

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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Concord, New Hampshire

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RE: DG 15-090
NORTHERN UTILITIES, INC. - N.H. Division
2015 Summer Cost of Gas.

PRESENT: Alexander Speidel, Esq.
(Presiding as Hearings Examiner)

Sandy Deno, Clerk

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

Reptg. Global Montello Group Corp.
and Sprague Operating Resources, LLC:
Patricia M. French, Esq. (Bernstein Shur)

Reptg. Residential Ratepayers:
Wayne Jortner, Esq.
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
Rorie E. Patterson, Esq.
Michael J. Sheehan, Esq.
Stephen P. Frink, Asst. Dir./Gas & Water Div.
Al-Azad Iqbal, Gas & Water Division

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

ORIGINAL

I N D E X**PAGE NO.****STATEMENTS RE: PETITION FOR INTERVENTION BY:**

Ms. Patterson	8, 11
Ms. French	9
Mr. Epler	10
Mr. Jortner	10

STATEMENTS RE: SCOPE OF PARTICIPATION/ISSUES BY:

Ms. Patterson	11, 12
Mr. Epler	12, 14
Ms. French	12, 15
Mr. Jortner	15, 17

WITNESS PANEL: **FRANCIS X. WELLS**
 CHRISTOPHER A. KAHL
 JOSEPH F. CONNEELY

Direct examination by Mr. Epler	20
Cross-examination by Mr. Jortner	23
Cross-examination by Mr. Brennan	29
Cross-examination by Ms. Patterson	32
Interrogatories by Mr. Speidel	41

CLOSING STATEMENTS BY:

Ms. Patterson	43
Mr. Jortner	44
Ms. French	46
Mr. Epler	46

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	2015 Summer Cost of Gas, including Tariff Pages, Table of Contents and Summary, Testimonies and Schedules {CONFIDENTIAL VERSION} (03-17-15)	7
2	2015 Summer Cost of Gas, including Tariff Pages, Table of Contents and Summary, Testimonies and Schedules {REDACTED VERSION} (03-17-15)	7
3	2015 Revised Summer Cost of Gas {CONFIDENTIAL VERSION} (04-16-15)	7
4	2015 Revised Summer Cost of Gas {REDACTED VERSION} (04-16-15)	7

P R O C E E D I N G

MR. SPEIDEL: My name is Alexander Speidel. And, I'm serving as Hearings Examiner and Presiding Officer over today's hearing in Docket Number DG 15-090, Northern Utilities, Incorporated 2015 Summer Period Cost of Gas Adjustment. You may refer to me as "Attorney Speidel" during this proceeding. And, I thank you all for your cooperation in having this heard before me. As you all know, I will be filing a Hearings Examiner Report, with a series of substantive rulings and recommendations to the Commission for substantive rulings at the conclusion of this hearing.

I would like to take appearances at the present time. Starting with the Company's representative.

MR. EPLER: Yes. Good morning, Attorney Speidel. My name is Gary Epler, appearing on behalf of Northern Utilities. And, with me on the panel are, starting with the person closest to me, Mr. Fran Wells, Manager of Energy Planning; Mr. Chris Kahl, a Senior Regulatory Analyst; and Mr. Joseph Conneely, also a Senior Regulatory Analyst, all with the Company. Thank you.

MR. SPEIDEL: Thank you. Do we have any representative of the proposed intervenors here today?

MS. FRENCH: Thank you. Good morning.

1 Patricia French, from the law firm of Bernstein Shur, on
2 behalf of Sprague Operating Resources, LLC, and Global
3 Montello Group Corp.

4 MR. SPEIDEL: Thank you.

5 MR. JORTNER: And, good morning. This
6 is Wayne Jortner, for the Office of Consumer Advocate.
7 And, with me is James Brennan.

8 MR. SPEIDEL: Thank you.

9 MS. PATTERSON: Good morning, Attorney
10 Speidel. My name is Rorie Patterson. And, I'm here on
11 behalf of the PUC Staff. With me today is the Assistant
12 Director of the Gas & Water Division, Stephen Frink; also
13 Al-Azad Iqbal, who is a Utility Analyst in that Division;
14 and co-counsel, Michael Sheehan. Thank you.

15 MR. SPEIDEL: Thank you. Before the
16 witnesses are sworn, I would like to address a few minor
17 procedural matters. I have received a copy of the
18 affidavit of publication as filed by the Company on April
19 the 20th, pursuant to the Order of Notice issued by this
20 Commission on March the 25th. Publication was made in the
21 Manchester Union Leader on March the 30th of 2015. I'd
22 just like to make note of that fact.

23 Also, I'd like to inquire as to whether
24 the Company or other parties have any suggestions

1 regarding the potential numbering of exhibits, before we
2 begin the substantive portion of this proceeding?

3 MR. EPLER: Yes. Thank you. We do have
4 a recommendation. We have four documents. We have an
5 original filing, a Confidential Version, and then a
6 Redacted Version. We would propose to mark those as
7 "Hearing Exhibit 1" and "Hearing Exhibit 2". And, then,
8 we have a revised filing, that was filed with the
9 Commission on April 16th, and that also has a confidential
10 and redacted version. And, we would propose making the
11 confidential "Exhibit Number 3" and the redacted "Exhibit
12 Number 4".

13 MS. PATTERSON: If I might just ask, is
14 there a need to mark the April 17th filing, which revises
15 the revised filing?

16 MR. EPLER: There probably is. And, I
17 neglected to do that.

18 MR. SPEIDEL: So, just to double check.
19 The confidential original filing will be number "1", is
20 that correct?

21 MS. PATTERSON: Yes, ma'am -- yes, sir.
22 Sorry.

23 MR. SPEIDEL: Thank you.

24 MS. PATTERSON: So used to saying that.

1 MR. EPLER: Can I approach the witnesses
2 for a moment?

3 MR. SPEIDEL: Sure. Sure.

4 MR. EPLER: Just go off the record?

5 MR. SPEIDEL: No problem.

6 MR. EPLER: Thank you.

7 (Atty. Epler conferring with the
8 witnesses.)

9 MR. EPLER: Okay. Thank you.

10 MR. SPEIDEL: So, we have the four
11 exhibits. No need to mark the April 17th filing?

12 MR. EPLER: There was a filing made on
13 April 17th that my understanding, and the witnesses can
14 clarify it, if necessary, that the data was the same, the
15 headings were corrected.

16 MR. SPEIDEL: I see. So, there would be
17 no need to substantively mark that as a separate exhibit,
18 in your view?

19 MR. EPLER: If there is no objection, I
20 don't believe so.

21 MR. SPEIDEL: Thank you. Just wanted to
22 clarify that. Very well.

23 (The documents, as described, were
24 herewith marked as **Exhibit 1** through

1 **Exhibit 4**, respectively, for
2 identification.)

3 MR. SPEIDEL: The next order of business
4 would be to address the joint Motion to Intervene by
5 Sprague and Global, is that correct? If we could begin
6 perhaps with the position of the intervenor on this
7 matter.

8 MS. PATTERSON: Actually, if I might
9 just speak at this point please? We did convene before
10 the hearing to get a sense of what issues remain for the
11 Hearings Examiner to decide. And, it is my understanding
12 from those discussions that at least the Staff, the
13 Company, and the potential intervenors have agreed to
14 allowing the intervention to occur on a couple of
15 conditions or understandings. One of which is that the
16 issue raised by the intervenors in Paragraph 5 of their
17 Petition will be one that is taken up outside the context
18 of today's hearing, if necessary, by the filing of an RSA
19 365 complaint. And, the issue raised by the intervenors
20 in Paragraph 6 of the Petition to Intervene is one that
21 we've reached -- the three parties anyway have reached an
22 agreement on. And, if I might ask Attorney Epler to
23 summarize that agreement, if you would, on the refund, the
24 PNGTS refund issue.

1 MR. SPEIDEL: If I may interrupt then,
2 Ms. Patterson. So, you are suggesting that there has been
3 informal stipulation made among the proposed parties and
4 the parties by right to this proceeding that would guide
5 the participation of the proposed intervenor?

6 MS. PATTERSON: I am only speaking on
7 behalf of the Staff, the Company, and the proposed
8 intervenors. I believe that the OCA may have a different
9 position.

10 MR. SPEIDEL: Okay. I would suggest
11 that we begin with the question of whether intervention
12 should be granted or not granted, and then we can talk
13 about potential stipulations on limitations after that.

14 MS. PATTERSON: Okay.

15 MR. SPEIDEL: So, if we could begin with
16 the position in a succinct summary, do Sprague and Global,
17 Attorney French, still intend to seek the status of
18 intervenors in this proceeding?

19 MS. FRENCH: Yes, we do. Basically, the
20 standing that we have is that we are assigned summer
21 capacity by Northern, and therefore have an interest in
22 this proceeding. Although we do understand that those
23 determinations are made in the winter period, and that
24 they have not changed in this period, it is still of

1 interest to us to be associated and to work with the
2 parties in this proceeding.

3 We raised a number of other issues,
4 though, as we indicated, that have been settled among
5 Staff and the Company and will be addressed.

6 MR. SPEIDEL: Very well. Mr. Epler,
7 does the Company have any position regarding the general
8 intervention of Sprague and Global as a threshold matter?

9 MR. EPLER: Yes. Thank you. As has
10 been previously indicated, the Company had some concerns
11 about issues that were raised in the Motion to Intervene.
12 However, based on discussions that occurred before this
13 hearing, those concerns will be addressed outside of this
14 hearing, either between the companies or in a subsequent
15 proceeding. So, we have no objection to the intervention
16 on that basis.

17 MR. SPEIDEL: Thank you. Mr. Jortner,
18 do you have any position on behalf of OCA that you'd like
19 to mention?

20 MR. JORTNER: Yes. The OCA has no
21 objection to the intervention of Sprague and Global. And,
22 we take no substantive position with regard to the
23 agreement that the Company and the Marketers are making
24 with respect to the further processing of those issues.

1 Those are not within the residential class of consumers.
2 So, we take no position there.

3 MR. SPEIDEL: Thank you. Ms. Patterson,
4 you did make an introductory statement regarding the
5 intervention. Would you like to clarify those statements
6 regarding the Staff's position?

7 MS. PATTERSON: Thank you. I would say
8 that we concur with the representation that the Company
9 has made. That our position on the intervention is based
10 on the conversations that we've had before this hearing,
11 and that we would not object to that.

12 MR. SPEIDEL: Very good. Thank you. On
13 that basis, I believe that intervention being granted
14 within subpart II standards of RSA 541-A is warranted.
15 Therefore, I will grant Sprague and Global's Motion to
16 Intervene.

17 However, I have heard from Staff and
18 other parties that there is a need to perhaps clarify the
19 scope of participation in this proceeding by Sprague and
20 Global. Would that be something that has to be decided
21 today or is that something that can be done by mutual
22 assent in terms of how this hearing is conducted?

23 MS. PATTERSON: I believe that the
24 conversations we had before the hearing were that that

1 would be clarified on the record today. I think that it
2 could be done either way. But, because we've already
3 discussed doing it on the record, I would offer to do that
4 now.

5 MR. SPEIDEL: Very good. Mr. Epler or
6 Ms. French, would either of you like to proceed first or
7 would you like for Staff to present that general position
8 as an initial matter, since it was brought up by Staff?

9 MR. EPLER: I have no objection to
10 letting Staff present that. And, to the extent necessary,
11 the Company would comment or supplement.

12 MR. SPEIDEL: Thank you. Ms. French?

13 MS. FRENCH: Aside from hearing a
14 concern this morning about the timing of our participation
15 in this proceeding, which I understand is extremely
16 inconvenient, and we'll try to move faster in future CGAs,
17 because I know how quickly they move, I was unaware of any
18 other concerns that Staff had.

19 MR. SPEIDEL: Thank you. So,
20 Ms. Patterson, could you begin with a summation of, shall
21 we say, the procedural remedy that Staff and the other
22 parties would like to present today.

23 MS. PATTERSON: Yes. Thank you. Global
24 and Sprague raised primarily two issues in the Petition to

1 Intervene. One issue was raised in Paragraph 5 of their
2 Petition, and concerns the failure of Northern to
3 correctly and timely allocate capacity for certain
4 transportation customers during the Winter of 2014-2015
5 under the capacity assignment parameters required by the
6 Commission.

7 As I indicated earlier, the Parties and
8 Staff met before the hearing, and have discussed Global
9 and Sprague pursuing this issue outside the context of
10 today's hearing. And, one of the possible solutions we
11 discussed was a filing of an RSA 365 complaint with the
12 Commission. It's my understanding that there is no
13 objection by the intervenors to deferring that issue for
14 another day.

15 Secondly, the issue raised in Paragraph
16 6 of the Petition to Intervene concerns the refund of a
17 Portland Natural Gas Transmission interstate pipeline rate
18 refund, which arises out of a 2010 FERC proceeding. And,
19 the Company has a proposal, which it styled the
20 "Alternative Refund Proposal" in its filing.

21 There is some dispute about that, about
22 the Company's proposal. And, I believe that the remaining
23 dispute is with the OCA. It's my understanding that the
24 Company, the Intervenor, and the Staff have agreed to

1 defer that issue for a continuation of this proceeding or
2 the opening of a separate proceeding, except for the
3 portion of the refund that has already been figured into
4 the Summer 2015 Cost of Gas that are before you today.

5 And, I would ask my colleagues to please
6 chime in, to the extent that they need to.

7 MR. SPEIDEL: Okay. Mr. Epler, would
8 you like to proceed?

9 MR. EPLER: Certainly. Thank you.
10 First, just so the record is clear, with respect to the
11 reference to what's in Paragraph 5 of the Motion to
12 Intervene, it's an "alleged failure" to correctly and
13 timely allocate capacity for certain transportation
14 customers. That nothing has been proven at this time.
15 But we have no objection to proceeding with that issue,
16 either outside this case, as I -- outside this docket, as
17 I indicated, either between the companies, if they can
18 resolve it, or, if not, if the Intervenor seeks to file a
19 complaint with the Commission, the Company would
20 participate in that proceeding.

21 As to the refund issue, counsel for
22 Staff was correct. Essentially, the agreement would
23 provide that the refund that's currently baked into the
24 cost of gas that's proposed by the Company for the Summer

1 Cost of Gas would go ahead, would be approved. And, all
2 other issues associated with the refund would be addressed
3 in a -- either continuation of this proceeding or a
4 subsequent proceeding, and the parties will -- would
5 propose to make a recommendation to the Commission as to a
6 procedural schedule to address that matter.

7 MR. SPEIDEL: Thank you. Ms. French,
8 would your Intervenor care to elaborate on any of the
9 points made thus far?

10 MS. FRENCH: Just I'm not sure if
11 Mr. Epler said it, I was having difficulty hearing back
12 here. But just that any order the Commission would issue
13 at this time would be just with regard to the CGA, and
14 there wouldn't be any determination on the appropriateness
15 or reasonableness of the refund proposal that the Company
16 has proposed, except for as it may impact sales customers.
17 And, I think Mr. Jortner is going to address that.

18 And, instead of kicking the can down the
19 road, we would encourage, you know, a continuation of the
20 current proceeding, so that this matter can be resolved as
21 quickly as possible.

22 MR. SPEIDEL: Mr. Jortner, does OCA have
23 any positions on this matter?

24 MR. JORTNER: Yes, Attorney Speidel. We

1 have a different proposal with respect to the timing of
2 the flow-back of the refund, or, in the alternative, a
3 proposal to change the interest rate to be applied to any
4 funds withheld beyond this current period. So, unless the
5 Commission or you feel that there's a need for a lot of
6 process to consider those type of alternatives, I'd be
7 prepared just to summarize at the end of the hearing what
8 our proposal would be.

9 MR. SPEIDEL: Thank you. So, it would
10 appear that there is an outstanding issue, without
11 elaborating on the specifics, because we haven't heard
12 from sworn in witnesses, obviously, but there is some sort
13 of issue related to these refunds. And, I'm hearing that,
14 from the OCA side, that it might not necessarily be
15 appropriate or required to have a continuation of the
16 hearing or a separate proceeding. But, from the other
17 three parties, I'm hearing that it might be appropriate to
18 have some sort of additional process and examination of
19 this issue.

20 Now, my question, as a follow-up to
21 Mr. Jortner, would be, in light of the fact that the cost
22 of gas has an effective date for its rates of May the 1st,
23 perhaps it might be appropriate to have the cost of gas
24 rates, in theory, be approved by the Commission, subject

1 to reconciliation after findings made in a separate
2 proceeding. In that there could be a stipulation that the
3 Parties do not agree that approval of the cost of gas
4 rates in this docket prejudices the right of any party to
5 examine the issues in the subsequent docket as to this one
6 piece of this accounting filing.

7 Does OCA have any follow-up thoughts on
8 the basis of that line of reasoning?

9 MR. JORTNER: The OCA has no objection
10 to that further process, if that's what the Commission
11 prefers to do. Most of the issues I think reflect a more
12 complicated set of issues regarding the refund as applied
13 to the marketers. The refund as applied to the
14 residential class of consumers I think is a fairly
15 straightforward one. If the time is too short to
16 calculate something different from what the Company filed,
17 I would understand and have no objection to any further
18 process or later-to-be-reconciled determination by the
19 Commission.

20 MR. SPEIDEL: Thank you, Mr. Jortner.
21 Having heard from all the parties, I think I will
22 recommend to the Commission, so that everyone is aware of
23 it, that, as in past instances where substantive issues
24 regarding elements of the cost of gas accounting have

1 emerged, the Commission's practice, at least in recent
2 years, has been to examine those issues in separate
3 proceedings. That enables folks to promulgate discovery,
4 have testimony filed, if necessary, come to settlements,
5 if appropriate, in a less harried, more deliberative
6 atmosphere. And, I think the Commission, as a
7 deliberative body, would prefer to have more information
8 before it, versus relying on my own unilateral
9 determination on these questions.

10 So, therefore, I will recommend that, as
11 far as this element of the proceeding, that any figures
12 that may or may not be approved by the Commission, as part
13 of the cost of gas that relate to these elements, be
14 approved subject to reconciliation, as every element of
15 the cost of gas is approved subject to reconciliation.
16 And, that they should expect that the Parties may move to
17 open one type of proceeding or another.

18 Is there any objection to that
19 recommendation today from any of the parties?

20 MS. PATTERSON: No.

21 MR. EPLER: No objection.

22 MS. FRENCH: No.

23 MR. SPEIDEL: Then, hearing no
24 objection, I would then suggest that we begin the

[WITNESS PANEL: Kahl~Conneely~Wells]

1 substantive part of the proceeding with the swearing of
2 our witnesses today. Oh, Ms. Patterson?

3 MS. PATTERSON: I believe, is there a
4 motion or a request for confidentiality by this Company or
5 is that something that's governed by the rules?

6 MR. SPEIDEL: This is a cost of gas
7 proceeding, as a matter of fact, Ms. Patterson. So,
8 therefore, we have the so-called "routine filing rules".

9 MS. PATTERSON: Uh-huh.

10 MR. SPEIDEL: There is no requirement
11 that a motion be made, unless, of course, some member of
12 the public requests the information. And, at which time
13 the Commissioners would essentially solicit information
14 from the Company and the requester regarding the 91-A
15 determination that has to be made at that time.

16 MS. PATTERSON: Okay. Thank you.

17 MR. SPEIDEL: So, very well. Mr. Epler,
18 can we have our witnesses sworn?

19 MR. EPLER: Yes.

20 (Whereupon **Christopher Kahl**,
21 **Joseph Conneely**, and **Francis Wells** were
22 duly sworn by the Court Reporter.)

23 **CHRISTOPHER KAHL, SWORN**

24 **JOSEPH CONNEELY, SWORN**

{DG 15-090} {04-22-15}

1 **FRANCIS WELLS, SWORN**

2 **DIRECT EXAMINATION**

3 BY MR. EPLER:

4 Q. Okay. I'd like to --

5 (Court reporter interruption.)

6 MR. SPEIDEL: Yes. And, just to some of
7 the folks that aren't as familiar with our system, red
8 light on, and you have to really put your mouth really
9 close to it, so you kind of look like somebody on a
10 walkie-talkie. But my apologies.

11 BY MR. EPLER:

12 Q. Okay. I'd like to first address my questions to
13 Mr. Chris Kahl. Could you turn to the documents that
14 have been marked as Exhibits "1", "2", "3", and "4".
15 And, that would be the confidential and redacted
16 initial filing, and the confidential and redacted
17 revised filing. And, turn to the tab in the original
18 filing that is labeled "Testimony", "Chris Kahl
19 Testimony", and the schedules that followed, were these
20 prepared by you or under your direction?

21 A. (Kahl) Yes, they were.

22 Q. And, do you have any changes or corrections to any of
23 these at this time, other than the heading corrections
24 that were provided to the Commission on April 17th?

[WITNESS PANEL: Kahl~Conneely~Wells]

1 A. (Kahl) No other changes.

2 Q. Okay. And, if you were asked the same questions that
3 were -- that appear in your prefiled direct testimony,
4 would your answers be the same?

5 A. (Kahl) Yes, they would.

6 Q. And, do you adopt these documents as your testimony in
7 this proceeding?

8 A. (Kahl) Yes, I do.

9 Q. Okay. Mr. Conneely, could you turn to the same four
10 documents, and, in particular, to your -- to the tab
11 that's marked your testimony in the initial filing.
12 Was that testimony and the schedules that follow
13 prepared by you or under your direction?

14 A. (Conneely) Yes, they are.

15 Q. And, do you have any changes or corrections at this
16 time?

17 A. (Conneely) No, I don't.

18 Q. And, if you were asked the same questions as appear in
19 your prefiled testimony today, would your answers be
20 the same?

21 A. (Conneely) Yes.

22 Q. And, do you adopt these as your testimony in this
23 proceeding?

24 A. (Conneely) Yes, I do.

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 Q. And, Mr. Wells, you did not prepare any prefiled direct
2 testimony, is that correct?

3 A. (Wells) That is correct.

4 Q. But are you familiar with the contents of the
5 exhibits -- of the documents that have been marked as
6 exhibits?

7 A. (Wells) Yes.

8 Q. And, in particular, do you have particular expertise on
9 the issue of the calculation and the Company proposal
10 to flow through the refund that's been discussed in
11 this proceeding?

12 A. (Wells) I do.

13 MR. EPLER: Attorney Speidel, with that,
14 the witnesses are available for cross-examination.

15 MR. SPEIDEL: Just one little bit of
16 housekeeping. We had discussed the potential marking of
17 the exhibits. But I just wanted to circle back and make
18 sure that no parties had objections to the marking of
19 those exhibits?

20 MS. PATTERSON: No.

21 MR. SPEIDEL: Hearing none, I will
22 approve the proposed marking schedule.

23 Yes, Ms. Patterson, would you like to
24 begin cross-examination, or would Mr. Jortner prefer to do

[WITNESS PANEL: Kahl~Conneely~Wells]

1 that?

2 MS. PATTERSON: I would prefer to go
3 last, if that's possible?

4 MR. SPEIDEL: That's fine. Mr. Jortner,
5 could you begin, and then we'll hear from Intervenors, and
6 then the Staff?

7 MR. JORTNER: Sure. And, I would like
8 to go last, too, but I will go first in this case.

9 So, my questions will be a combination
10 for Mr. Conneely and Mr. Kahl. And, you know, I don't
11 mind who decides to speak up, so feel free to choose
12 yourself.

13 **CROSS-EXAMINATION**

14 BY MR. JORTNER:

15 Q. So, your original estimate of the residential cost of
16 gas for this period was 33 cents per therm, is that
17 correct?

18 A. (Kahl) That is correct.

19 Q. And, that's compared to last summer's cost of 65 cents
20 per therm?

21 A. (Kahl) I don't have last year's in front of me, but
22 that sounds about correct.

23 Q. Okay. And, in your testimony, you indicated that you
24 would update the analysis to factor in the PNGTS

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 refund, correct?

2 A. (Kahl) That's correct.

3 Q. Okay. And, having done that, could you direct me to
4 the comparable number, now that the PNGTS refund has
5 been factored in under the Company's proposal to flow
6 it back over the three-year period?

7 A. (Kahl) The comparable number for --

8 Q. For the residential Summer Cost of Gas for 2015.

9 A. (Kahl) The residential rate is now proposed to be
10 32.38 cents.

11 Q. So, the PNGS -- I'm sorry, the PNGTS refund moved it
12 from 33 cents even to 32.38 cents, is that correct?

13 A. (Kahl) I think it was -- I believe it was a little bit
14 more than 33 cents.

15 Q. Okay.

16 A. (Kahl) Let me get that number for you. It was 33.33
17 cents.

18 Q. Right. So, the PNGTS refund has an effect of about a
19 penny per therm?

20 A. (Kahl) Yes.

21 Q. Okay. And, what's the dollar amount of the PNGTS
22 refund that would be flowed through during the 2015
23 Summer Cost of Gas period?

24 A. (Kahl) Revised Schedule 1A, as submitted in the revised

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 filing, --

2 MR. SPEIDEL: And, could you try to
3 identify the exhibit number please.

4 WITNESS KAHL: The Bates page?

5 MR. SPEIDEL: Yes. And, I would presume
6 that you're working off of the redacted filing for a
7 public reference?

8 WITNESS KAHL: Yes.

9 MR. SPEIDEL: So, it would be Exhibit 4?

10 MS. PATTERSON: Four.

11 WITNESS KAHL: Yes. Exhibit 4.

12 MR. SPEIDEL: Exhibit 4. And, Bates
13 page?

14 WITNESS KAHL: Bates Page 52.

15 MR. SPEIDEL: Thank you.

16 BY MR. JORTNER:

17 Q. And, just for convenience, could you tell us the
18 number, the dollar amount that is shown there?

19 A. (Kahl) One hundred and -- approximately \$144,000.

20 Q. Thank you, Mr. Kahl. Do you have any alternative
21 calculations or model runs that would show other
22 scenarios, such as a one-year payback or if it was all
23 flowed through during the summer period?

24 A. (Kahl) No. I don't have any.

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 Q. Okay. So, the only calculation you have is the
2 Company's preferred three-year flow-back proposal?

3 A. (Kahl) That's correct.

4 Q. So, Northern proposes to provide interest on the
5 amounts withheld at your short-term borrowing interest
6 rate, is that right?

7 A. (Kahl) That's correct.

8 Q. And, what is the average term of that short-term
9 borrowing that the Company engages in that applies to
10 that interest rate?

11 A. (Kahl) I'm sorry. I don't know that.

12 Q. Okay. And, the Company has already received the
13 approximately \$22 million refund from PNGTS?

14 A. (Kahl) Yes, it has.

15 Q. And, where does that money get placed? Is it in a
16 segregated account or is that used for whatever
17 purposes the Company may decide?

18 A. (Kahl) The Company will use those funds to offset its
19 own short-term borrowing. And, as of this time, our
20 short-term borrowing is more than the refund amount.

21 Q. So, the refund amount will be exclusively used to
22 offset short-term borrowing?

23 A. (Kahl) Yes.

24 Q. And, that is you would prepay whatever short-term

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 borrowing is outstanding, up to that \$22 million?

2 A. (Kahl) Yes.

3 Q. Assuming that that interest rate is approved by the
4 Commission, would the Company consider an alternative
5 flow-back proposal, such as a one-year flow-back of the
6 full refund?

7 A. (Kahl) I believe I addressed in my initial testimony
8 why we think a three-year flow-back is really most
9 appropriate. And, one of our main arguments is really
10 rate stability. Because it's such a large amount of
11 money, we're talking over \$10 million, that it would
12 lower rates substantially. Once that period ends, and
13 you get into your following year, and that refund has
14 now already been passed through, rates jump back up.
15 So, it really sends very mixed signals to the people
16 who are making their decisions on how to budget for
17 their energy costs. And, it just seems to make a lot
18 more sense to try to flow that in gradually, so that
19 there's less rate shock.

20 I also do mention in my testimony that
21 these funds, the PNGTS charges that are refundable,
22 were paid starting in December of 2010, through January
23 of 2015. So, they were acquired over a multiyear
24 period. We'd like to flow them back over a multiyear

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 period.

2 Q. And, would you agree that over the multiyear period,
3 going into the future, there will be customers who have
4 paid those PNGTS rates essentially through, you know,
5 through sales service or transportation service, who
6 will leave the system and never get the refund?

7 A. (Kahl) Yes. I'd like to also add, there are customers
8 who have already left the system or left the system a
9 year ago.

10 Q. I'm sure they have.

11 A. (Kahl) You're always going to have this influx, in and
12 out of customers. So, it's really pretty difficult to
13 try to imagine keeping customers whole, when you have
14 so much movement going on.

15 Q. Could you explain how the short-term interest rate
16 that -- the short-term borrowing rate that Unitil uses
17 is set? How would that -- how were those interest
18 rates arrived at? Is it just the market?

19 MR. SPEIDEL: And, I would invite the
20 witnesses, feel free to -- any of you feel free to speak
21 up, if you have primary source knowledge of something one
22 of your colleagues is being asked.

23 **BY THE WITNESS:**

24 A. (Kahl) Yes. I really don't know. All I can say is I

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 do get a monthly update on any changes in that, in that
2 rate.

3 BY MR. JORTNER:

4 Q. Is it a fixed rate or a variable rate?

5 A. (Kahl) I mean, it fluctuates by month.

6 Q. Each month?

7 A. (Witness Kahl nodding in the affirmative).

8 Q. Could you just -- we talked about this a bit earlier,
9 but you indicated that the refund will be exclusively
10 used for offsetting existing short-term debt. Has the
11 Company considered any other uses for the refund amount
12 or any other ways of investing it?

13 A. (Kahl) I am not aware of any.

14 MR. JORTNER: Thanks. With your
15 indulgence, my colleague, Jim Brennan, would like to ask a
16 few questions on another topic?

17 MR. SPEIDEL: By all means, if there's
18 no objection, go right ahead.

19 BY MR. BRENNAN:

20 Q. I just wanted to touch on the bad debt expense. I
21 believe this is Mr. Kahl's testimony, to understand if
22 I'm looking at this the right way. And, looking at
23 Schedule 4, the calculation of bad debt expense. And,
24 am I reading this correct, that the actual bad debt

[WITNESS PANEL: Kahl~Conneely~Wells]

1 expense for 2014 was "24,024", and that the forecasted
2 bad debt expense for 2015 is "29,333", is that correct?

3 A. (Kahl) Yes.

4 MR. SPEIDEL: And, for the record,
5 Mr. Brennan, you're referring to Line 20 of this
6 Schedule 4?

7 MR. BRENNAN: Line 20 of Schedule 4 for
8 "29,333". Yes.

9 MR. SPEIDEL: Thank you.

10 BY MR. BRENNAN:

11 Q. And, my question is, this is an upward trend. And, if
12 you could comment on the underlying reasons for an
13 increased trend in bad debt expense, as forecast?

14 A. (Kahl) Our bad debt forecast is really based on what we
15 see as potential write-offs. And, when we look at
16 potential write-offs or when that segment of Northern
17 Utilities is looking at potential write-offs, they're
18 looking at what they have been seeing recently. And,
19 they had seen a bit of an uptick, so they had thought,
20 you know, for company planning purposes, that, and as
21 it shows on Line 17, you know, what that projected
22 total bad debt expense would be.

23 Q. So, is it based on a rising balance of accrued bills
24 that have not been paid, based on that trend that

[WITNESS PANEL: Kahl~Conneely~Wells]

1 you're saying there, from going from -- you're looking
2 at an expense here. Is it based on a rising balance of
3 bills past due?

4 A. (Kahl) Yes. Although, I don't want to oversimplify
5 that and say, you know, it's based on just 12 months.
6 But I think the department that puts this forecast
7 together may be weighing some of the more recent
8 months. So, if they're seeing an uptick in some of the
9 more recent months, they might want to be a little more
10 cautious.

11 Q. Conservative?

12 A. (Kahl) Yes, conservative, in their estimate.

13 MR. BRENNAN: Okay. Thank you.

14 MR. JORTNER: Thank you. That's all the
15 OCA has for now.

16 MR. SPEIDEL: Thank you, Mr. Jortner.

17 Ms. French, does your Intervenor Group have any
18 cross-examination questions they would like to direct?

19 MS. FRENCH: No. Because of the
20 settlement, we don't have any questions today.

21 MR. SPEIDEL: Thank you. I must again
22 reiterate, it hasn't necessarily been packaged as a formal
23 settlement for the Commission's consideration. I think
24 it's an informal understanding for the purpose of today's

[WITNESS PANEL: Kahl~Conneely~Wells]

1 hearing, that that would be presented to the Commission as
2 a series of positions of non-objection. But that, on that
3 basis, I understand the Intervenor Group's position.

4 Therefore, Ms. Patterson, do you have
5 any cross-examination questions for Staff?

6 MS. PATTERSON: Yes. For the Company?

7 MR. SPEIDEL: No, no. You are Staff,
8 so --

9 MS. PATTERSON: Yes. Cross-examination.

10 MR. SPEIDEL: On Staff's behalf.

11 MS. PATTERSON: Yes. Thank you.

12 BY MS. PATTERSON:

13 Q. Mr. Kahl, just one quick correction question. Would
14 you agree that, in Exhibit 1 or 2, at Bates Page 11,
15 on -- I'm sorry, I need to get the line number. Thank
16 you. On Line 6, do you see the word "Winter" near the
17 end of that line?

18 A. (Kahl) Excuse me, the Bate Page number?

19 Q. I'm sorry. Bates Page 11 please.

20 A. (Kahl) Yes. I agree.

21 Q. Would you agree that that should be "Summer"?

22 A. (Kahl) Yes.

23 Q. Thank you. Could you -- yes, I guess would you please
24 describe the differences between the Company's original

[WITNESS PANEL: Kahl~Conneely~Wells]

1 filing and the revised filing?

2 A. (Kahl) Yes. At the time the initial filing was made,
3 the Company -- or, I should say just before the filing
4 was made, the Company was aware that there was a refund
5 due in the PNGTS rate case, and that refund we wanted
6 to get incorporated into the filing. We also knew that
7 there were some changes on TransCanada Pipeline's
8 rates. Again, we wanted to include those in the
9 revised filing. And, finally, Northern had a customer
10 migrate from transportation service to sales service,
11 that was the Portsmouth Naval Shipyard. And, this is a
12 very large customer. And, because of their size, we
13 decided that we needed to rerun our dispatch to see
14 what supplies we needed, because we knew we were going
15 to need additional supplies.

16 So, because of those three factors, we
17 felt an updated filing was necessary.

18 Q. And, would you agree that you took the opportunity to
19 also revise the NYMEX future prices to the date of
20 April 1, 2015?

21 A. (Kahl) That is correct.

22 Q. And, are there any differences in the methodology the
23 Company used to calculate the initial summer -- the
24 initial or the revised summer gas rate from the

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 methodology that you used to calculate last year's
2 summer cost of gas rate?

3 A. (Kahl) I believe last summer that we were flowing
4 through a portion of a prior PNGTS refund, which was
5 much, much smaller than the current PNGTS refund. And,
6 we were doing that through a separate component,
7 supplier refund component. Whereas, in this proposal,
8 we are applying the PNGTS refund directly to the demand
9 dollars.

10 Q. Thank you. How does the summer demand forecast compare
11 to last summer's?

12 A. (Kahl) Compared, on a forecast basis, Northern's 2015
13 forecast is higher by about 10-12 percent. However,
14 when we compare it to, again, we compare the 2015
15 forecast to the actual volumes we experienced in 2014,
16 they're roughly about the same.

17 Q. Thank you. Is the demand forecast weather-normalized?

18 A. (Wells) Yes, it is.

19 Q. Thank you. And, how does the summer supply plan for
20 the 2015 Summer Period compare with last summer's?

21 A. (Wells) The supply plan for the 2015 Summer Period is
22 mostly the same, with the exception that, because the
23 customer had -- "because the customer", excuse me, let
24 me rephrase that, because a large customer has, in

[WITNESS PANEL: Kahl~Conneely~Wells]

1 Maine, has actually migrated back to sales service from
2 delivery service, we have secured additional supply on
3 the PNGTS system in order to cover the supply
4 obligation of that large customer. And, so, our supply
5 plan, as reflected in the revised and updated filing,
6 shows more PNGTS supply than we would have shown in the
7 last summer's cost of gas proceeding.

8 Q. Have there been any changes in supply points or supply
9 paths?

10 A. (Wells) The supply -- the capacity paths that the
11 Company currently maintains are the same as they were
12 last summer.

13 Q. Thank you. Mr. Kahl, your testimony refers at, Bates
14 Page 35, and we can -- we're talking about Exhibit 2 at
15 this point, the Redacted Version of the original
16 filing, to Canada's National Energy Board's approval of
17 a settlement agreement between TransCanada Pipeline,
18 Limited, and some distribution companies in Canada.
19 Those, the consequences of that order, are reflected in
20 the rates proposed for the summer period?

21 A. (Kahl) Yes, they are.

22 A. (Wells) I'd like to add to that response. Part of
23 the -- so, the TransCanada rates used to calculate the
24 summer cost of gas filing are based on the interim

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 approved rates by the National Energy Board. So, rates
2 went into effect January 1st, 2015, based on
3 TransCanada's initial filing in that case. They were
4 directed to file updated rates reflecting actual data
5 through December 31st, 2014. That filing was due,
6 actually, I believe it was either -- it was right
7 around April 1st. That proceeding -- those rates are
8 not in effect. This filing does not presume those
9 rates. And, those rates may go into effect sometime
10 during the summer period, depending on the process that
11 the National Energy Board takes in judging the update
12 filing, pursuant to the TransCanada overall rate case.
13 So, just to be clear, there is the possibility that
14 there is a revision to that TransCanada rate in the
15 interim period, before we come back again for a winter
16 cost of gas. And, I would presume that the winter cost
17 of gas proceeding is likely to reflect whatever comes
18 out of that subsequent true-up proceeding, if you will.

19 Q. Thank you. That's very helpful.

20 MS. PATTERSON: If I could just have one
21 moment please?

22 (Atty. Patterson conferring with Mr.
23 Frink.)

24 MS. PATTERSON: Thank you.

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 BY MS. PATTERSON:

2 Q. Just one question about the PNGTS refund, to respond to
3 one of the questions that the OCA had of you. Do you
4 recall the Company responding to data requests in this
5 case?

6 A. (Kahl) I do.

7 Q. And, do you have those data requests before you?

8 A. (Kahl) I do.

9 Q. Could you please turn to the Company's response to
10 Staff 1-14.

11 MR. SPEIDEL: And, Ms. Patterson, has
12 this been presented as evidence in this case?

13 MS. PATTERSON: No. And, I don't
14 believe that it needs to be an exhibit. I'm just
15 directing the witness for his recollection to ask him a
16 question about it.

17 MR. SPEIDEL: Would you mind if -- when
18 this question is framed, that we have the question read
19 into the record by you and then the response?

20 MS. PATTERSON: Sure. Sure.

21 MR. SPEIDEL: Thank you.

22 BY MS. PATTERSON:

23 Q. Mr. Kahl, do you have that data request? Or, you can
24 just let me know when you do.

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 A. (Kahl) Yes. I have it.

2 Q. Okay. Do you agree that that data request asked a
3 question about Mr. Conneely's direct testimony at Bates
4 Page 44, Lines 1 to 6, and asked the Company to
5 "provide the cost of gas rate with the PNGTS refund
6 included (1), as required by Company's tariff, and (2),
7 as proposed under the Alternative Refund Proposal."
8 Did I read that question directly?

9 A. (Kahl) Yes.

10 Q. Thank you. And, if I might paraphrase your -- the
11 Company's response, the Company provided a table
12 showing three scenarios, the initial Cost of Gas
13 filing, filed on the 16th of March; the initial filing
14 with the PNGTS refund per the Company's tariff, which
15 would equate to a 12-month refund; and the initial
16 filing with the PNGTS refund via the Alternative Refund
17 Proposal.

18 Do you agree that, with the refund, the
19 PNGTS refund, returned to firm sales customers over a
20 12-month period would result in a cost of gas, based on
21 the initial filing, of 11.58 cents?

22 A. (Kahl) Yes. And, just to point out, you know, this is
23 an approximate, yes.

24 Q. Yes. Okay. And, that compares with the proposed 32 --

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 approximate 32 cents per the Commission today?

2 A. (Kahl) That's correct.

3 Q. Thank you. How will the Company communicate to
4 customers the change in the cost of gas rate?

5 A. (Kahl) I'm sorry, can you repeat that?

6 Q. Sure. Just curious how the Company plans to
7 communicate the change to the summer cost of gas rate?

8 A. (Kahl) I think there's bill messages that go out, and
9 they will identify the changes in the new rates that
10 are expected.

11 Q. Okay. And, do you know whether or not there is any
12 information provided in those bill messages about the
13 fact that cost of gas rates are seasonal, and that the
14 summer cost of gas being what it is may not be the
15 winter cost of gas?

16 A. (Conneely) Thinking back on the last bill messages that
17 were sent out, it does define the summer and winter
18 periods.

19 Q. Okay. Would the Company be open to including in its
20 bill message just a reminder to customers of the
21 seasonality of the cost of gas rate?

22 MR. SPEIDEL: Yes, Mr. Epler.

23 MR. EPLER: Yes. If I could just,
24 before the witnesses answer, if I could just address this.

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 These witnesses may not be the most up to speed on the
2 Company's customer engagement efforts. But I can present
3 to the Commission that we do, on the Company's website,
4 there is information distinguishing between the summer and
5 winter cost of gas, and that we, on a regular basis, send
6 out a bill insert that also advises customers of this. I
7 don't know what the exact timing of that is. We often
8 send out bill stuffers in the fall, when prices of both
9 gas and electricity tend to rise.

10 And, as far as the particulars of the
11 message, we could take that as a data request and give the
12 precise bill message that will go out, and can provide
13 that to the Commission.

14 MS. PATTERSON: And, if I might just
15 clarify, this was an issue that came up in both of the
16 cost of gas hearings yesterday. One of the Commissioners
17 was particularly concerned about customers not having a
18 full and complete understanding of the fact that, even
19 though their rates are lowering during the summer, that
20 they will go up likely in the winter.

21 MR. SPEIDEL: I see. So, we've heard
22 from the counsel for the Company that, on the basis of his
23 firsthand knowledge, not testimony, of course, that his
24 understanding is that there is such a difference. Staff,

{DG 15-090} {04-22-15}

[WITNESS PANEL: Kahl~Conneely~Wells]

1 obviously, these witnesses haven't been able to testify to
2 that. Are you satisfied, for the purposes of this line of
3 inquiry, subject to check, of course, in future
4 proceedings? Or, would you prefer to continue with this
5 issue?

6 MS. PATTERSON: No, I don't. As long as
7 I'm able to make that representation about the concern of
8 the Commission about the seasonality. And, it sounds as
9 though the Company is amenable to openly communicating
10 with customers.

11 MR. SPEIDEL: Well, that's good. Then,
12 I will allow this to all be entered into the record, and
13 be given the weight that it's due on this issue.

14 MS. PATTERSON: Thank you. One moment
15 please.

16 (Atty. Patterson conferring with Mr.
17 Frink.)

18 MS. PATTERSON: No other questions.
19 Thank you.

20 MR. SPEIDEL: Excellent. If I may, I
21 would like to ask the witnesses one Bench question, before
22 I invite the Company to redirect.

23 BY MR. SPEIDEL:

24 Q. There was mention made of the Portsmouth Naval Shipyard

[WITNESS PANEL: Kahl~Conneely~Wells]

1 as a so-called "reverse migration" customer that has
2 returned to sales service. Obviously, the U.S. Supreme
3 Court has issued the final order on this matter from a
4 geographic perspective. But I'm curious to know as to
5 whether the Company is able to identify that as a Maine
6 Division customer or a New Hampshire Division customer?

7 A. (Wells) It is a Maine Division customer.

8 Q. So, it's a Maine Division customer. Would you be able
9 to generally summarize, Mr. Wells, or one of your
10 colleagues, the net result that this would have on the
11 New Hampshire Division cost of gas filing? Because,
12 for me, it's a little bit obscure as to how a Maine
13 Division customer's return would flow into rates in New
14 Hampshire.

15 A. (Wells) So, because Northern's cost of gas are
16 allocated on a monthly prorated basis, commodity costs,
17 the fact that Northern will incur slightly -- or,
18 slightly higher commodity costs through the summer
19 period, the portion of those costs will get allocated
20 to New Hampshire under the monthly commodity cost
21 allocator.

22 Q. So, therefore, it is not material under the present
23 cost of gas tariff and structure as to whether a
24 reverse migration customer resides in a Maine Division

{DG 15-090} {04-22-15}

1 or a New Hampshire Division service on the basis of the
2 allocator?

3 A. (Wells) That is correct.

4 MR. SPEIDEL: Okay. Thank you.

5 Mr. Epler, any redirect?

6 MR. EPLER: No. I do not have any.

7 Thank you.

8 MR. SPEIDEL: Thank you. In that
9 instance, I would like to invite the Parties to make their
10 closing statements regarding this filing, beginning with
11 the Company, and then moving around the room, if I may.

12 MR. EPLER: Actually, if I may,
13 typically, the Company gets to have the last word in
14 closing arguments. So, if I can -

15 MR. SPEIDEL: That would be fine. That
16 would be fine. Sometimes -- okay. So, would the Staff
17 like to proceed first?

18 MS. PATTERSON: I'm happy to proceed
19 first.

20 MR. SPEIDEL: Okay.

21 MS. PATTERSON: I would say that the
22 Staff thoroughly reviewed the Cost of Gas filings as
23 originally proposed and as revised, and is satisfied that
24 the rates resulting from those filings, if approved by the

1 Commission, would result in just and reasonable rates.

2 And, we will work with the Parties after
3 this proceeding to discuss a possible procedural schedule
4 to address the issue of the PNGTS refund further. Thank
5 you.

6 MR. SPEIDEL: Thank you. Mr. Jortner,
7 anything for OCA?

8 MR. JORTNER: Yes. Thank you. The OCA
9 would be asking the Commission to order the Company to
10 flow back the PNGTS refund within a one-year period. It
11 could be allocated between summer and winter rates, to
12 make -- to satisfy the rate smoothing and rate shock
13 concerns that the Company or the Commission may have.
14 That would affect, within a one-year period, I believe we
15 heard testimony that it would affect the CGA rate by 11.58
16 cents, in response to Staff's questions. And, that's
17 still a much lower number than the overall movement of the
18 CGA rate between summer and winter. So, customers, as has
19 been much discussion about, are aware of the seasonal
20 differences between the cost of gas rates. They go up
21 substantially, they go down substantially. And, we don't
22 think the PNGTS refund issue is so special or so large
23 that it goes beyond the bounds of what customers see on a
24 routine basis, in terms of the movement of the CGA rate.

1 So, I think it would be well within the
2 concerns of customer education, smoothness of rates, to
3 allow for a one-year flow-back of the refund. It would
4 not create any really unusual impact on rates or convey
5 any untoward impressions of customers that they don't see
6 already under routine circumstances.

7 The other concern, and I know the
8 Commissioners raised this concern yesterday, was about the
9 intergenerational impact of a slow payback period, because
10 customers will leave the system, and having paid the rates
11 that turned out to be overcharges to be retroactively
12 reconciled will never receive the refund. And, the longer
13 the payback period, the more of that intergenerational
14 unfairness occurs.

15 And, finally, I think the Commission
16 should be consistent between the way it treats two of its
17 gas utilities. We had a cost of gas hearing yesterday
18 with Liberty, and Liberty expressed a willingness to flow
19 back their refund, albeit a much smaller refund, but flow
20 it back within a one-year period, and apply a much higher
21 interest rate than what Northern is proposing here.

22 So, for purposes of consistency and
23 fairness to ratepayers, I think the Commission should look
24 at Liberty's willingness to flow back within a year, and

1 their interest rate of 3.25 percent that they have applied
2 to this refund as the numbers that should be applied to
3 Northern as well. Thank you.

4 MR. SPEIDEL: Thank you, Mr. Jortner.
5 Ms. French, any closing statements?

6 MS. FRENCH: Thank you. Because of the
7 agreement made between the Staff, the Company, and the
8 Intervenors is acceptable to Sprague and Global, to
9 discuss the issue with regard to the PNGTS refund in a
10 follow-on proceeding to this one. And, so, we would agree
11 that the CGA should be approved as proposed by the Company
12 for the purposes of this May 1 start.

13 MR. SPEIDEL: Thank you, Ms. French.
14 Mr. Epler.

15 MR. EPLER: Yes. Thank you. First, we
16 would ask for approval of the cost of gas rate that's
17 proposed, and for the treatment of the material that's
18 confidential pursuant to the rule.

19 As to the issue of the refund, I don't
20 want to belabor the record here. We'll stand on the
21 testimony of the witnesses as to why the proposal of the
22 OCA should not be accepted, at least not at this stage in
23 the proceeding, and further arguments as to the benefits
24 of our proposal will hold until any subsequent proceeding

1 that the Commission decides to entertain.

2 MR. SPEIDEL: Thank you, Mr. Epler. I
3 just wanted to make sure that we didn't have to have a
4 situation, given that this has been an unusual proceeding
5 to some extent, that the witnesses would have to be
6 re-sworn to answer follow-up inquiries. So, therefore, at
7 the present time, I would like to dismiss the witnesses
8 and thank them for their participation.

9 Thank you to all the parties for
10 discussing -- Ms. Patterson?

11 MS. PATTERSON: I just wondered if you
12 wanted to strike the identification of the exhibits?

13 MR. SPEIDEL: I had done that earlier.

14 MS. PATTERSON: Oh. Okay.

15 MR. SPEIDEL: Thank you so much. So, in
16 any event, I just wanted to thank the parties for
17 collaboratively working on innovative approaches to
18 certain issues before today's hearing. I think that is
19 valuable for the Commission's work. And, you ought to
20 expect my Hearings Examiner Report in short order. And, I
21 do duly note that the effective date of the rates
22 requested by the Company is May the 1st. And, so, I would
23 expect that the Commission work on its own schedule in
24 light of that request.

1 Therefore, I would like to conclude this
2 hearing. And, thank you all.

3 **(Whereupon the hearing was adjourned at**
4 **11:10 a.m.)**