

**BEFORE THE STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW**

**IN THE MATTER OF THE PETITION OF)
NEW JERSEY NATURAL GAS COMPANY) BPU Docket No. GR06060415
FOR THE ANNUAL REVIEW AND) OAL Docket No. PUCRA 11432-2006N
REVISION OF ITS BASIC GAS SUPPLY)
SERVICE (BGSS) FOR F/Y 2007)**

**ADDENDUM TO THE
DIRECT TESTIMONY OF MICHAEL J. MCFADDEN
ON BEHALF OF THE NEW JERSEY DEPARTMENT OF THE
PUBLIC ADVOCATE, DIVISION OF RATE COUNSEL**

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**ADDENDUM TO DIRECT TESTIMONY OF
MICHAEL J. MCFADDEN**

1 **Q. Please state your name and business address.**

2 A. My name is Michael J. McFadden and my business address is 625 South York Street,
3 Denver, Colorado 80209-4642.

4 **Q. Are you the same Michael J. McFadden that filed Direct Testimony on October 19,**
5 **2007 in this proceeding?**

6 A. Yes I am.

7 **Q. What is the purpose of the addendum to your testimony?**

8 A. Subsequent to filing my direct testimony in this matter, it came to my attention that I had
9 misread New Jersey Natural Gas Company's ("NJNG" or "Company") response to Rate
10 Counsel discovery request RCR-5, regarding NJNG's meter reading practices. I
11 misinterpreted the Company's explanation of its meter reading schedule as it pertained to
12 Residential and Regular Commercial customers. My understanding at the time I filed my
13 direct testimony was that the Company read all its Residential and Regular Commercial
14 customers' meters on a monthly basis during October through April of each year. During
15 the May through September of each year, I believed the Company read these customers'
16 meters every other month. For the months that customer meters were not read the
17 Company billed the customers based on an estimated meter reading.

18 In reality, the Company reads the meters of Residential and Regular Commercial
19 customers every other month during September through May of each year, and uses

1 estimated meter readings for most of these customers during the non-heating months of
2 June, July, and August.

3 **Q. Does this change affect the findings, conclusions, or recommendations contained in**
4 **your Direct Testimony as filed October 19, 2007 in this case?**

5 A. Not at all, for several reasons. First, the key issue addressed in my Direct Testimony is
6 the error in the Company's calculation of Gas Cost Recoveries, which are used to
7 determine the Deferred Gas Cost included in the BGSS charge. The method the
8 Company used for the 8 years ending September 30, 2006, understated the actual Gas
9 Cost Recoveries. There is no doubt the error in the Company's calculation needs to be
10 corrected.

11 Second, my analysis is based on a comparison of the Company's Gas Cost
12 Recoveries, which are based on estimated therms, to Gas Cost Recoveries based on the
13 actual billed therms. Customers' bills are determined using actual billed therms,
14 regardless of whether the billed therms are based on actual or estimated meter readings.
15 Therefore, these amounts should be used to calculate Gas Cost Recoveries.

16 Third, any difference in Gas Cost Recoveries resulting from using estimated meter
17 readings will be reflected in the subsequent month, when the customers' meters are
18 actually read. For example, if a customer is read on an odd cycle, the meter would be
19 read in January, March, May, September, and November. During the remaining months,
20 the customers' bills would be based on estimated meter readings. Any forecasting error
21 in the estimated meter reading would be corrected by the actual meter reading in the
22 following month. Furthermore, any differences due to the use of estimated meter

1 readings are limited to the difference between the Company's estimate and the customer's
2 actual usage.

3 Fourth, my analysis reviewed an 8 year period ending September 2006. Any
4 impact on the analysis of using estimated meter readings would be limited to the
5 customers whose meters were not based on actual meter readings for September 2006.
6 Furthermore, any differences would be reflected in the calculation of Gas Cost
7 Recoveries in the following month when the meters are actually read. Therefore, any
8 impact on the Company or the customers' would be limited to timing differences as to
9 when the amounts are reflected in the BGSS charges.

10 Fifth, if the Board had any doubts whatsoever about the impact on the analysis of
11 using estimated meter readings, it could simply require the Company to read every
12 customer's meter during the month of September each year. Reading every customer's
13 meter during September would ensure that the Company's Gas Cost Recoveries reflected
14 actual meter readings for the BGSS reconciliation year.

15 **Q. Do you have specific corrections to your direct testimony?**

16 A. Yes. The sentence beginning on page 9, line 11 originally stated, "From May through
17 September of each year, it only reads residential and regular commercial customers every
18 other month." The order of the months should be reversed. The sentence should be
19 modified so that it states, "From September through May of each year, it only reads
20 residential and regular commercial customers every other month."

21 In the same paragraph, beginning on page 9, line 10, I would also like to add a
22 sentence after the third sentence and before the fourth sentence. The new sentence is,

1 “The Company does not read these customers’ meters from June through August of each
2 year.”

3 With these two changes the revised paragraph now reads:

4 The Company has a slightly different twist to its meter reading schedule from
5 most gas distribution companies with which I am familiar. From September
6 through May of each year, it only reads residential and regular commercial
7 customers every other month. Residential and regular commercial customers
8 with odd numbered meter reading cycles are read during odd numbered
9 months and those with even numbered meter reading cycles are read during
10 even numbered months. The Company does not read these customers’ meters
11 from June through August of each year. These customers are, however, billed
12 on a monthly basis. For the months in which a customer’s meter is not read,
13 the customer receives a bill based on estimated usage.

14 In my direct testimony, on page 30 beginning on 3, there is a bullet point that
15 states, “My analysis failed to recognize the Company’s practice of using estimated meter
16 readings for a large number of customers from May through September.” The last four
17 words, i.e., from May through September, should be stricken. The revised sentence now
18 states, “My analysis failed to recognize the Company’s practice of using estimated meter
19 readings for a large number of customers.”

20 On page 31, the heading on line 7 states, “May to September Estimated Meter
21 Readings.” The first three words should be stricken. The revised heading would now
22 read as, “Estimated Meter Readings.”

23 On page 31, line 8, switch May and September. The new sentence now reads as,
24 “As discussed previously, from September through May of each year, NJNG only reads
25 residential and smaller commercial customers’ meters every other month.” Also, add a

1 sentence following the revised sentence above that states, “They do not read most of these
2 customers’ meters during June through August of each year.”

3 **Q. Does this conclude the addendum to your testimony in this matter?**

4 **A. Yes.**