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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

May 30, 2012 - 1:31 p.m.  
Concord, New Hampshire

NHPUC JUN12'12 AM 9:39

RE: DG 12-131  
NORTHERN UTILITIES, INC.:  
Investigation into Maine-New Hampshire  
Interstate Cost Allocation Matters.  
(Prehearing conference)

PRESENT: Suzanne G. Amidon, Esq.  
(Presiding as *Hearings Examiner*)

Sandy Deno, Clerk

APPEARANCES: Reptg. Northern Utilities, Inc.:  
Susan S. Geiger, Esq. (Orr & Reno)  
Gary Epler, Esq. (Chief Regulatory Counsel)

Reptg. Residential Ratepayers:  
Rorie E. P. Hollenberg, Esq., Consumer Adv.  
Donna McFarland, Finance Director  
Office of Consumer Advocate

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

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

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**STATEMENTS OF PRELIMINARY POSITION BY:**

Ms. Geiger	6
Ms. Hollenberg	7
Mr. Speidel	8

**P R O C E E D I N G**

1  
2 MS AMIDON: I will open this prehearing  
3 conference in Docket Number DG 12-131, Northern Utilities  
4 Inc., Investigation into Maine-New Hampshire Interstate  
5 Cost Allocation Matters. On May 16th, 2012, the  
6 Commission issued an order of notice opening this docket  
7 as a result of recently disclosed interstate gas cost  
8 allocation errors by Northern Utilities, a gas utility  
9 serving customers in Maine and southeastern New Hampshire.  
10 The errors came to light in Docket Number DG 12-068,  
11 Northern's Summer 2012 Cost of Gas petition, when Northern  
12 revealed corrections to certain errors made in the  
13 interstate allocation of costs between its Maine and New  
14 Hampshire Divisions. The errors resulted in incorrect  
15 commodity costs being allocated to each division for an  
16 unknown period of time prior to November 2011. And, the  
17 order of notice scheduled a prehearing conference for this  
18 afternoon.

19 I note for the record that the Company  
20 filed an affidavit of publication on May 24th, 2012. And,  
21 I further note, also on May 24th, 2012, the Office of  
22 Consumer Advocate filed a letter stating that it would be  
23 participating in this docket on behalf of residential  
24 ratepayers.

1                   From the Docketbook, I see that there  
2                   are no motions to intervene. And, I just ask, for the  
3                   record today, if there's anyone present who wishes to file  
4                   a motion to intervene in this proceeding?

5                   (No verbal response)

6                   MS AMIDON: Hearing nothing, I note for  
7                   the record that there are no members present of the public  
8                   who are interested in participating in this particular  
9                   docket.

10                  Having said that, I will see if there  
11                  are any procedural issues I need to address at this point  
12                  or if we can move to taking appearances?

13                  (No verbal response)

14                  MS AMIDON: Then, let's start taking  
15                  appearances, beginning with the Company.

16                  MS. GEIGER: Yes. Good afternoon. For  
17                  the record, I'm Susan Geiger, from the law firm of Orr &  
18                  Reno, representing Northern Utilities. And, with me  
19                  today, from the Company, are Mr. George Simmons and  
20                  Attorney Gary Epler.

21                  MS AMIDON: Thank you. Good afternoon.

22                  MS. HOLLENBERG: Good afternoon. Rorie  
23                  Hollenberg and Donna McFarland, here for the Office of  
24                  Consumer Advocate.

1 MS AMIDON: Good afternoon.

2 MR. SPEIDEL: Good afternoon. Alexander  
3 Speidel, for Staff. And, I have with me Steve Frink and  
4 Robert Wyatt of Staff.

5 MS AMIDON: Good afternoon. I note that  
6 the Order of Notice says that there will be a technical  
7 session following this prehearing conference. Attorney  
8 Speidel, will you be filing a report with the Commission,  
9 including a proposed procedural schedule for this  
10 proceeding?

11 MR. SPEIDEL: Yes. I will be filing a  
12 report. However, the procedural schedule elements will be  
13 very short and abbreviated. Because, at the present time,  
14 Staff has informally conferred with the Office of Consumer  
15 Advocate and the Company, and we have suggested that the  
16 first step in this proceeding be a filing of a Company  
17 report by June the 22nd of 2012. And, the purpose of that  
18 would be to allow the parties to examine the Company's  
19 position regarding these interstate allocation errors.  
20 And, following that, we've scheduled a technical session,  
21 and, at that point, develop a procedural schedule as  
22 appropriate, on the basis of what the Company report  
23 provides us.

24 MS AMIDON: That sounds like a

1 reasonable approach. Thank you. Having taken care of  
2 some of these procedural issues, I would take initial  
3 positions of the parties at this point, beginning with the  
4 Company.

5 MS. GEIGER: Yes. Thank you very much.  
6 The Company concurs with the procedure outlined by  
7 Attorney Speidel, and thinks that's a reasonable way to  
8 proceed at this point. In addition, the Company will  
9 cooperate fully with Staff's investigation of the  
10 commodity cost allocations between the Maine and New  
11 Hampshire Divisions of Northern Utilities, and will  
12 collaborate with Staff in developing reasonable  
13 reconciliations and/or revisions, if necessary and  
14 appropriate. The Company has started to receive data  
15 requests already from Staff and is in the process of  
16 answering them, and will be providing responses, I  
17 believe, on June 6th. And, the Company looks forward to  
18 discussing this matter in greater detail after today's  
19 prehearing conference, and thereafter, if necessary.  
20 Thank you.

21 MS AMIDON: If I might ask, Attorney  
22 Geiger, is it expected at this point that the parties will  
23 be going to hearing on this issue or is this something  
24 that you're hoping to resolve through settlement?

1 MS. GEIGER: I think I -- I'll defer to  
2 comments from others as well, --

3 MS AMIDON: Thank you.

4 MS. GEIGER: -- but, actually, it's my  
5 preliminary position that, at this point, the Company  
6 believes that filing the report suggested by Staff is a  
7 good first step. And, then, hopefully, we'll have some  
8 conversations in technical sessions, and then decide  
9 whether a hearing in this docket is the appropriate way to  
10 resolve any outstanding issues that may remain at that  
11 point, or whether issues could be dealt with in another  
12 docket, such as the winter -- the upcoming winter period  
13 cost of gas. And, we've not -- parties have not had a  
14 chance to discuss that particular issue.

15 MS AMIDON: Thank you. Ms. Hollenberg.

16 MS. HOLLENBERG: Thank you. At this  
17 time, the Office of Consumer Advocate does not have a  
18 position. And, we are amenable to the proposed procedural  
19 -- preliminary procedural schedule or process that the  
20 Staff has suggested.

21 MS AMIDON: Thank you. Mr. Speidel.

22 And, you heard my question to Ms. Geiger. I was just --

23 MR. SPEIDEL: Yes.

24 MS AMIDON: -- you will be filing a

1 report with the Commission. I was just asking whether you  
2 anticipate going to hearing on this or hope to resolve it  
3 through settlement, which may require a hearing as well?

4 MR. SPEIDEL: Yes. I think the safe  
5 assumption is that a hearing might take place, even if a  
6 settlement were reached. We don't disqualify or foreclose  
7 the possibility of a settlement among all the parties  
8 participating in this docket. Either way, such a hearing,  
9 I would surmise, would probably take place in either the  
10 very late summer or in the early fall of this year.

11 We have engaged in a very preliminary  
12 investigation of this matter. And, it is Staff's initial  
13 position that, following Unitil's acquisition of Northern  
14 Utilities, Northern overcharged New Hampshire ratepayers  
15 by improperly allocating Maine gas costs to New Hampshire.  
16 The exact mechanism of that improper allocation or  
17 overcharge has not been determined, but initial estimates  
18 indicate significant overcharges in the millions of  
19 dollars.

20 It's Staff's position that any  
21 overcharges resulting from the improper allocation of  
22 those gas costs should be refunded to New Hampshire  
23 ratepayers. However, again, it's an early stage in our  
24 investigation. And, we will be eagerly awaiting the

1 Company's report filed in late June, to try to determine  
2 the exact mechanism of the errors and how to resolve those  
3 errors.

4 MS AMIDON: And, Mr. Speidel, according  
5 to Ms. Geiger, the Staff has already issued some  
6 discovery, has already begun discovery on this issue, is  
7 that correct?

8 MR. SPEIDEL: Yes. We have issued some  
9 discovery. We understand that responses will either be  
10 given directly to Staff to those discovery responses, and  
11 spread among the parties, of course. And, in the  
12 alternative, some elements might be rolled into the  
13 Company report, if more appropriate.

14 We are currently in the process of  
15 determining how the overbilling occurred? The amount of  
16 the overbilling? If Northern is continuing to overbill  
17 the New Hampshire Division customers? If the allocation  
18 formula needs to be revised? And, what accounting and  
19 reporting changes are needed to prevent future errors?

20 As discussed, we do intend to file a  
21 procedural schedule, a suggestion list to the Commission  
22 after the June report is received. We will be working  
23 independently as a Commission, as a New Hampshire  
24 Commission, regarding this matter, since we don't exactly

1 understand how the Maine Division is implicated in these  
2 errors. But, in any event, at this stage we certainly  
3 hope to come to our own independent investigation and  
4 determinations. So, thank you.

5 MS AMIDON: Thank you. So, I would say  
6 that probably you would be expecting to propose a  
7 procedural schedule sometime in the month of July, is that  
8 fair to say?

9 MR. SPEIDEL: I think so. I think it  
10 would be in the very early part of the month of July or  
11 the very late part of June.

12 MS AMIDON: Okay. Very good. Are there  
13 any other issues which we need to address this afternoon?

14 (No verbal response)

15 MS AMIDON: And, no other procedural  
16 issues, as far as I understand it. And, so, with that,  
17 then I will close this prehearing conference. I will be  
18 filing a brief report with the Commission as the Hearing  
19 Examiner on this proceeding, and will await the report  
20 from Staff on the technical session. Thank you all.

21 MR. SPEIDEL: Thank you.

22 MS. GEIGER: Thank you.

23 **(Whereupon the prehearing conference**  
24 **ended at 1:41 p.m.)**