

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

January 27, 2010 - 10:06 a.m.
Concord, New Hampshire

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RE: DG 06-098
NORTHERN UTILITIES, INC.:
Long-Range Integrated Resource Plan
for 2006.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Northern Utilities, Inc.:
Gary M. Epler, Esq.

Reptg. PUC Staff:
Marcia A. B. Thunberg, Esq., Esq.
Stephen Frink, Asst. Dir. - Gas & Water Div.
Robert Wyatt, Gas & Water Division
George McCluskey, Electric Division

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

ORIGINAL

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 GEORGE R. McCLUSKEY

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P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning, everyone. We'll open the hearing in docket DG 06-098. Northern Utilities filed its Long Range Integrated Forecasted Gas Supply Resource Plan for its Maine and New Hampshire Divisions with the Commission on June 30, 2006, covering the years 2006 through 2012. Order of notice was issued on July 26 setting a prehearing, after which a procedural order and a procedural schedule were approved. That procedural schedule was later suspended. And, we have before us today a stipulation that was submitted on December 15, 2009.

Can we take appearances please.

MR. EPLER: Yes. Good morning, Mr. Chairman and Commissioners. Gary Epler, on behalf of Northern Utilities, Inc. And, with me is Rob Furino, who is the Director of Energy Contracts.

CHAIRMAN GETZ: Good morning.

MS. THUNBERG: Good morning, Commissioners. Marcia Thunberg, on behalf of Staff. And, with me today is George McCluskey, Steve Frink, and Bob Wyatt. And, Mr. McCluskey will be participating in a panel with Mr. Furino in a presentation of today's settlement. Thank you. Thank you.

[WITNESS PANEL: Furino|McCluskey]

1 CHAIRMAN GETZ: Thank you. Ready to
2 proceed, Mr. Epler?

3 MR. EPLER: Sure. If the witnesses will
4 approach. Mr. Chairman, if it pleases the Commission, we
5 do have one exhibit, which is the Stipulation. And, I
6 believe that's the first exhibit in this case, even though
7 the docket has been open for a while, if we could have
8 that premarked as "Exhibit Number 1".

9 CHAIRMAN GETZ: It is so marked.

10 (The document, as described, was
11 herewith marked as **Exhibit 1** for
12 identification.)

13 (Whereupon *Robert S. Furino* and
14 *George R. McCluskey* were duly sworn and
15 cautioned by the Court Reporter.)

16 ROBERT S. FURINO, SWORN

17 GEORGE R. McCLUSKEY, SWORN

18 DIRECT EXAMINATION

19 BY MR. EPLER:

20 Q. Mr. Furino, can you please state your full name, your
21 title, and business address for the record.

22 A. (Furino) Yes. Robert S. Furino, Director - Energy
23 Contracts, Unutil Service Corp., 6 Liberty Lane West,
24 Hampton, New Hampshire.

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[WITNESS PANEL: Furino|McCluskey]

1 Q. And, can you please summarize your job responsibilities
2 for Northern?

3 A. (Furino) My primary responsibilities relate to energy
4 supply procurement and planning.

5 Q. And, Mr. Furino, since the acquisition of Northern
6 Utilities by Unitil Corporation, have you been involved
7 in the discussions and negotiations which led up to the
8 signing of the Settlement in this docket, docket DG
9 06-098?

10 A. (Furino) Yes, I have.

11 Q. And, have you seen the document that's been premarked
12 as "Exhibit Number 1"?

13 A. (Furino) Yes, I have.

14 Q. And, is that a correct and true copy of the Settlement
15 between the Company and the Commission Staff?

16 A. (Furino) Yes, it is.

17 MR. EPLER: Thank you.

18 BY MS. THUNBERG:

19 Q. And, Mr. McCluskey, if I could just -- if I could have
20 you state your name for the record.

21 A. (McCluskey) My name is George McCluskey.

22 Q. And, if you could please describe your position or
23 responsibilities here with the Commission.

24 A. (McCluskey) I'm an analyst based in the Electric

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[WITNESS PANEL: Furino|McCluskey]

1 Division. And, I also occasionally work on gas-related
2 issues. My primary area of expertise is ratemaking,
3 but I'm also responsible for integrated resource
4 planning filings for both electric and gas companies.

5 Q. And, prior to today, have you testified in that area of
6 expertise before this Commission?

7 A. (McCluskey) Regarding IRPs?

8 Q. Yes.

9 A. (McCluskey) Yes, several times.

10 Q. And, the testimony that you are providing today, is
11 that also going to be within your area of expertise?

12 A. (McCluskey) I believe so.

13 Q. And, are you familiar with the Stipulation and
14 Settlement Agreement that's been marked for
15 identification as "Exhibit 1"?

16 A. (McCluskey) Yes, I am.

17 Q. Are you aware of any corrections that need to be made
18 to that document?

19 A. (McCluskey) I don't believe there are any changes to
20 it.

21 MS. THUNBERG: Thank you. Gary.

22 MR. EPLER: Okay. Thank you.

23 BY MR. EPLER:

24 Q. Mr. Furino, could you please, for the benefit of the

[WITNESS PANEL: Furino|McCluskey]

1 record and for the Commission, walk through the
2 Settlement Agreement and summarize the major
3 provisions.

4 A. (Furino) Yes. Thank you. First, the Settlement is
5 between the Staff and the Company. Identical terms
6 were reached with the Maine Public Utilities Commission
7 Staff and the Maine Office of the Public Advocate.
8 Approval of both Settlements is a condition to the
9 effectiveness of each. The Settlement addresses two
10 major objectives. The first, the disposition of the
11 2006 integrated Resource Plan, or IRP, and, second, it
12 lays the groundwork for preparation and review of the
13 2010 IRP, Northern's next IRP.

14 As regard to the disposition of the 2006
15 IRP, as mentioned, Northern filed its last IRP in
16 June 2006. After which, discovery and technical
17 conferences were held, but outstanding issues were
18 never resolved. This matter was an open issue when
19 Unitil acquired Northern Utilities. Rather than
20 continue to vet the 2006 IRP, the parties have agreed
21 to essentially walk away from it and establish
22 expectations for the next IRP.

23 Along with the Settlement, Northern has
24 also agreed to discontinue the Capacity Reserve Charge,

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[WITNESS PANEL: Furino|McCluskey]

1 which has been assessed to capacity-exempt customers.
2 Effective the first of the month following approval of
3 both Commissions, that would become effective. And,
4 the Company would provide a proposed revised tariff
5 sheet to reflect this change upon approval of the
6 Settlement.

7 As to the groundwork for the 2010 IRP, I
8 would like to address the timing, the proposed review
9 process, and the contents of the IRP. As to the
10 timing, Northern will file it's next IRP nine months
11 after approval of this Settlement by both PUCs, and,
12 thereafter, it will file an IRP every three years.

13 As to the review process, the Settlement
14 provides for separate or joint review by the PUCs, and
15 it lays out a one-year review schedule. Six months of
16 this time is set aside for discovery and technical
17 sessions; another three months to complete their
18 initial reviews; and another three months to complete
19 hearings and to issue a decision.

20 As to a standard, the standard for
21 review, we have agreed that the purpose of the IRP is
22 to allow Northern to explain its planning processes and
23 procedures, and to allow the PUCs to evaluate the
24 reasonableness of those processes and procedures. That

[WITNESS PANEL: Furino|McCluskey]

1 review would be taken in light of the completeness,
2 comprehensiveness, integration, and feasibility of
3 those plans and practices.

4 The standard of review laid out in the
5 Settlement states what I think of as a bit of a mission
6 statement for the IRP process, which is to develop an
7 adequate, reliable and economic portfolio of supply and
8 demand resources to serve firm customer demand. And,
9 frankly, that language borrows heavily from the
10 EnergyNorth order issued by this Commission.

11 The Settlement also speaks to future
12 modifications of methodologies. And, states that, once
13 the PUCs accept Northern's analytical methodology, the
14 expectation shall be that Northern will continue to
15 follow such methods in subsequent IRPs. However,
16 Northern will also be expected to seek continual
17 improvements in its practices. In striking a balance
18 between these expectations, the parties agree that, to
19 the extent Northern proposes a change from a previously
20 approved method, it shall describe the change, the
21 reasons for the change, and the impacts of the change.

22 Turning to the contents of the IRP. The
23 IRP starts with a demand forecast. Demand forecasts
24 will be prepared for Design Day and Design Year, which

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[WITNESS PANEL: Furino|McCluskey]

1 will be developed in terms of a base case, which
2 presumes normal conditions, and also a high case and a
3 low case. In terms of structure, the forecasts will be
4 based on customer segment forecasts that will be
5 developed in terms of number of customers and use per
6 customer. These forecasts will be aggregated and
7 adjusted to obtain citygate equivalent sendout
8 requirements for both the Maine Division and the New
9 Hampshire Division.

10 As to forecast methodology, specific
11 model forms are left to the Company to propose.
12 However, the Settlement includes a statement that reads
13 the "forecast shall be a rigorous analysis based on
14 sound application of statistical and economic
15 principles."

16 The Company will present a -- its
17 resource balance. The "resource balance" is defined as
18 the difference between demand and resource capacity
19 under contract. Northern will show the projected
20 resource balance for both Design Day and Design Year.
21 It will present these using both tables and charts,
22 such as load duration curves.

23 The next section would be a resource
24 assessment, including an assessment of both supply-side

1 and demand-side resources. In terms of supply-side
2 resources, the Company will identify reasonably
3 available supply-side resources that are capable of
4 meeting incremental requirements over the planning
5 period. And, the planning period is a five-year
6 horizon, covering five gas years after the filing.

7 As to the demand-side, the demand-side
8 resources, the Company will identify the economic
9 potential for energy efficiency and report estimates of
10 avoided costs, implementation costs, and a ranking of
11 evaluated potential demand-side management programs.

12 Lastly, the Company will develop what
13 amounts to a -- or, what we're calling a "preferred
14 portfolio". And, this analysis will take into account
15 existing and proposed or potential new resources. The
16 analysis in developing the preferred portfolio will
17 involve the integration of both demand-side and
18 supply-side resources. The Company will take into
19 account differences between demand- and supply-side
20 resources, such as those associated with reliability
21 and the time to implement, and evaluating, you know,
22 its preferred portfolio.

23 And, that really is the crux of what the
24 Settlement hopes to accomplish, in terms of moving

[WITNESS PANEL: Furino|McCluskey]

1 forward with the integrated resource planning
2 requirements for Northern Utilities.

3 Q. Do you have anything further to add at this time?

4 A. (Furino) No, I don't. Thank you.

5 BY MS. THUNBERG:

6 Q. Mr. McCluskey, you just heard Mr. Furino talk about a
7 EnergyNorth docket. And, I just want to ask you some
8 background questions on this. This instant docket
9 pertaining to Northern's IRP, this is not the first
10 time Staff has dove into the details of what an IRP
11 should look like, is that correct?

12 A. (McCluskey) That's correct. Staff has addressed IRP
13 for gas utilities several times. Since I returned to
14 working at the Commission, gas IRP had essentially
15 dropped off the radar screen. Over the last three
16 years, the Commission has got back in much more heavily
17 into developing the framework or a policy for gas
18 utility companies. And, most of that work was done in
19 the recent EnergyNorth IRP proceeding. It was a
20 heavily litigated case, almost all of the issues were
21 litigated before the Commission. And, the order that
22 came out of that case essentially set the framework for
23 gas utility IRP in this state.

24 And, so, in attempting to settle this

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1 particular case, this Northern IRP case, Staff's effort
2 was modeled on the order that was issued in the
3 EnergyNorth case. And, I believe the two outcomes are
4 very similar. They're not perfectly similar, but
5 they're very consistent.

6 Q. And, Mr. McCluskey, with respect to your comment on the
7 requirements being -- from EnergyNorth, that that
8 particular docket being applied to Northern's IRP,
9 they're not identical, is that because of just nuances,
10 differences between the two companies?

11 A. (McCluskey) Not so much between the two companies.
12 Demand forecasting is an example. There are different
13 ways to develop demand forecasts. EnergyNorth had
14 traditionally used a particular approach; Northern
15 wanted to go a different way. And, as part of the
16 negotiation process, Staff did not feel particularly
17 strongly about that issue. And, we were willing to
18 agree to have Northern develop its particular approach
19 to demand forecasting, and that's specified in this
20 Settlement Agreement.

21 Q. Thank you for that background, Mr. McCluskey. If I
22 could have you -- do you have a copy of Exhibit 1, the
23 Stipulation and Settlement Agreement before you?

24 A. (McCluskey) Yes, I do.

[WITNESS PANEL: Furino|McCluskey]

1 Q. And, I'd like to have you turn to Page 2. And, in
2 particular, it's Paragraph A, "Status of Filed Plan".
3 And, I know that Mr. Furino had already testified that
4 it's the Company's expectation to, in essence, walk
5 away from that plan. But, from Staff's perspective,
6 what is Staff recommending how the Commission should be
7 treating that 2006 IRP?

8 A. (McCluskey) I wouldn't say we're "walking away from
9 it", because this Settlement Agreement starts with the
10 2006 IRP. And, as a result of Staff's review and the
11 discussions that we had with the Company, we believe
12 that the underlying planning process required further
13 development. And, that, in fact, is the only thing
14 that this document says about the 2006 IRP. We believe
15 the process that was used for that IRP requires further
16 development, and that further development is reflected
17 in the requirements that are imposed on the Company for
18 future IRPs. So, we say nothing about the adequacy or
19 inadequacy of the actual filing.

20 Q. Okay. And, Mr. Furino, while we're on this subject on
21 treatment of the 2006 IRP, I just wanted, after you
22 have heard Mr. McCluskey, does Northern concur with
23 that characterization?

24 A. (Furino) Yes. That's true, yes.

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1 Q. Thank you. Mr. McCluskey, if I could have you comment
2 on Staff's perspective on the "Administrative Review
3 Process", that's the last paragraph on Page 2. And,
4 Mr. Furino had talked about a 12-month total review,
5 and that there are some increments, milestones within
6 that. If you could just please summarize those from
7 Staff's perspective?

8 A. (McCluskey) Yes. I'm not sure whether I can add a
9 great deal to what Mr. Furino said. The document
10 refers to -- it has references to nine, six months, and
11 three months. And, on a first read of that document,
12 it's not particularly clear what the process is.

13 The first thing I want to say, though,
14 is that these timelines are not mandates. We're not
15 saying to the Commission that your work has to be done
16 in 12 months. But we're saying that these are goals
17 that we're setting ourselves, in order to have an
18 efficient review process. So, essentially, what this
19 is saying is that, from filing to the Commission
20 issuing a decision, we hope to have that done in 12
21 months. The review, discovery, technical sessions, the
22 filing of rebuttal testimony, if that happens, that
23 will be done in nine months. The Commission will then
24 get three months as a target in order to hold the

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1 hearings, deliberate, and issue a decision. So, that's
2 kind of the goal for this process. And, we hope Maine
3 will follow the same process.

4 It could go past 12 months, because, if
5 the two Commissions issue conflicting decisions, then
6 the next paragraph on this Page 3 says that the parties
7 have got to get together and try and deal -- resolve
8 those conflicts. Because there can't be conflicts,
9 since it's a single system, that it's operating both in
10 New Hampshire and Maine. So, we have to have a single
11 set of requirements with regard to planning on this one
12 company. So, we're going to have to resolve those
13 differences, if they exist, and that could take us past
14 the 12-month period.

15 Q. Mr. McCluskey, I would like to have you comment on how
16 you see the Maine and New Hampshire Commission Staff
17 working, either together or in parallel, with
18 Northern's next IRP.

19 A. (McCluskey) Well, the document provides for a joint
20 proceeding, a joint review. My expectation is that
21 that's not going to happen. That I believe the filing
22 will be made in both states, and that the separate
23 Staffs will conduct the review separately, and
24 hopefully share information with each Staff. I think

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1 we get on reasonably well. And, I think that's
2 probably the most efficient way to do it, to conduct
3 separate reviews, and try and resolve any differences
4 that we've got on an informal basis. And, hopefully,
5 the two Staffs and the two Commissions come out in the
6 same place. If not, we'll just have to deal with that.

7 Q. Thank you for that clarification. Mr. McCluskey, I'd
8 like to have you comment, on Page 4, Mr. Furino had
9 talked about the capacity reserve being discontinued
10 and updating a tariff. And, I didn't know if you had
11 any further comments on this paragraph?

12 A. (McCluskey) No. I think the document states why the
13 capacity reserve will no longer be needed. And, hence,
14 the Capacity Reserve Charge, which is currently in
15 effect, will be terminated, if the Commission approves
16 the document.

17 Q. Mr. McCluskey, did the usefulness of the capacity
18 reserve, was that something that was also an issue with
19 EnergyNorth?

20 A. (McCluskey) It was, but a slightly different way.
21 Northern Utilities, when it was under separate --
22 different management, proposed a capacity reserve.
23 EnergyNorth never wanted a reserve. So, it wasn't such
24 a big issue in their proceeding. So, this issue really

1 was a Northern issue.

2 Q. Next section I'd like to have you refer to is on Page
3 5, it's Paragraph 6, "Modification to Future IRP".
4 And, if you could just please explain why Staff is
5 supportive of having this particular provision in the
6 Stipulation?

7 A. (McCluskey) Again, I'm not sure whether I'm adding much
8 more than Mr. Furino added. I think the importance of
9 this provision is that it strikes a balance between two
10 important, but potentially conflicting, requirements.
11 One requirement is the utility's need for flexibility
12 in its planning processes. We can't have requirements
13 that are so rigid that their planning processes don't
14 improve and develop. At the same time, the Staff has
15 put a lot of time into negotiating a Settlement
16 Agreement, and it wants the Company to adhere to that
17 Settlement Agreement. So, there's a conflict there.
18 And, this paragraph is trying to resolve that conflict.
19 And, so, that's essentially what it does.

20 Q. Thank you. If I could revisit the "Capacity Reserve"
21 section. I just want to ask, does eliminating the
22 Capacity Reserve Charge have any impact on Northern's
23 costs or rates?

24 A. (McCluskey) Yes, it will. Because it's currently a

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1 tariff provision, which actually sends dollars from,
2 what's the term now, just give me a moment,
3 capacity-exempt transportation customers to other
4 customers. So, the idea behind a Capacity Reserve
5 Charge is that -- the belief that capacity-exempt
6 transportation customers were getting something, some
7 benefit that had been paid for by other customers, and
8 the charge was intended to recognize that. By
9 terminating the charge, those other customers are no
10 longer going to get that benefit. But, in the long
11 term, they're not going to lose anything, because, if
12 we had a capacity reserve, the Company would incur
13 additional costs, which will be borne by other
14 customers. So, there's no loss to other customers in
15 the long term.

16 Q. Thank you. If I can have you turn to Page 8 of the
17 Stipulation, this is in the "Attachment A" section,
18 and, in particular, Paragraph A.2, "Resource Balance".
19 And, I know Mr. Furino had summarized the definition of
20 "resource balance". I didn't know if you had anything
21 further to add. But my main question to you is, what
22 is Staff going to be seeing from the Company for data
23 as a result of this paragraph?

24 A. (McCluskey) Okay. This paragraph actually addresses

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1 two things. One we've termed the "resource balance".
2 And, what that is is a forecast of the Company's peak
3 demand under the severest conditions thought reasonable
4 for planning process. That's called the "Design Day
5 demand". The difference between that demand and the
6 Company's existing resources is called the "resource
7 balance". So, the Company will be providing us
8 information on their expected resource balance over the
9 five year planning horizon.

10 This paragraph also talks about a
11 difference between the annual demand, not the Design
12 Day demand, but the annual consumption under certain
13 weather conditions, less the supply that could be got
14 from the existing resources. That difference, we don't
15 have a term for that, but the Company will be providing
16 us with information relating to that difference over
17 the five years of the planning period.

18 Q. And, I just want to, Mr. Furino, revisit this issue
19 with you, too, since you -- I just want to make sure we
20 have a meeting of the minds of what Northern is going
21 to provide and what Staff is expecting. And, having
22 heard Mr. McCluskey's iteration of what Staff's
23 expecting, does Northern concur with that?

24 A. (Furino) Yes, we do. And, I think, as far as the

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1 consumption over time, our thinking was a load duration
2 curve presentation that would show how, at higher and
3 higher levels of consumption, which resources would be
4 dispatched to meet those requirements.

5 MS. THUNBERG: Okay. Thank you. Staff
6 has no further questions. Thank you.

7 CHAIRMAN GETZ: Commissioner Below.

8 CMSR. BELOW: Thank you. Good morning.

9 BY CMSR. BELOW:

10 Q. Mr. McCluskey, at times you referred to the notion that
11 the Maine -- New Hampshire Staff will work with the
12 Maine Staff in the review of future IRPs and such.
13 And, just to be clear, is it -- do you also, in
14 referencing that, mean to include the Maine Office of
15 Public Advocate, as in some respects they play the role
16 that the Staff -- in Maine that the Staff plays here in
17 New Hampshire?

18 A. (McCluskey) Yes. If we do have meetings face-to-face
19 or telephone conferences, we typically find that the
20 Consumer Advocate is on, is involved in those
21 discussions. And, they certainly were involved in
22 reviewing the development of the Settlement Agreement.
23 In fact, they were involved throughout the review
24 process.

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1 Q. And, on Page 3, near the top, fourth line down it says
2 "Subsequent to initial reviews, the MPUC", meaning the
3 Maine PUC, "and NHPUC will attempt to complete any
4 hearings and deliberations and issue decisions within
5 three months." Now, obviously, if the Commission were
6 to approve this Settlement Agreement, we can't bind the
7 Maine PUC. But, presumably, that's written there so
8 that we would be approving this with regard to the New
9 Hampshire PUC, and there's a parallel docket in Maine
10 that, if the Maine Commission approves, there would be
11 approval with regard to the Maine PUC. Is that a fair
12 statement?

13 A. (McCluskey) That's correct. I believe Mr. Furino was
14 involved in the hearing the other day on the parallel
15 document. So, do you want to comment?

16 A. (Furino) I'm sorry?

17 CHAIRMAN GETZ: Off the record please.

18 (Witness McCluskey conferring with
19 Witness Furino.)

20 (Brief off-the-record discussion
21 ensued.)

22 CHAIRMAN GETZ: Back on.

23 MR. EPLER: Mr. Chairman, I think I
24 might be able to clarify this. There was no hearing at

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1 the Maine Commission. I did have discussions with the
2 Maine Senior Staff Counsel on this issue. And, there is a
3 parallel Stipulation that was submitted by the Office of
4 Public Advocate and Northern Utilities before the Maine
5 Commission. I believe they took it up at their weekly
6 meeting this past Monday. And, my understanding is that's
7 been approved, but I haven't seen anything formal. I
8 would be happy to provide the Commission both a copy of
9 the Maine Settlement and any order from the Maine
10 Commission as soon as it's issued.

11 But my understanding, I mean, I can
12 represent that the Settlement that was filed is a parallel
13 document to this. Has mirror provisions. There are a few
14 individual specific items that had to do with
15 Maine-specific issues that are different. But, other than
16 that, in terms of the standard of review and the timing
17 for review, that's identical in both, before both
18 Commissions.

19 CHAIRMAN GETZ: Well, why don't we just
20 reserve an exhibit to submit whatever was filed in Maine
21 and any subsequent orders that may be issued. And, that
22 will be Exhibit 2.

23 MR. EPLER: Okay. We'll do that.

24 (Exhibit 2 reserved)

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1 BY CMSR. BELOW:

2 Q. And, further, just to be clear, in places the document
3 refers to "Commissions" in plural, and, obviously, that
4 means the "Maine and New Hampshire Commissions". But,
5 in at least one place, it reserves to "Commission
6 approval" in the singular. And, that's on Page 5,
7 right before the start of Section 6. There's a phrase
8 that says "Northern may propose to re-establish a
9 capacity reserve charge for Commission approval". And,
10 presumably, in this context, that means the "New
11 Hampshire Commission approval", and, in the Maine
12 parallel Stipulation, that would refer to the "Maine
13 Commission". Is that a fair way to characterize that?

14 A. (McCluskey) That's correct.

15 A. (Furino) Yes.

16 CMSR. BELOW: Okay. That's all.

17 CMSR. IGNATIUS: Thank you.

18 CMSR. BELOW: Oh, excuse me.

19 CMSR. IGNATIUS: Go ahead, please.

20 BY CMSR. BELOW:

21 Q. There was one other thing I just wanted to, it was in
22 the appendix, so I forgot about it. On Page 11,
23 Appendix -- Attachment A, I mean, at the end of
24 Paragraph A.7, would you believe the proper name of the

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1 board referenced is the "New Hampshire Energy
2 Efficiency & Sustainable Energy Board, and not the
3 "Energy Sustainability Board"? And, is it fair to say
4 that's what you were referring to, the "Energy
5 Efficiency & Sustainable Energy Board"?

6 A. (Furino) Yes. That's correct.

7 CMSR. BELOW: Okay. Thank you.

8 CHAIRMAN GETZ: Commissioner Ignatius.

9 CMSR. IGNATIUS: Thank you.

10 BY CMSR. IGNATIUS:

11 Q. I want to clarify just the status of Maine, and, Mr.
12 Furino, if you know. Mr. Epler described the status as
13 far as he knows. Are you aware of any parties in
14 opposition to the Settlement that was submitted?

15 A. (Furino) No, I'm not.

16 Q. So, you're not -- there doesn't appear to be any issues
17 on the horizon that you know of that would create
18 reasons for the Maine Commission to deny or to reject
19 the proposed Settlement?

20 A. (Furino) No, I am not aware of anything.

21 A. (McCluskey) And, if I could just add that the
22 procedures in Maine are a little different. The Staff
23 is not allowed to enter into a settlement agreement
24 with the parties. But they did undertake, to us and

[WITNESS PANEL: Furino|McCluskey]

1 the Company, that they would advocate support of the
2 Agreement before their Commission. That is correct, I
3 believe, Mr. Epler?

4 MR. EPLER: Is it --

5 WITNESS FURINO: That is correct. Yes,
6 that is. Thank you.

7 CMSR. IGNATIUS: Thank you.

8 BY CMSR. IGNATIUS:

9 Q. Mr. McCluskey, I'd ask you to go through again the
10 capacity surcharge -- the Capacity Reserve Surcharge
11 issue. You described ways in which customers would not
12 be harmed as a result of the lifting of the surcharge.
13 Are any customers benefited from the lifting of the
14 surcharge? Does anyone see a reduction in their rates
15 as a result?

16 A. (McCluskey) The capacity-exempt transportation
17 customers, who are funding that surcharge currently,
18 would benefit by no longer funding it. There will be
19 no charge, hence there will be no need for them to fund
20 it. So, they would benefit.

21 Q. So, were the only people paying the surcharge the
22 capacity-exempt customers?

23 A. (Witness Furino nodding affirmatively.)

24 A. (McCluskey) That's correct.

[WITNESS PANEL: Furino|McCluskey]

1 CMSR. IGNATIUS: Thank you. Nothing
2 else.

3 CHAIRMAN GETZ: I have a couple of
4 questions about the capacity reserve. And, maybe we
5 should just, for purposes of these questions, the petition
6 from June of 2006, why don't we mark that for
7 identification as "Exhibit Number 3". I believe it's
8 already been mentioned that it has some underpinning for
9 the Settlement Agreement.

10 (The document, as described, was
11 herewith marked as **Exhibit 3** for
12 identification.)

13 BY CHAIRMAN GETZ:

14 Q. Let me start with Mr. Furino, or Mr. McCluskey,
15 following up on this, the cost issue. I'm assuming
16 there's some contracts underlying the capacity reserve.
17 Are there any termination fees or penalties that are
18 involved in -- in Section 5 of the Settlement Agreement
19 says you're going to terminate the capacity reserve
20 "the first day of the first month" after the order is
21 approved. So, are there any costs involved in
22 unwinding whatever contracts, I assume, are behind the
23 capacity reserve?

24 A. (Furino) There is not a specified contract behind and

[WITNESS PANEL: Furino|McCluskey]

1 dedicated to the capacity reserve. So, Northern's
2 current portfolio is designed to meet the needs of its
3 firm customers, capacity-assigned customers, and a
4 portion of its capacity-exempt customers, which
5 reflects the requirement or the need for the
6 capacity-exempt customer the capacity reserve.

7 Q. Okay. I just want to ask then, this is for you, Mr.
8 Furino, looking at the description of the "capacity
9 reserve", back in the filing in 2006, on Page 31, it
10 talks about the "lack of liquidity in peak-period New
11 England capacity markets", and, you know, it sets forth
12 the reasoning why I believe Northern at the time felt
13 it needed to have a capacity reserve. Are there
14 changed circumstances since then that makes the Company
15 comfortable with the Settlement Agreement and
16 terminating the capacity reserve?

17 A. (Furino) Well, I believe at the time Northern was
18 concerned that retail marketers that were bringing
19 supplies on behalf of capacity-exempt customers were
20 not necessarily delivering during every peak day the
21 absolute requirements that their customers were
22 drawing. And, so, essentially, as gas was pooled, and,
23 you know, marketers had the ability to utilize, you
24 know, monthly imbalances and its own imbalances with

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[WITNESS PANEL: Furino|McCluskey]

1 the Company under the Retail Choice Program, that the
2 Company felt that it was dedicating resources that were
3 established and dedicated primarily or should have been
4 dedicated primarily to its own firm customers. And,
5 that was the reason for coming in to seek the Capacity
6 Reserve Charge.

7 And, I think, in following up on some of
8 Mr. McCluskey's comments, in the short-term, when the
9 charge is discontinued, then it will be a revenue
10 source that will continue -- will be discontinued.
11 And, therefore, in the short-term, those, the costs
12 that were being offset by the Capacity Reserve
13 Surcharge will flow to other customers, to firm
14 customers. In the long term, and I think this may have
15 been part of an earlier question, in the long term,
16 there will be no harm to those customers, as long as
17 the Company right sizes its portfolio to meet the
18 requirements of its firm customers.

19 Q. And, then, in the Settlement Agreement, Exhibit 1, top
20 of Page 5, it says, in a future IRP proceeding
21 "Northern may propose to re-establish a capacity
22 reserve surcharge." And, what kind of circumstances
23 might prompt the Company to make such a proposal?

24 A. (McCluskey) If we can step back a little bit, and then

[WITNESS PANEL: Furino|McCluskey]

1 I'll give you an answer to your question. Northern
2 initially proposed a capacity reserve because there was
3 a feeling that the capacity-exempt customers were using
4 capacity that was paid for by other customers. And,
5 through data, it was demonstrated that that is not, in
6 fact, the case. Typically, they do not fall back onto
7 the system during peak times. So, we were not
8 persuaded of a need for a capacity reserve.

9 Another fact, the Company has excess
10 capacity currently. So, there is no need, even if
11 those capacity-exempt customers were falling back on
12 the system, there is no need to go out and buy
13 additional capacity to cover for that risk, because the
14 Company is currently in excess.

15 In the longer term, it may be that that
16 excess is used up. And, so, the issue of whether we
17 need to have capacity on the system to cover for the
18 risk that these customers fall back onto the system can
19 be addressed in the future. At that point, we will
20 again look at the data and say "are these customers --
21 are the suppliers to these customers unreliable at the
22 peak times?" If they are, we will probably conclude
23 that there is a need for a reserve to be paid for by
24 the capacity-exempt transportation customers. We don't

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[WITNESS PANEL: Furino|McCluskey]

1 need to address that issue today, because there is
2 excess capacity on the system.

3 CHAIRMAN GETZ: All right. Thank you.

4 CONTINUED BY THE WITNESS:

5 A. (McCluskey) That's essentially what we're saying here.
6 BY CMSR. IGNATIUS:

7 Q. Just following up on the discussion, Mr. Furino, you
8 had said that, "in the short-term, once this surcharge
9 is removed, other customers will have to cover those
10 costs." Can you quantify that? How big a number are
11 we talking about here?

12 A. (Furino) Well, the charge itself is \$0.0055 per therm,
13 or a little over half a cent per therm. I really can't
14 put it in terms of a customer's bill.

15 A. (McCluskey) Mr. Frink gave me some information that we
16 thought that question might come up. The total
17 projected cost for a year, I believe, of 31 million --

18 MR. FRINK: That's winter.

19 CONTINUED BY THE WITNESS:

20 A. (McCluskey) That's a winter cost. So, \$31 million.
21 I'm looking on this sheet for the total revenues from
22 this charge.

23 MR. FRINK: 90,000.

24 CONTINUED BY THE WITNESS:

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[WITNESS PANEL: Furino|McCluskey]

1 A. (McCluskey) I believe it's \$90,000. So, \$90,000,
2 compared with 31 million for the winter cost of gas,
3 it's pretty small.

4 MS. THUNBERG: Mr. Chairman, I would
5 offer, if you wanted the stenographer to swear Mr. Frink
6 in, as some of the questions -- or, answers to the
7 question were coming from Mr. Frink, or they may have just
8 been refreshing Mr. McCluskey's knowledge, I will leave it
9 to you.

10 CHAIRMAN GETZ: I think we can accept
11 this as refreshing Mr. McCluskey's memory. We don't need
12 to swear Mr. Frink.

13 CMSR. IGNATIUS: Thank you.

14 CHAIRMAN GETZ: Okay. Any redirect?
15 Anything further for the witnesses?

16 MS. THUNBERG: Nothing from Staff.

17 MR. EPLER: Nothing from the Company.
18 Thank you.

19 CHAIRMAN GETZ: Okay. Then, the
20 witnesses are excused. Thank you, gentlemen. Is there
21 any objection to striking identifications and admitting
22 the exhibits into evidence?

23 (No verbal response)

24 CHAIRMAN GETZ: Hearing no objection,

1 they will be admitted into evidence. Anything before
2 opportunity for closings?

3 (No verbal response)

4 CHAIRMAN GETZ: Hearing nothing, Ms.
5 Thunberg.

6 MS. THUNBERG: I will be brief. Staff
7 respectfully requests the Commission to accept and approve
8 the Stipulation. With respect to the timeframes, I hope
9 it came out in testimony that these are not mandates to
10 the Commissioners on act within 12 months. They're just
11 guidelines for Staff to try to gauge its discovery time
12 and technical session time. As you know, many of these
13 issues were fully litigated in the EnergyNorth docket.
14 And, Staff has diligently taken those guidelines that came
15 out from this Commission in February 2009, overlaid them
16 to Northern. And, where they were appropriate, we
17 encapsulated them into this Stipulation.

18 So, again, thank you for your time, and
19 we ask that you approve the Stipulation. And, we also
20 look forward to working with the Company in the future.
21 Thank you.

22 CHAIRMAN GETZ: Thank you. Mr. Epler.

23 MR. EPLER: Yes. Just to add onto what
24 Staff counsel has said. The Company appreciates the

1 efforts. It's sometimes difficult to coordinate
2 proceedings and issues between jurisdictions, but this was
3 a very productive process. And, we also respect that
4 we're asking both Commissions to kind of coordinate your
5 activities, so we do appreciate your indulgence as well.

6 With that, the Company is very much
7 looking forward to this process and to the future, being
8 able to work with both the Staffs and the Consumer
9 Advocates in both states to develop this and to have a
10 rigorous analysis of our planning needs, both on the
11 supply and on the demand side. And, I think that we will
12 get a good document from this process that will help the
13 planning and be very transparent and enable the
14 Commissions in both states to see what we're doing and
15 why. Thank you.

16 CHAIRMAN GETZ: Okay. Thank you. We'll
17 close the hearing and take the matter under advisement.

18 (Whereupon the hearing ended at 10:54
19 a.m.)
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24