

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

National Grid PLC and KeySpan Corporation - Proposed Merger

Case 06-M-0878

The Brooklyn Union Gas Company d/b/a Keyspan Energy Delivery
New York - Gas Rates

Case 06-G-1185

Keyspan Gas East Corporation d/b/a KeySpan Energy Delivery
Long Island - Gas Rates

Case 06-G-1186

January 2007

Prepared Testimony of:

Thomas Coonan
Utility Supervisor
Office of Gas & Water
State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

1 Q. Please state your name and business address.

2 A. My name is Thomas Coonan and my business address
3 is Three Empire State Plaza, Albany NY 12223.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the New York State Department
6 of Public Service. I am a Utility Supervisor in
7 the Gas Rates Section of the Office of Gas &
8 Water.

9 Q. Please describe your education and employment
10 experience.

11 A. I graduated from the State University of New
12 York at Albany in 1978 with a Bachelors of
13 Science degree in Accounting. I began
14 employment with the Department of Public Service
15 in 1979 with the Office of Accounting & Finance
16 in the Upstate Audit Section. My
17 responsibilities in that Office focused on
18 financial reviews of Electric, Gas, Telephone
19 and Water utility rate increase requests. In
20 1986, I joined the Office of Utility Efficiency
21 and Productivity and worked in both the
22 Operational Audit and Management Audit Sections.
23 My responsibilities in that Office included,
24 among other things, participation in Operational

1 and Management Audits of Electric, Gas,
2 Telephone and Water utility operating and
3 management practices. In 1999, I was assigned
4 to the Office of Gas & Water where my
5 responsibilities have focused on rate and tariff
6 matters. I was also assigned to the Gas Policy
7 Section in 2003 as part of a job rotation
8 program. In mid 2003 through early 2004 I
9 served as the Project Manager for the Department
10 of Public Service's Formal Inquiry into the
11 August 14, 2003 blackout.

12 Q. Have you previously filed testimony before the
13 Commission?

14 A. Yes.

15 Q. What is the purpose of this testimony?

16 A. The purpose of this portion of my testimony is
17 to address Grid/Keyspan's proposal concerning
18 gas demand side management (DSM) programs.

19 Q. Please explain the company's proposal regarding
20 DSM programs?

21 A In the merger testimony, Company witness Johnson
22 proposes that Keyspan NY and Keyspan LI should
23 embark on programs to help consumers reduce
24 their gas usage. According to the company,

1 these programs will be based on programs in
2 place at Keyspan's New England companies.

3 Q. How much does the company propose to spend on
4 DSM programs generally and which programs in
5 particular would receive funding?

6 A. The company proposes an annual budget of \$20
7 million for KEDNY and \$10 million for KEDLI
8 after a phase in period of three years. The
9 company plans on spending these funds on a
10 variety of programs but has not indicated the
11 specific dollar expenditure for each program.
12 The company proposed to initiate a collaborative
13 to decide, among other things, the programs to
14 adopt, the specific expenditure levels for each
15 program, and other program details.

16 Q. Does the Grid/Keyspan 10 year merger rate plan
17 or the stand-alone Keyspan rate cases reflect in
18 rates the spending indicated above?

19 A. The merger rate plan's rate increases do not
20 reflect expenses associated with the proposed
21 DSM program. The company indicates that any
22 spending would be deferred in a balancing
23 account and potentially collected from
24 ratepayers in the Local Distribution Adjustment

1 Clause. The individual rate plan filings do not
2 include testimony or cost forecasts concerning
3 the DSM programs.

4 Q. Why did the Companies propose the deferral
5 treatment as part of the merger rate plan?

6 A. According to the Companies, a Commission
7 decision regarding the establishment of a
8 statewide gas utility system benefits charge
9 (SBC) is pending. The company would initiate
10 the DSM programs, and defer the relevant costs,
11 only if the Commission does not authorize a gas
12 SBC. If a gas SBC is adopted, the Companies
13 would work with the administrator of the
14 program.

15 Q. You commented that the Companies did not include
16 these DSM programs in its stand-alone rate
17 filings. Would the Companies initiate DSM
18 programs even if the Commission rejected the
19 companies' proposal for a merger?

20 A. Yes, the Company indicated in the response to
21 DPS-285 Exh__ (TSC-1) that it would initiate its
22 DSM programs even if the Commission rejected the
23 proposed merger.

24 Q. What is Staff's reaction to the Company's

1 overall proposal for DSM programs?

2 A. First, it is important to recognize that the DSM
3 programs are independent of the merger; they
4 can go forward with or without a merger.

5 Second, while Staff is generally supportive of
6 efforts to encourage customers to use gas more
7 efficiently, it should be noted that there is a
8 pending case (Case 05-G-1061) before the
9 Commission to examine the potential for a
10 statewide gas SBC. As a result, there may be
11 complications in initiating DSM programs in
12 Keyspan's service territory.

13 Q. Why do you believe there may be complications in
14 initiating gas DSM programs in Keyspan's
15 territory?

16 A. A Commission decision on Case 05-G-1061 could
17 result in, among other things, different program
18 scopes, funding levels, and funding methods for
19 gas DSM programs than is proposed in the
20 company's testimony in this case.

21 Q. Are these complications insurmountable?

22 A. No. It should be noted that Consolidated Edison
23 initiated a gas efficiency program during a
24 period when a gas SBC was under consideration.

1 Q. What is your recommendation concerning the
2 companies proposed gas DSM programs?

3 A. Progress should be made on the initiation of DSM
4 programs regardless of whether the Commission
5 makes a decision on the gas SBC case. I
6 recommend that a collaborative be initiated to
7 address the companies' and any interested
8 parties' proposals and to discuss issues such as
9 the appropriate gas efficiency programs to be
10 conducted in the utilities' service territories,
11 the timing and prioritization of these programs,
12 funding levels and funding sources, and the
13 methods used to evaluate the success of the
14 programs initiated. The results should be
15 implemented on a pilot basis until a decision in
16 Case 05-G-1061 is reached, or if a decision is
17 reached earlier than the conclusion of the
18 collaborative, the results of that case will
19 prevail.

20 Q. Does this conclude your testimony on this
21 matter?

22 A. Yes.