was labeled "company use", and he realized
15 there was a factor of ten on that meter. That, you
16 know, you read the meter at the end of one month and at
17 the end of the following month, and the net change is
18 the meter read, but that particular meter had a factor
19 of ten to convert it to CCFs. In the past, that factor
20 of ten hadn't been applied, but he was aware of the
21 factor and immediately realized "this number is too
22 high, it can't be company use." So, he did an
23 investigation and found out "don't count it as company
24 use", informed me. I recognize that that was about

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[WITNESS PANEL: Savoie~DaFonte]

1 85 percent on average of what we had been reporting as
2 company use, it was significant. So, I just didn't
3 take it at face value. So, I had an engineer go to the
4 plant, he looked at the five or so meters located in
5 Tilton, to make sure they're all company use. And, he
6 did discover this one meter indeed was not company use.
7 It's simply a meter that's reading the gas flowing
8 downstream from Tilton and is for informational
9 purposes only and shouldn't have been counted. So,
10 does that answer your question on the company use of
11 the Tilton meter?

12 Q. Sure. But, to make clear, that this meter that was
13 measured in the past was really just measuring, as you
14 say, gas flowing downstream, that would be metered
15 further on downstream?

16 A. (Savoie) That's right. Those, I was told, 4,500
17 customers approximately, they all have meters, and
18 those meters were being read. And, in step two of the
19 unaccounted for gas calculation I mentioned earlier,
20 those meters were counted there. So, you don't want to
21 count it again. So, it was purely an error. And, that
22 error caused the calculation of the unaccounted for gas
23 to be incorrect. It was making it too low a number,
24 because too much company use was being taken out.

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[WITNESS PANEL: Savoie~DaFonte]

1 Q. And, did the Company make adjustments to this filing to
2 fix that problem?

3 A. (Savoie) I did. On Schedule 1, I reflected the true
4 company use of what was anticipated without that meter
5 in, and showed an unaccounted for percentage of what we
6 were expecting. And, based on --

7 Q. And, roughly, how did that unaccounted for percentage
8 change? From what to what?

9 A. (Savoie) It went from 0.5 percent, as reported on
10 Schedule 25, I believe, of the Winter Cost of Gas
11 filing, it increased it to 1.16 percent. So, this one
12 meter did have a big impact on what we thought the
13 unaccounted for gas percentage was.

14 Q. Now, we can talk about occupant use for a minute. And,
15 I'm thinking, what's the definition the Company uses
16 for an "occupant account"?

17 A. (Savoie) An "occupant account", my understanding is, is
18 an account where there's no assigned customer, and
19 usage on that account, because the meter hasn't been
20 turned off, exceeds 13 CCF cumulative.

21 Q. Okay. And, typically, how would such an account come
22 into existence?

23 A. (Savoie) It would come about that we have a premise,
24 and there's a customer assigned. And, he or she may

[WITNESS PANEL: Savoie~DaFonte]

1 call the Company or come in and say "I'm leaving. I'm
2 moving. Take my name off the account." And, we don't
3 have someone new coming up and saying "Okay, put my
4 name on it." And, rather than shutting off the meter,
5 we leave the meter on, and not using some labor to shut
6 off that meter. So, the meter stays on. And,
7 presumably, there might be a pilot light on that might
8 be using minimal gas. But the Company is to monitor
9 that account. And, at some point, if the cumulative
10 exceeds 13 CCFs, then there's a whole policy that the,
11 you know, Billing Department needs to follow.

12 Q. Okay. And, is the Company considering a change to how
13 it approaches accounts for occupant accounts?

14 A. (Savoie) It is considering a change.

15 Q. And, in general terms, from what to what, if you know?

16 A. (Savoie) I can only speculate. I think a priority
17 would be at least shutting off meters that are indoors
18 and not allowing those to stay open under the soft off
19 policy. And, then, beyond that, maybe some additional
20 guidelines as to a certain amount of days after the
21 outdoor -- an account of an outdoor meter, you know,
22 has become an occupant account, to shut those down as
23 well.

24 Q. And, as I understand it, the problem that arises is if

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[WITNESS PANEL: Savoie~DaFonte]

1 an occupant -- an occupant account stays in that status
2 for long periods of time, that shouldn't happen,
3 correct? There should be some limit to how long you
4 let an account sit there and --

5 A. (Savoie) That makes sense, that there would be a time
6 limit, as to how long a meter can be turned on with no
7 assigned customer use, in my opinion.

8 Q. Mr. DaFonte, can you compare the 2014 summer supply
9 plan to the 2013 supply plan? Is it similar?

10 A. (DaFonte) Yes. Essentially, there's no change. The
11 one thing that would be different is the fact that,
12 coming off of this extremely cold winter, our storage
13 levels are significantly lower than they were coming
14 out of the 2012-2013 Winter Period. So, we will be
15 making many more purchases for injection into
16 underground storage.

17 Q. The source of supplies is the same as it was in 2013,
18 your supply paths?

19 A. (DaFonte) Yes. The supply paths will be the same.
20 We'll just be purchasing additional gas. It's also
21 important to note that there are significant discounts
22 that are being forecast at least in Zone 4, on
23 Tennessee, where the Marcellus shale production exists.
24 Our capacity goes past the Marcellus shale. So, we're

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[WITNESS PANEL: Savoie~DaFonte]

1 hoping to be able to purchase some discounted gas along
2 the path. But I'm guessing that everybody else is
3 going to try and do that, too. But it is important to
4 note that, with all of the high prices that we saw this
5 winter, there are still significant discounts in the
6 Marcellus area.

7 Q. The extra gas you have to buy this summer compared to
8 last to fill the storage is not something that's part
9 of the summer gas costs, is that correct? That would
10 be --

11 A. (DaFonte) That is correct. It would be deferred to the
12 winter period.

13 Q. Okay. At the winter cost of gas hearing last fall, you
14 testified about possible revisions to Liberty's Hedging
15 Program and the Fixed Price Option Program. Will
16 Liberty be filing for approval of any changes? And, if
17 so, can you let us know approximately when that may
18 come?

19 A. (DaFonte) Yes. We will definitely be filing something,
20 we're hopeful that we'll get it in either by the end of
21 the month or the first week in May.

22 MR. SHEEHAN: Okay. Thank you. Those
23 are all the questions Staff has.

24 CHAIRMAN IGNATIUS: Thank you.

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1 Ms. Hollenberg, anything further?

2 MS. HOLLENBERG: Yes. Thank you very
3 much.

4 BY MS. HOLLENBERG:

5 Q. Mr. DaFonte, just to follow up on the questions about
6 gas supply. We did see significant price increases in
7 the January and February time period this winter, is
8 that correct?

9 A. (DaFonte) That is correct.

10 Q. And, that was due in part to the pipeline capacity
11 constraints in the New England region, is that correct?

12 A. (DaFonte) Yes. That was definitely the -- probably the
13 most critical reason why the prices went up.

14 Obviously, the colder-than-normal weather would have an
15 impact, but that just exacerbates the problem with the
16 lack of firm pipeline capacity in the region.

17 Q. And, part of the reason that the pipelines are
18 constrained is that there are more electric generators
19 using natural gas to fuel their generation of
20 electricity, is that correct?

21 A. (DaFonte) That's correct. That is one of the reasons.

22 Q. And, do you expect any kind of problems like that with
23 prices for the summer period coming up please?

24 A. (DaFonte) We do not. We typically will see a

[WITNESS PANEL: Savoie~DaFonte]

1 significant reduction in summer prices, at least on the
2 basis side. The NYMEX tends to stay relatively flat.
3 But, on the basis side, because the utilities aren't
4 using anywhere near as much gas for their heating load,
5 that allows the gas-fired generators to take a lot of
6 that supply. So, we would not expect any significant
7 increase in prices.

8 Q. Okay. Thank you. Mr. Savoie, to talk to you a few
9 minutes about the unaccounted for gas issues in the
10 Tilton meter that you spoke about just a few moments
11 ago. The unaccounted for gas percentage as a result of
12 the correction you made to company use resulted in a
13 doubling of the unaccounted for percentage. Do you
14 agree with that?

15 A. (Savoie) Approximately, yes.

16 Q. Approximately. From 0.5 percent to 1.16 percent?

17 A. (Savoie) Yes. That was for the 12-month period
18 ending June 30th of 2013.

19 Q. And, does the Company have any thoughts about what
20 might be going on with regard to the unaccounted for
21 gas or any concerns? Or, do you have any plans to
22 follow up on that change in the level going forward?

23 A. (Savoie) I think the only thing we could do, other than
24 we'll continue to scrub the company use, that's in

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1 process right now, that the other meters that were
2 labeled as "company use", that that's accurate, and
3 I've made that request. I don't recall that anyone has
4 gotten back to me on that. Perhaps they did and I just
5 don't recall. But I'm going to follow up on that and
6 make sure that that's been checked thoroughly. And,
7 the other thing, of course, is, if we change the
8 occupant billing policy, that will have a positive
9 impact on reducing that rate as well. And, we're
10 seriously considering changing that policy at Staff's
11 request.

12 Q. And, do you agree that that, the topic of the occupant
13 account issues, came up in discussions in discovery and
14 in the tech session in this docket?

15 A. (Savoie) Could you rephrase that?

16 Q. Sure.

17 A. (Savoie) Chico mentioned something, and I just can't
18 listen to two people, I'm sorry.

19 Q. That's okay. I can't either. Do you agree that the
20 issue of occupant -- that issues related to the
21 occupant account policy arose during the context of
22 this proceeding?

23 A. (Savoie) Yes.

24 Q. And, we talked in discovery and/or exchanged

1 information in discovery and talked at the tech session
2 in particular about one customer, that I won't ask you
3 any details about, because I realize you're not the
4 point person with regard to this issue, but do you
5 recall those conversations?

6 A. (Savoie) At eye level, yes.

7 Q. Okay. And, there was a discussion that the Staff and
8 the OCA and the Company would work towards refining the
9 occupant account policy, and you've said, on
10 questioning by Staff, that that's a goal that the
11 Company has agreed to, is that correct?

12 A. (Savoie) Yes.

13 Q. Okay.

14 MS. HOLLENBERG: And, one moment please.

15 (Atty. Hollenberg conferring with Mr.
16 Eckberg.)

17 BY MS. HOLLENBERG:

18 Q. And, as part of that discussion amongst the Company,
19 Staff, and the OCA, who would be the necessary players
20 for purposes of the Company's participation?

21 A. (Savoie) I think largely the Billing Department, and
22 also the Operations.

23 Q. Okay. Thank you. Just to go back to the unaccounted
24 for gas issue for a moment, that issue is important,

1 because the Company agreed, in the context of the
2 acquisition of EnergyNorth, to a limit on cost recovery
3 for purposes of unaccounted for gas, is that correct?

4 A. (Savoie) Yes.

5 Q. And, that limit is 1.28 percent?

6 A. (Savoie) That's correct.

7 Q. Okay. And, at this point, the 1.16 percent is below
8 that threshold, is that correct?

9 A. (Savoie) It's a little below, yes.

10 Q. And, had it been above the threshold, there would have
11 been a disallowance of cost recovery from customers, is
12 that correct?

13 A. (Savoie) Correct.

14 Q. Okay. And, you had testified earlier on a separate
15 issue about the -- about a "1.25 percent cap", which I
16 believe relates to the bandwidth that the Company can
17 change the rates following the Commission's order
18 without Commission action, is that correct?

19 A. (Savoie) Yes.

20 Q. Do you agree that it's a one -- a 125 percent, and that
21 the multiplier is 1.25, as opposed to "1.25 percent"?

22 A. (Savoie) Yes.

23 Q. Okay.

24 A. (Savoie) It's a 25 percent increase. If I said

[WITNESS PANEL: Savoie~DaFonte]

1 "1.25 percent", then it's "125 percent".

2 Q. Okay.

3 A. (Savoie) Thank you. And, if I may add one thing?

4 Q. Yes.

5 A. (Savoie) Mr. DaFonte had mentioned another factor in
6 keeping the unaccounted for gas percentage down is the
7 Cast Iron/Bare Steel Program. And, to the extent we
8 keep replacing that pipe, we have less leaky pipe, and
9 that has a positive impact on the unaccounted for gas
10 percentage.

11 Q. Okay. And, just one other question. In terms of the
12 changes to the -- I realize, again, that you're not the
13 witness for occupant account, but do you have a sense
14 in terms of how much time the Company would need to
15 rally the troops and have discussions with the OCA and
16 the Staff? I mean, is this something that you could
17 foresee happening within the next six months or do you
18 have a sense of that at all?

19 A. (Savoie) I can't commit to anything.

20 Q. Okay.

21 A. (Savoie) But I don't think it's unrealistic to say I'm
22 optimistic we can do something within the next six
23 months.

24 MS. HOLLENBERG: Okay. Thank you. No

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[WITNESS PANEL: Savoie~DaFonte]

1 other questions. Thank you.

2 CHAIRMAN IGNATIUS: Thank you.

3 Commissioner Scott?

4 CMSR. SCOTT: Good morning.

5 WITNESS SAVOIE: Good morning.

6 WITNESS DaFONTE: Good morning.

7 CMSR. SCOTT: I'll see what order I'll

8 do my questions here.

9 BY CMSR. SCOTT:

10 Q. Since you left off on unaccounted for gas, and, as
11 usual, whoever feels best to answer, or both, is fine
12 with me. I was curious, you went down this path with
13 the Bare Steel Replacement Program. Can you give me an
14 indication of, you know, what the trend is right now?
15 It sounds like it's a positive trend, but for
16 unaccounted for gas that you think is due to leaks?

17 A. (Savoie) Oh, equating the leakage and how much is
18 caused by the cast iron?

19 Q. Yes. And, how that compares to prior filings?

20 A. (Savoie) I don't have any data. Just the more of these
21 old pipes, obviously, it's going to have a positive
22 impact. But I don't know if the Company has like
23 quantified of the leaks we have. But it's perhaps --
24 perhaps that data does exist, and I could find out.

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[WITNESS PANEL: Savoie~DaFonte]

1 Q. Well, the implication was that it's "getting better", I
2 guess. Is that a fair statement?

3 A. (Savoie) That the leakage is getting better? Well, to
4 the extent we have the Cast Iron/Bare Steel, it would
5 have to be. That the new pipe can only be better, as
6 far as having leaks, than these old cast iron pipes
7 that may have some, you know, that are beginning to
8 erode.

9 A. (DaFonte) Yes. And, can I just add that, I think, now
10 that we've isolated that problem with the Tilton meter,
11 that will give us better data to go back and maybe look
12 at the trend, so we can at least maybe try to isolate
13 the impact of the Cast Iron/Bare Steel Replacement.
14 Because we had a lot of noise in those numbers,
15 obviously, with this Tilton meter issue, which,
16 obviously, was something that we inherited and didn't
17 know about. And, so, we would have to go back in time
18 and take a look at what was happening prior to the
19 acquisition and see, you know, really give you a longer
20 term trend of the impact of the Cast Iron/Bare Steel
21 Replacement Program.

22 Q. Thank you. And, that brings up another question I had.
23 So, you outlined that you did find this issue in the
24 Tilton meter, and that was good. And, in fact, I think

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1 you mentioned that you sent somebody on-site to look at
2 the five meters there. So, did that result in any
3 other exploration of the system? I'm not implying
4 there's other problems like that in the system. But
5 are you -- have you done some due diligence to make
6 sure there's not similar issues going on in the system?

7 A. (Savoie) I've made the request to look at the rest of
8 the company meters, to make sure that they are
9 accurate, that the meter factors are also accurate.
10 I'll follow up on that to make sure that's been done.

11 Q. Okay. Thank you. That would be good. On the issue of
12 the occupant billing policy, and I'm well aware that's
13 a result of a 2008 settlement, and I'm interested --
14 the discussion was interesting to me about maybe
15 looking back at that. I was curious to get a little
16 bit more -- educate myself a little bit more on that.
17 I know you weren't party to the settlement directly,
18 but the "13 CCF", is that to keep a pilot light going
19 or what's the -- is there some significance to that?

20 A. (Savoie) I don't know the genesis of how they
21 quantified 13. Perhaps Staff would know.

22 Q. Okay.

23 A. (Savoie) If it was just a number out of the air or if
24 it had any meaning.

[WITNESS PANEL: Savoie~DaFonte]

1 Q. Okay. But it's a minimal, *de minimus* number, it sounds
2 like.

3 A. (Savoie) Thirteen therms is, I would say, pretty low
4 usage. So, --

5 Q. All right. So, that typically wouldn't be covering any
6 kind of heating load or anything like that, does that
7 sound correct?

8 A. (Savoie) Yes. I think, if it was a heating load, you
9 would hit that 13 very quickly.

10 Q. Okay.

11 A. (Savoie) So, it should be, you know, at worse, this
12 isn't my area of expertise, but, at worse, I would
13 think maybe, if someone was using it for cooking only,
14 it might take a few months to get to that 13.

15 Q. Okay. Thank you. And, the other thing I was trying to
16 understand is how much of an issue this occupant
17 accounts are. And, I was looking at Tab 14, your
18 Schedule 10, but maybe there's a better place to look.
19 I was just trying to get if you could quantify the
20 amounts we're talking for the occupant accounts, which
21 is at Bates 138, I think?

22 A. (Savoie) Bates 138, that's the calculation of the
23 disallowance.

24 Q. Okay.

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[WITNESS PANEL: Savoie~DaFonte]

1 A. (Savoie) There's also Tab 15 I can point you to, which
2 has some aging information, which, to my knowledge, has
3 no impact on rates or the disallowance. It's
4 informational only.

5 Q. Okay.

6 A. (Savoie) And, I'm sorry to say, September/October
7 hasn't been provided yet. And, I know it should have
8 been, but I made the choice to not report the numbers,
9 because I didn't feel they were accurate, they didn't
10 seem right. And, the Company is in the process right
11 now of making sure they're extracting information from
12 the billing system accurately and consistently with
13 what Grid had. So, we're still working on that and
14 plan to provide this information.

15 Q. Okay. So, back to my original question. So, is
16 there -- can you point me to the impact on occupancy
17 accounts -- occupant accounts? Where would I find
18 that?

19 A. (Savoie) Let's see. Bates Page 138. This was prepared
20 under my direction. I may need to go back to the
21 person who worked on this calculation for more detail.
22 But there's essentially six driving factors on this
23 calculation. It's Lines 3, "Number of Closed Occupant
24 Accounts"; 4, "Actual Occupant Use per Customer"; 5,

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1 "Threshold Use per Customer"; Line 14, "Cost of Gas
2 Revenues for closed accounts"; Line 15, Base Revenue
3 for closed accounts"; and Line 20, "Commodity Portion
4 of the Cost of Gas factor". All of those, at least
5 five of six of those were the driving factors behind
6 what that disallowance was.

7 Q. Okay.

8 A. (Savoie) I would have to go back and do some further
9 analysis, if somebody wanted to compare to a prior
10 period. But, you know, it's not a very simple
11 calculation. But at least I can point you to those are
12 the driving factors in the settlement as to how we
13 calculate the disallowance.

14 Q. Thank you. I think that helps. I'm just trying to get
15 an idea of what order of magnitude we're talking about,
16 so that that's helpful. Okay. And, again, it sounds
17 like, from what I heard from earlier testimony, that's
18 something that you'll be reviewing. Because one of my
19 questions was going to be, that was clearly a
20 settlement before you had the Company, before you had
21 the franchise, is you've had some experience now with
22 the transfer, you know, is this still something that
23 makes sense for you all was going to be one of my
24 question and is my question?

- 1 A. (Savoie) Well, I think, as you can see on Bates Page
2 Bates 138, the disallowance is a relatively small
3 amount, as it was the year before. You know, it's a
4 lot of data, a lot of work for a fairly small amount.
5 So, certainly, if we can change the occupant billing
6 policy, reduce the unaccounted for gas and just make
7 this whole issue go away, certainly, that's -- I would
8 be all in favor of that. You know, the disallowance is
9 relatively small. But, certainly, we can work on
10 containing the occupant accounts even more than we
11 have.
- 12 Q. Okay. Thank you. And, I think perhaps my last
13 question is regarding your transportation, the supply
14 of gas. I see you use the PNGTS is part of your
15 portfolio, if you will. I was curious, we've heard
16 tell of, for instance, the Spectra Bridge Project.
17 That would provide, if it goes through to fruition,
18 would provide, for want of a better word, maybe some
19 competition on that line for the gas commodity itself.
20 I was curious, do you think that will have a price -- a
21 positive price impact, as far as --
- 22 A. (DaFonte) Yes. There's a couple projects. The
23 Atlantic Bridge Project certainly is one that would tie
24 in directly to the -- what we call the "joint

[WITNESS PANEL: Savoie~DaFonte]

1 facilities" of Maritimes & Northeast Pipeline, as well
2 as Portland Natural Gas Transmission System. That new
3 project is designed to access Marcellus supply
4 ultimately. And, so, as I mentioned earlier, there's
5 still significant discounts with Marcellus producers.
6 So, one would expect that the commodity cost associated
7 with that particular project would be lower than and
8 much lower than the existing PNGTS commodity.

9 The other project that the Company is
10 looking to in the next four years or so is the
11 Tennessee Northeast Expansion Project. That also is
12 designed to go back to Marcellus and access some of
13 that inexpensive supply. And, that would tie in
14 directly to the EnergyNorth distribution system.
15 Unlike the Atlantic Bridge Project, which really just
16 ties into PNGTS and really only serves our one Berlin
17 meter that we have up there, which is probably five or
18 800 dekatherm per day maximum usage in the winter. The
19 Northeast Expansion Project would seem at this point to
20 be the preferable alternative for the Company.

21 CMSR. SCOTT: Good. Thank you. That's
22 all.

23 CHAIRMAN IGNATIUS: Thank you.
24 Commissioner Honigberg?

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1 CMSR. HONIGBERG: I have a question for
2 Mr. Savoie.

3 BY CMSR. HONIGBERG:

4 Q. Do you have your testimony in front of you?

5 A. (Savoie) I do.

6 Q. Look at Page 7 of your testimony, Bates stamp 9. Lines
7 14 and 15.

8 A. (Savoie) Yes.

9 Q. Both of those lines talk about an "under collection".
10 Wasn't it an over collection? I mean, every other
11 reference in the filing has been an over collection.

12 A. (Savoie) That is correct.

13 Q. Okay.

14 A. (Savoie) I missed that.

15 Q. Good. Thank you. I feel better. I was afraid it was
16 me.

17 A. (Savoie) No, no. And, I've read this many times, and
18 -- So, I do have a correction.

19 (Laughter.)

20 BY CMSR. HONIGBERG:

21 Q. Regarding unaccounted for gas, I understand there's a
22 settlement agreement limiting recoveries. Is there an
23 industry standard, an expected level for systems like
24 this, understanding that the goal would be zero?

[WITNESS PANEL: Savoie~DaFonte]

1 A. (Savoie) What I can offer is, is I'm told our level is
2 considered "good" by industry standards. But I could
3 find out more data on that, if you want?

4 Q. It's just a passing interest. It seems low. But you
5 never know whether low might be one quarter of
6 one percent or something like that, I don't even know.
7 But it's just a passing inquiry.

8 CMSR. HONIGBERG: I don't have any other
9 questions. Everybody else has covered that I was
10 interested in.

11 **BY THE WITNESS:**

12 A. (DaFonte) I could just add that, based on my experience
13 at two other utilities, including Northern Utilities,
14 that the unaccounted for gas comparison would show that
15 EnergyNorth's level is lower, as compared to Northern
16 Utilities, at least when I was there, and also to
17 Columbia Gas of Massachusetts, when I was there. So,
18 it is a pretty low unaccounted for, relative to what my
19 experience is.

20 CMSR. HONIGBERG: That's helpful. Thank
21 you.

22 CHAIRMAN IGNATIUS: Just a couple more
23 questions.

24 **BY CHAIRMAN IGNATIUS:**

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1 Q. On the over collection, and the description on Page --
2 Bates stamp 8 of your testimony, Mr. Savoie, you end up
3 with a 6 cents per therm decrease because of that 1.1
4 over collection.

5 A. (Savoie) Yes.

6 Q. 1.1 million. That's a really significant adjustment.
7 You know, everything always goes up and down a little
8 bit, but that seems like a very significant adjustment.
9 So, what leads you to that degree of over collection?

10 A. (Savoie) It is more than what we've seen in previous
11 years for a summer period. It was virtually flat the
12 year before, it was about \$400,000 over collected the
13 year before that. It was primarily due to the falling
14 commodity prices and the decrease in the CGA just
15 didn't keep up with the rate that the commodity was
16 following. All I can say is we could do a better job
17 with the trigger and trying to forecast better to get
18 over that. There's always a lag. And, when I'm
19 calculating what the trigger needs to be when the
20 numbers roll in, so, there's always a built-in lag that
21 you're chasing, so you can never get that trigger
22 exactly right to guarantee that you're at a low over or
23 under collection. But we can certainly strive to
24 continue to do better forecasting, to try to keep those

[WITNESS PANEL: Savoie~DaFonte]

1 under collections or over collections as low as
2 possible.

3 Q. Another question about the Tilton meter problem that
4 you discovered. How is it that you learned about that?

5 A. (Savoie) It started with the revenue accountant. I'm
6 assuming, because he does the unbilled calculation, the
7 estimate, must have been looking at company use. And,
8 I did speak with him, and he did say he realized there
9 was a factor of ten on that meter. And, when he looked
10 at the CCFs, the raw CCFs, you know, from month to
11 month, he applied a factor of ten, which Grid did not.
12 Grid, when they included that meter, had a factor of
13 one. So, Grid would look at the company use, and
14 nothing really stuck out that "this just doesn't make
15 sense, it's way too high a number." He applied the
16 factor of ten as he should have, and immediately
17 questioned "this can't be company use". And, that's
18 what made him question it and bring it to my attention
19 and talk to some other people in the Company. But, had
20 Grid known there was a factor of ten, had they seen
21 that, it would be obvious. Staff would see the company
22 use and say "There is no way you can have such a high
23 company use."

24 Q. What do you mean by "apply a factor of ten"?

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1 A. (Savoie) Some meters you have to apply a factor, you
2 can't just look at the reading. You know, if it said
3 1,000 on the meter at the end of last month, now it
4 says 1,200, the difference is 200, therefore, the
5 customer used 200 CCFs. Some factors you have to
6 apply -- some meters you have to apply a factor. And,
7 this meter is a factor of ten. Others are like odd
8 numbers, one point something. So, I'd need someone in
9 operations to explain why different meters have these
10 factors. But this factor [meter?] has that meter
11 [factor?] of ten.

12 Q. So, for all those years it was being under reported,
13 because the raw number on the meter was assumed to be
14 the correct number, and it really should have been
15 that, and then the factor of ten applied?

16 A. (Savoie) It should have been higher. I guess, on the
17 one hand, it's good that the factor didn't get applied,
18 because it had a smaller impact. But, on the other
19 hand, had somebody applied the factor of ten, people
20 would have known immediately that can't be right, it's
21 way too high a number.

22 Q. And, is there a system that is automated that tells you
23 which meters you take the raw number and which ones you
24 then adjust with a factor or is that a hand calculation

1 method?

2 A. (Savoie) It's all in our current billing system. So, I
3 have a report that I ask to be written, so, I can, at
4 the end of the month -- or, at the beginning of a new
5 month say "okay, for the prior month, give me all my
6 company use meters", and the meter factor is right on
7 there. So, it's in the system. As long as somebody
8 keyed it into the system right, I'm all set. I know
9 like here's my meter reading at the end of last month,
10 the end of this month, the BTU conversion, the meter
11 factor. So, I have all the data. But I have to rely
12 on that the data was input into the billing system
13 correctly.

14 Q. Are there meters, other than company use meters, that
15 also need to be adjusted with a factor?

16 A. (Savoie) I believe that there would be.

17 Q. Is there an effort to double check all of those, to
18 make sure that they're correctly identified, the ones
19 that need to be adjusted?

20 A. (Savoie) I could bring that back to the office, to make
21 sure that that is something that's looked at carefully.
22 I think, when it comes to billing, if somebody hadn't
23 applied a meter [factor?] of ten, I think people would
24 be aware of it.

[WITNESS PANEL: Savoie~DaFonte]

1 Q. Well, I just -- we had an instance with another utility
2 where it was a mistake that went on for, I don't know,
3 four years or something, and some pretty high cost
4 consequences. And, for a variety of reasons, people
5 weren't realizing that the meter wasn't accurately -- I
6 think it may have been reading correctly, it wasn't
7 being interpreted correctly, which sounds sort of
8 similar to what you're talking about here.

9 A. (Savoie) I'll definitely bring this back to the office
10 and ask what procedures do we have in place to make
11 sure that the meter factors in the billing system are
12 indeed accurate. But the large -- the large majority
13 are one and, from what I've seen anyway, the
14 residential meters are always a factor of one. I think
15 it's the larger meters that tend to have these factors,
16 these specialized meters. So, there's probably
17 relatively few of them. But I'll definitely have a
18 discussion back at the office.

19 Q. All right. Thank you.

20 A. (DaFonte) And, could I just add --

21 Q. Yes, sir.

22 A. (DaFonte) -- also that the lost and unaccounted for
23 calculation is designed to help find those issues,
24 discover any anomalies that you see. So, if there was

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[WITNESS PANEL: Savoie~DaFonte]

1 a significant increase or decrease in that lost and
2 unaccounted for, that would be a trigger to tell you
3 that there may be an erroneous meter out there or
4 something else. And, I think the fact that this factor
5 of ten was not being allied, that really was what would
6 have triggered an investigation. Again, as Mr. Savoie
7 had accurately put it, National Grid was using a factor
8 of one. So, it really didn't stick out, unfortunately.
9 And, which -- and, in retrospect, it was a good thing,
10 because it wasn't artificially pumping up the lost and
11 unaccounted for. But, again, that new calculation,
12 knowing that these meters are now being correctly
13 categorized as company use, that should allow us to get
14 a better handle on the lost and unaccounted for going
15 forward.

16 Q. Do you see lost and unaccounted for gas numbers in the
17 aggregate for the entire system or can you see
18 something for a particular region of the distribution
19 system and zero in on that area?

20 A. (DaFonte) Because the system is a, you know,
21 interconnected in its entirety, other than the isolated
22 Berlin system, we would not be able to isolate it to a
23 particular location.

24 Q. So, if you had a significant leakage in Tilton, you

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1 wouldn't necessarily -- you might see your numbers
2 going up, but you wouldn't know to zero in on the
3 Tilton area?

4 A. (DaFonte) Right. Unless, you know, for example, that
5 meter in Tilton that was just designed to measure
6 volumes going out to other customers, if for some
7 reason that meter all of a sudden started reading much
8 higher, then that would be a trigger to maybe go
9 investigate that. Either we've added a large load out
10 there that nobody mentioned or there may be something
11 wrong with that meter.

12 Q. And, how would you know to find those anomalies where
13 usage is significantly different than what it would
14 have been in the past? Is that a customer calls up or
15 is it because -- is there something in the system that
16 would jump out on an automated basis and flag that?

17 A. (DaFonte) Well, there's a couple of things. The lost
18 and unaccounted for, as we look at that, that would
19 indicate that there may be something wrong. The other
20 thing is, part of what the Energy Procurement Group
21 does is it forecasts on a day-to-day basis in
22 conjunction with our Gas Control Group. And, so, if we
23 see that the actual usage is significantly different
24 than what we're forecasting, then that would also

[WITNESS PANEL: Savoie~DaFonte]

1 trigger us to maybe take a look at what's going on out
2 there. Again, that would tell us that maybe there's a
3 large customer that may have come on that we weren't
4 aware of or there could be a metering issue. So, we
5 would take a look at that, and that would be sort of
6 our secondary review.

7 CHAIRMAN IGNATIUS: That's helpful.
8 Thank you. All right. We have no other questions. Is
9 there any redirect?

10 MS. KNOWLTON: I have none.

11 CHAIRMAN IGNATIUS: All right. Then,
12 thank you. The witnesses are excused. Ms. Knowlton, is
13 the effective date May 1 for these, the proposed date?

14 MS. KNOWLTON: Yes. That's correct.

15 CHAIRMAN IGNATIUS: Thank you. Is there
16 any other testimony?

17 (No verbal response)

18 CHAIRMAN IGNATIUS: Seeing none, then is
19 there any objection to striking the identification and
20 making the two exhibits full exhibits?

21 MS. HOLLENBERG: No.

22 MR. SHEEHAN: No.

23 CHAIRMAN IGNATIUS: Any other
24 administrative matters we should take up before we have

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1 closing statements?

2 (No verbal response)

3 CHAIRMAN IGNATIUS: All right. Seeing
4 nothing, then, Ms. Hollenberg.

5 MS. HOLLENBERG: Thank you. The Office
6 of Consumer Advocate does not oppose the proposed cost of
7 gas rate. I would, though, ask that the Commission to
8 consider in its order having the Company report back to
9 the Staff, OCA, and Commission on a couple of things. I
10 would like to, and I'm thinking that by the -- before the
11 winter cost of gas proceedings, if that could be the hard
12 deadline. But I would like to have some information about
13 the -- the Company did state that they are scrubbing their
14 company use meters, and indicated to the Commission that
15 they would look into the meters that use factors as a
16 multiplier. And, I wondered if that could be something
17 that we hear back from the Company about if -- what they
18 have discovered in terms of their reviews of those. And,
19 I also wondered if we could also just have a deadline for
20 the follow-up and resolution of the occupant account issue
21 that was discussed today, the revisions to that policy,
22 work between the OCA, Staff, and the Company.

23 And, the last thing is that the Company
24 has yet to provide, because they were trying to make sure

1 that the numbers were correct, have to provide the
2 September and October 2013 occupant account numbers. And,
3 if that could also be provided at some point, when those
4 numbers are available, that would be appreciated. Thank
5 you.

6 CHAIRMAN IGNATIUS: And, I take it
7 you're not asking for these things as record requests for
8 this determination?

9 MS. HOLLENBERG: No.

10 CHAIRMAN IGNATIUS: But that, when they
11 become available, that they be delivered to OCA and Staff?

12 MS. HOLLENBERG: Yes. That's correct.
13 Thank you.

14 CHAIRMAN IGNATIUS: Any concerns about
15 that, be sure to mention that, Ms. Knowlton, when you get
16 your opportunity. All right. Mr. Sheehan.

17 MR. SHEEHAN: Thank you. Staff has
18 completed its review of the filing and recommends approval
19 of Liberty's proposed 2014 Summer Cost of Gas rate. The
20 Staff, the Company, and the OCA will work together to
21 address the occupant account issues discussed today. We
22 thank the Company for its cooperation and the OCA for its
23 participation. Thank you.

24 CHAIRMAN IGNATIUS: Thank you. Ms.

1 Knowlton.

2 MS. KNOWLTON: Thank you. With regard
3 to the OCA's request, the Company's position is that those
4 are reasonable requests, and we are certainly committed to
5 following up on each of them. We do ask that the
6 Company -- excuse me -- that the Commission approve the
7 proposed Summer 2014 Cost of Gas rates, based on the
8 testimony of Mr. Savoie and Mr. DaFonte, I believe those
9 rates are just and reasonable and in the public interest.

10 The Company supplied, as Mr. DaFonte
11 testified, the source of supply is the same. As his
12 testimony also demonstrates that the forecast that was --
13 on which the rates are based is consistent with the
14 methodology of prior forecasts. For those reasons, I
15 would ask that the Commission approve the rates to take
16 effect May 1st, 2014.

17 CHAIRMAN IGNATIUS: I realize I failed
18 to ask your witnesses whether there is a -- whether the
19 decisions made for procurement are consistent with the
20 Company's Least Cost Integrated Resource Plan last
21 approved?

22 MS. KNOWLTON: Mr. DaFonte can answer
23 that question. And, Mr. DaFonte, I think you should
24 assume that you're still under oath when you answer that,

1 even though you're no longer upon the witness stand.

2 MR. DaFONTE: Yes. My answer would be
3 that the procurement procedures and processes are
4 consistent with the last approved Integrated Resource
5 Plan.

6 CHAIRMAN IGNATIUS: Thank you.
7 Appreciate it. All right. Unless there's anything
8 further?

9 (No verbal response)

10 CHAIRMAN IGNATIUS: We recognize you
11 have a May 1 request for the effective date of the rates.
12 And, we'll take all of this under advisement. Thank you.
13 We're adjourned.

14 **(Whereupon the hearing was adjourned at**
15 **9:54 a.m.)**

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