

STATE OF NEW HAMPSHIRE

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NHPUC 270CT'14p3:55

October 27, 2014

TO: Commissioners

FROM: Alexander F. Speidel, Hearing Examiner

RE: DG 14-239, Northern Utilities, Inc., Winter 2014-2015 Cost of Gas Filing

HEARING EXAMINER'S REPORT

At your request, I presided over the October 23, 2014 hearing in the above-referenced case.

On September 16, 2014, Northern Utilities, Inc. (Company) filed its proposed cost of gas (COG) rates for the winter period, November 1, 2014, through April 30, 2015, its proposed local delivery adjustment clause (LDAC) charges, and miscellaneous other charges and allocation factors, for the period November 1, 2014 through October 31, 2015. On September 22, 2014, an order of notice scheduling a hearing on October 23, 2014 was issued by the Commission. The Company filed its affidavit of publication of the Order of Notice on October 1, 2014. The Company's proposed COG and LDAC rates for the Winter 2014-2015 period, as outlined in the Company's revised Tariff page changes, are as follows, with "maximum" COG rates at the 25 percent increase "collar" level presented in parentheses:

Residential COG Rate:	\$1.1069 per therm (\$1.3836 maximum)
C&I Low Winter Use COG Rate:	\$1.0063 per therm (\$1.2579 maximum)
C&I High Winter Use COG Rate:	\$1.1271 per therm (\$1.4021 maximum)
LDAC (Residential):	\$0.0649 per therm
LDAC (C&I):	\$0.0437 per therm

(Proposed LDAC Component Rates presented in Proposed First Revised Tariff Page 59)

(The Commission may review the expected customer bill impacts of these proposed COG and LDAC rates within Schedule 8 of the Company's COG filing).

Appearances

Gary Epler, Esq. for the Company

Rorie E.B. Hollenberg, Esq. for the Office of Consumer Advocate (OCA)

David K. Wiesner, Esq. for Commission Staff (Staff)

Edward J. Sackman, Esq. for proposed joint intervenors Global Montello Group Corp. (Global) and Sprague Operating Resources LLC (Sprague).

Intervention Requests

On October 21, 2014, joint intervenors Global and Sprague filed a timely motion for intervention in this case. Counsel for intervenors, Mr. Sackman, appeared at the October 23, 2014 hearing. The OCA, Staff, and the Company all indicated at hearing that they did not oppose the joint motion to intervene.

(OCA participating pursuant to RSA 363:28, letter of participation filed on October 2, 2014).

Exhibits Recommended for Acceptance and Marking

The Company requested that the following materials be marked and accepted by the Commission as hearing exhibits:

Proposed Confidential Exhibit 1: Confidential version of September 16, 2014 COG Filing, with the pre-filed testimony of Company witnesses Christopher A. Kahl, Francis X. Wells, and Joseph A. Conneely.

Proposed Exhibit 2: Public, redacted version of September 16, 2014 COG Filing

Proposed Exhibit 3: Company's separate September 15, 2014 Environmental Response Cost Report Filing

Proposed Confidential Exhibit 4: Inadvertently omitted Schedule 5B, with confidential pricing information withheld pursuant to N.H. Code Admin. Rules Puc 201.06(a)(26), to have been included as part of Confidential Exhibit 1

Proposed Exhibit 5: Revised Attachment C, to COG Schedule 15 (Bates Page 180), re: Environmental Response Cost Summary

Staff proposed that the following materials be marked and accepted by the Commission as hearing exhibits, and issued the Record Request giving rise to Hearing Exhibit 8:

Proposed Exhibit 6: Public portion of Company's response to Staff Data Request TC-5, dated of response October 21, 2014

Proposed Confidential Exhibit 7: Confidential Attachment TC-5, which contains confidential pricing information withheld pursuant to N.H. Code Admin. Rules Puc 201.06(a)(26)

Proposed Exhibit 8: Company's Response to Staff Record Request, for documents in Maine Capacity Assignment proceeding, with initial Company proposal and Partial Stipulation/Settlement Agreement dated October 14, 2014

The OCA, Staff, and the joint intervenors Global and Sprague did not object to these proposed Exhibits. As Hearing Examiner, I developed this numbering scheme for the purposes of the hearing record, and I recommend that the Commission approve these proposed Exhibits, and marking designations, within its Order for this case. I also approved the issuance of the record

request for Hearing Exhibit 8, which appeared to have been satisfied by a Company filing made on October 27, 2014.

Witnesses Presenting Oral Testimony at Hearing

Company representatives Kahl, Conneely, and Wells sat as a witness panel in support of the Company's filing.

Corrections to Pre-Filed Testimony, Related Materials

Company witness Conneely made reference to the fact that corrections to the Environmental Response Costs summary, Attachment C, Bates Page 180, were incorporated and filed as part of Proposed Hearing Exhibit 5

Summary of Matters Discussed at Hearing

OCA asked no questions.

Mr. Sackman, representing joint intervenors Global and Sprague, inquired regarding differences in reported estimates of commodity costs between the Maine and New Hampshire Divisions of the Company, filed in Maine and New Hampshire proceedings, respectively.

Staff inquired regarding the need to accommodate capacity-exempt (competitive supplier-sales) customers returning to capacity-assigned (Company-sales) service, especially in light of recent winter 2013-2014 gas market conditions. Staff also inquired regarding the major factors accounting for the COG rate increases. Staff also entered into a line of inquiry regarding the potential for costs for Company-managed supplies not being fully recovered from Maine transportation (capacity-exempt) customers, and being shifted to New Hampshire Division customers as a result.

(The Commission is encouraged to refer to the transcript of the hearing, when available, for further specific details regarding these technical issues).

Closing Statement Positions of the Parties

The OCA expressed its position as not being opposed to the Commission's approval of the Company's proposed COG rates.

Staff supported approval of the proposed COG rates, on the condition that 2013-2014 winter costs misallocated to the New Hampshire Division will be subject to further Commission review and potential disallowance. Based on Staff's preliminary investigation of the issue, Staff expected that the impact on last winter's gas costs, although material, would have only a small impact on the cost of gas rates. Staff stated that it would continue its investigation into the capacity assignment issues discussed appreciated the Company's efforts in analyzing and addressing this complex and difficult matter. It is Staff's intention to address any misallocation of gas costs related to Maine's capacity assignment requirements prior to next winter's cost of gas hearing and, if appropriate, propose a credit in that proceeding. Staff recommended approval of the LDAC charge components and the resulting LDAC rate. Staff reviewed the proposed supply

balancing charges, the Company gas allowance factor, and the capacity allocator percentages, including Maine-New Hampshire interstate aspects, and Staff recommended Commission approval of these charges as well. Staff stated that Commission Audit Staff has reviewed the 2013-2014 peak period cost of gas reconciliation and environmental remediation costs and found only one minor exception.

The Company requested approval of its COG rate proposal, and noted that there was no evidence of misallocated costs between the Maine and New Hampshire Divisions at present.

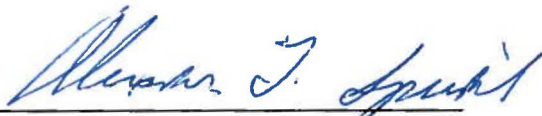
Mr. Sackman indicated that the joint intervenors Global and Sprague may file a "brief" regarding the differences in Maine- and N.H.-reported commodity costs. I advised Mr. Sackman that, while any person may file written comments with the Commission regarding any matter, and that such comments would be given the weight that they are due by the Commission, a substantive ruling regarding an assertion that had not been examined through discovery, addressed through pre-filed testimony, or subject to testing through cross-examination would be unlikely as part of this case, especially in light of the extremely compressed time frame for this COG review proceeding.

Hearing Examiner's Recommendations for Disposition of the Case

I recommend approval of the COG, LDAC, and miscellaneous rates filed for by the Company, on the condition that 2013-2014 winter costs misallocated to the New Hampshire Division of the Company will be subject to further Commission review and potential reimbursements to New Hampshire Division customers. I recommend that the Commission encourage informal discussions among the Company, Staff, and the OCA to examine this issue in a collaborative fashion.

I recommend approval of the Global-Sprague joint motion to intervene under the part II discretionary standard of RSA 541-A:32, II.

I also recommend that the Commission encourage efforts to discuss and plan for contingencies related to "reverse migration" of capacity-exempt customers back to Company sales service (capacity-assigned) during this upcoming winter, especially in light of potential forthcoming changes in Maine Division capacity assignment practices.

By 
Alexander F. Speidel, Hearing Examiner