

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

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 ORIGINAL

RE: DG 16-309  
NORTHERN UTILITIES, INC.  
NEW HAMPSHIRE DIVISION  
2016 SUMMER COST OF GAS

**PRESENT:** Chairman Martin P. Honigberg, Presiding  
Commissioner Robert R. Scott  
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

**APPEARANCES:**

**Reptg. Northern Utilities, Inc.:**  
Patrick H. Taylor, Esquire

**Reptg. Office of Consumer Advocate:**  
Nicholas Cicale, Esquire  
Jim Brennan, Dir. of Finance

**Reptg. PUC Staff:**  
Alexander F. Speidel, Esquire  
Al-Azad Iqbal, Gas & Water Division

**COURT REPORTER:** SUSAN J. ROBIDAS, N.H. LCR NO. 44

## I N D E X

WITNESSES: CHRISTOPHER A. KAHL  
JOSEPH F. CONNEELY

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1 CONFIDENTIAL VERSION of 4  
2016 Summer Cost of Gas filing

2 REDACTED VERSION of 4  
2016 Summer Cost of Gas filing

## P R O C E E D I N G S

CHAIRMAN HONIGBERG: Good morning.

We're here in Docket DG 16-309, which is Northern Utilities 2016 Summer Cost of Gas Adjustment filing for the period May 1 through October 31. The Order of Notice is in the record. No one wants to hear me read from it, so I won't. Let's take appearances.

MR. TAYLOR: Good morning. I'm Patrick Taylor, representing Northern Utilities, Inc. With me today are Joseph Conneely and Christopher Kahl.

MR. CICALÉ: Good morning, Commissioners. Nicholas Cicale, with the Office of Consumer Advocate. Along with me is Director of Finance, Jim Brennan, on behalf of residential ratepayers.

MR. SPEIDEL: Good morning, Commissioners. Alexander Speidel, representing the Staff of the Commission. And I have with me Al-Azad Iqbal, utility analyst for the Gas and Water Division.

CHAIRMAN HONIGBERG: Are there any preliminary matters we need to deal with?

1 (No verbal response)

2 CHAIRMAN HONIGBERG: Doesn't seem  
3 like there are.

4 Mr. Taylor, why don't you have  
5 your witnesses take the stand.

6 (WHEREUPON, CHRISTOPHER A. KAHL and JOSEPH  
7 F. CONNEELY were duly sworn and cautioned by the  
8 Court Reporter.)

9 MR. TAYLOR: And before I begin  
10 questioning the witnesses, would the Commission  
11 like me to mark our exhibits into the record?

12 CHAIRMAN HONIGBERG: Why don't we do  
13 that.

14 MR. TAYLOR: We have two exhibits  
15 today. The first is the confidential version  
16 of the Summer Cost of Gas filing. We're going  
17 to ask that that be marked as Hearing  
18 Exhibit 1. The second exhibit is the redacted  
19 version of the same filing, and we'll ask that  
20 that be marked as Hearing Exhibit 2.

21 (Exhibits 1 and 2 were marked for  
22 identification.)

23 CHAIRMAN HONIGBERG: All right.  
24 Those are marked. You may proceed.

1 EXAMINATION

2 BY MR. TAYLOR:

3 Q. For each member of the panel, starting with  
4 Mr. Kahl, please give your name and position  
5 with the Company.

6 A. (Kahl) Christopher Kahl, senior regulatory  
7 analyst with Unitol Services Corp.

8 (Court Reporter interrupts.)

9 A. (Kahl) Christopher Kahl. I'm a senior  
10 regulatory analyst with Unitol Services Corp.

11 A. (Conneely) Joseph Conneely. I'm a senior  
12 regulatory analyst with Unitol Service Corp.

13 Q. And I just have a few questions for the both  
14 of you, starting with Mr. Kahl.

15 Have you previously testified before the  
16 Commission?

17 A. (Kahl) Yes, I have.

18 Q. And if you could please refer to Hearing  
19 Exhibit 1, which is the confidential version  
20 of the filing. Do you have that before you?

21 A. (Kahl) Yes, I do.

22 Q. Could you please turn to the tab containing  
23 your testimony. Was this testimony prepared  
24 by you?

1 A. (Kahl) Yes, it was.

2 Q. Do you have any changes or corrections that  
3 you'd like to make to your testimony today?

4 A. (Kahl) I do not.

5 Q. Could you please identify the schedules in  
6 the filing that are associated with your  
7 testimony.

8 A. (Kahl) All schedules except for Schedule 8.

9 Q. And did you prepare these schedules or were  
10 they prepared under your direction?

11 A. (Kahl) Yes.

12 Q. And with respect to your testimony, if you  
13 were asked the same questions in your  
14 prefiled testimony today, would your answers  
15 be the same?

16 A. (Kahl) They would.

17 Q. Thanks.

18 Mr. Conneely, could you also refer to  
19 Exhibit 1, the confidential version of the  
20 filing. Please turn to the tab containing  
21 your testimony.

22 A. (Conneely) I'm there.

23 Q. Was this testimony prepared by you?

24 A. (Conneely) Yes.

1 Q. Do you have any changes or corrections that  
2 you'd like to make to your testimony today?

3 A. (Conneely) No.

4 Q. And which schedules in the filing are  
5 associated with your testimony?

6 A. (Conneely) I produced Section 8 of the  
7 filing.

8 Q. Okay. And that schedule was produced by you  
9 or under your direction?

10 A. (Conneely) Correct.

11 Q. And if asked the same questions that appear  
12 in your prefiled testimony today, would you  
13 have the same answers?

14 A. (Conneely) Yes.

15 MR. TAYLOR: I have no further  
16 questions of the witnesses.

17 CHAIRMAN HONIGBERG: Mr. Cicale.

18 EXAMINATION

19 BY MR. CICALE:

20 Q. Mr. Kahl, what role do the NYMEX futures play  
21 in the forecasted commodity cost of gas rate  
22 in your filing?

23 A. (Kahl) The NYMEX futures give us an  
24 indication of -- or I should say they

1 influence what the total commodity prices  
2 are, especially in the Summer Cost of Gas  
3 filing. In the Winter Cost of Gas filing,  
4 obviously you have storage costs. And when  
5 you get into the winter period, you've  
6 already purchased your gas, so any change in  
7 NYMEX doesn't impact storage costs. You may  
8 also have contracts that have an agreed-upon  
9 price in the winter. Generally in the  
10 summer, the purchases are tied to the NYMEX;  
11 so when that NYMEX moves, it is going to  
12 influence and impact your commodity costs.

13 Q. In doing the forecasting for the summer cost  
14 of gas, what is the long game for the  
15 Company? Does it look two to three years, or  
16 does it just look at the season at hand in  
17 your forecasting?

18 A. (Kahl) Yeah, for cost of gas purposes, we are  
19 looking just for that one season.

20 Q. Okay. And one specific question for you  
21 gentlemen. I probably need you both, each of  
22 your attention, Mr. Kahl and Mr. Conneely.

23 In your testimony, Mr. Kahl, on Bates  
24 Pages 23 and 24, on the bottom of Page 23 --



1 I'll wait for you to get there.

2 On the bottom of Page 23 it reads that  
3 Schedule 9 indicates projected summer period  
4 average cost of gas rate at about 31 cents  
5 per therm and is about a little over a penny  
6 per therm higher than the actual 2016 summer  
7 period total adjusted cost of gas rate of 30  
8 cents per therm.

9 Now, turning to Mr. Conneely's testimony  
10 on Bates Pages 40 to 41, it says the proposed  
11 residential heating 2016 summer period rate  
12 of 31 cents per therm is a little over 2  
13 cents per therm higher than the weighted  
14 residential heating average 2016 summer  
15 period rate of a little over 29 cents per  
16 therm.

17 Between you gentlemen, can you explain  
18 what the difference is between the actual  
19 rate and the weighted average rate that are  
20 exhibited between your two testimonies?

21 A. (Kahl) First of all, in my testimony, which  
22 is on -- the section of my testimony  
23 pertaining to Bates Pages 23 and 24, I'm  
24 pertaining to just the cost of gas, as

1       opposed to the entire bill. So this is only  
2       for that. And I think, as everyone knows, in  
3       New Hampshire we can adjust rates if we  
4       foresee that our ending balance is going to  
5       be greater than a certain percentage off by  
6       the end of the season. So, generally, the  
7       rule we use for the summer period is if we  
8       simply are going to be off by about 4 percent  
9       or more, we will adjust the rates, which we  
10      have the authority to do by as much as  
11      25 percent, or we could lower them by any  
12      amount. And so what we do when we look at  
13      the reconciliation and we look back and we  
14      determine how much our costs actually were --  
15      because the rates did change last summer at  
16      least one time -- and from that, when we look  
17      at the actual costs, we can come out with  
18      what the average rate was, even though that  
19      rate wasn't a posted rate, because you have  
20      to combine what you started with on May 1 of  
21      2015 and then combine that with when the  
22      rates changed. Let's just say hypothetically  
23      it was June 1st. So you have to average  
24      those two rates.

1 MR. CICALÉ: That's all for OCA,  
2 Commissioners. Thank you.

3 CHAIRMAN HONIGBERG: Mr. Speidel.

4 EXAMINATION

5 BY MR. SPEIDEL:

6 Q. I'll direct these questions to the panel.  
7 Whoever would like to answer them may answer  
8 them.

9 Are there any differences in the  
10 methodology the Company used to calculate the  
11 initial Summer 2016 Cost of Gas Rate from the  
12 methodology used to calculate the initial  
13 Summer of 2015 Cost of Gas rate? If so,  
14 please describe these and explain the  
15 reasoning for them.

16 A. (Kahl) There is a minor difference in the  
17 initial filed 2015 rate. But that was with  
18 the initial filing only, and that pertained  
19 to the PNGTS refund. And the difference was  
20 that we had initially proposed to refund it  
21 in even increments over a three-year period.  
22 However, when we went to our revised filing,  
23 we had changed that to be half of the refund  
24 would be credited back the first year,

1           30 percent the second, and 20 percent the  
2           third year. And so when we looked at the  
3           final approved rates, there is no change in  
4           the methodology.

5   Q.    Thank you. How does this summer's demand  
6           forecast compare to last summer's?

7   A.    (Kahl) We can look at -- well, actually,  
8           there are several places in my testimony that  
9           pertain to the growth rate of this summer's  
10          demand compared to last summer. And I think  
11          a good place for reference is Bates Page 25.  
12          We do look at about a 5-percent growth rate.

13   Q.    Is the demand forecast weather-normalized?

14   A.    (Kahl) Yes, it is.

15   Q.    Okay. And so this 5-percent increase is  
16          expected due to organic growth and the load  
17          of the Company?

18   A.    (Kahl) Yes.

19   Q.    Have there been any changes in supply points  
20          or supply paths for this summer supply plan  
21          compared to last summer's?

22   A.    (Kahl) No, no changes.

23   Q.    Is the Company satisfied that it has  
24          sufficient supply for the summer period?

1 A. (Kahl) Yes, it is.

2 Q. There is a matter related to currency  
3 exchange rates, Canadian and U.S. rates and  
4 this summer's cost of gas. What is the  
5 impact, and could you briefly describe that  
6 matter?

7 A. (Kahl) Yes. In my testimony I do discuss  
8 that we did update the demand costs for this  
9 Summer Cost of Gas filing because of a change  
10 in the Canadian exchange rate.

11 Also, I believe in my testimony I do  
12 mention that often we leave demand costs  
13 alone once we establish them for the winter  
14 period. But if we do see something that  
15 influences demand costs a significant amount,  
16 we will update those demand costs for the  
17 Summer Cost of Gas filing. And what we had  
18 noticed was that the exchange rate was  
19 falling. I believe the rate we used was  
20 approximately 79 cents per Canadian dollar,  
21 and that had actually fallen to about 69  
22 cents. So we looked at the impact of that,  
23 and we came up with about \$1.4 million based  
24 on that. So we felt it would be best to

1 reflect those updated costs.

2 One thing to keep in mind is, of the  
3 1.4, of course that is for total Northern.  
4 Only roughly about half is going to be  
5 allocated to New Hampshire, and then a  
6 relatively small portion will be allocated to  
7 the summer period. So the impact is not that  
8 large, but we thought it would be best to  
9 flow that through.

10 Q. And thank you for that.

11 I'm sure you're familiar with the  
12 monthly rate adjustments that are known as  
13 "trigger filings" and which allow the Company  
14 to increase the cost of gas rate by up to  
15 25 percent and decrease the rate without  
16 limitation. Do you agree that these  
17 adjustments will suffice in allowing the  
18 Company to manage price fluctuations  
19 throughout the summer without further  
20 Commission action?

21 A. (Kahl) Yes, I do. I think it's really best  
22 to say that what this ability does to raise  
23 and lower rates is to help minimize  
24 end-of-season balances, and so that when we

1 flow in from our reconciliation, the  
2 under/over collection, we try to keep it as  
3 small as possible, and this does help do  
4 that.

5 Q. Are there any changes contemplated within  
6 this filing to the LDAC components?

7 A. (Kahl) The Company is not proposing any  
8 changes to the LDAC components at this time.

9 Q. Okay. Thank you.

10 And one of the LDAC components is the  
11 line item related to PNGTS refunds. That's  
12 continuing this year as usual; correct?

13 A. (Kahl) Yes.

14 Q. Okay. Thank you.

15 How will the Company communicate to  
16 customers changes to the summer cost of gas  
17 rate?

18 A. (Kahl) Our bills that will go out with  
19 reflecting the May 1 rate will have a note on  
20 them saying that the summer cost of gas rates  
21 are in effect and listing what they are per  
22 rate class. We also include what we call a  
23 little "brochure" showing all of the rates,  
24 because our base -- many of our base rates do

1           change in the summer also. So this kind of  
2           gives the customer an opportunity to see, you  
3           know, not just your cost of gas, but also the  
4           base rates themselves.

5   Q.   Is there some communication of the  
6           seasonality of the gas cost structure, in  
7           that there tends to be lower prices in the  
8           summer and then higher prices in the winter  
9           just due to the dynamics of the gas markets  
10          and the scarcity in the winter? Is that  
11          communicated to the customer somehow?

12   A.   (Kahl) We basically do convey that, you know,  
13          it's the summer rates. And, you know, I  
14          would have to check specifically if we say,  
15          you know, they're lower typically in the  
16          summer. I'm not aware of the exact language,  
17          but we do let them know summer rates are in  
18          effect and here they are. And like I said,  
19          we also provide that brochure showing all  
20          rates. We do that both for the summer and  
21          for the winter when those bills are sent out.

22   Q.   And so that's a bill insert kind of brochure  
23          stuck in the back?

24   A.   (Kahl) Yes.



1 Q. Okay. Well, there's been mention of "organic  
2 growth" on the distribution system. What are  
3 the current expectations for customer growth  
4 during the summer construction season? Has  
5 there been a roll-out of new customer  
6 expansions in eastern New Hampshire that you  
7 can refer to in some detail? Not anything  
8 specific, just incremental things.

9 A. (Kahl) No. You know, we've taken a look at  
10 what's happened in 2015 for customer growth  
11 and kind of compared that with what we  
12 projected for this past year. And, you know,  
13 we've seen about maybe 500 additional  
14 residential meters added and roughly about  
15 140 commercial and industrial meters added.  
16 So we are continuing to see growth on the  
17 system. But, you know, we generally look at  
18 when we start to put together our next  
19 forecast. So that will be basically in about  
20 six to eight weeks is when we really get into  
21 looking at all the details at that time. But  
22 at this time we are still seeing growth on  
23 the system.

24 Q. Thank you. Could you please give a capsule

1 summary of the Maine-New Hampshire Interstate  
2 Capacity Allocation issue. There's an open  
3 docket here at the Commission. We don't have  
4 to go into overwhelming detail, but perhaps  
5 you could shed some light on what's going on  
6 in Maine right now with the marketers up  
7 there, and perhaps what the Company's  
8 thinking about in the summer period as we  
9 approach some resolution, hopefully, of the  
10 capacity allocation issue.

11 A. (Kahl) The capacity allocation issue, as you  
12 may know, was initially filed back in 2014, I  
13 believe around the first of May. And last  
14 year there was a settlement that was approved  
15 for Phase 1. So there's two phases that were  
16 proposed. And what Phase 1 does is basically  
17 follow a very similar methodology that New  
18 Hampshire uses for how capacity is assigned;  
19 whereas, before the Phase 1 went into effect  
20 in Maine, all capacity was managed, and it  
21 was assigned as either a storage or a peaking  
22 resource, and prices were estimated, for the  
23 most part. Now, with Phase 1 in effect,  
24 capacity is assigned as either pipeline

1 storage or peaking resource, and it can be  
2 released as opposed to only managed. So, for  
3 instance, if you have a Tennessee contract  
4 from the Gulf, that will simply be released  
5 so that the marketer will have that capacity  
6 and deal directly with the Tennessee  
7 Pipeline. Contracts such as those that flow  
8 through Canada, using Canadian resources,  
9 those will still be managed. Also, the costs  
10 associated with this capacity will really be  
11 tied to their actual costs. There's no  
12 estimates involved. So, in that respect,  
13 it's similar to the New Hampshire program.

14 Phase 2 really deals with how much  
15 capacity is going to be assigned. And the  
16 Company and marketers have not been able to  
17 agree at this time. So this issue went to  
18 hearing on April 6th, and briefs are due this  
19 Friday, the 22nd. And that's the latest on  
20 that.

21 Q. So, in general terms, the Company is trying  
22 to advocate for a system in Maine that  
23 enables it to plan a little bit more for its  
24 capacity needs and those of its primary

1 customers; is that correct?

2 A. (Kahl) That's correct. The Company would  
3 like to have, as it does in New Hampshire, a  
4 hundred-percent capacity assignment for those  
5 customers that are assigned capacity. Right  
6 now, it's a 50-percent assignment.

7 Q. So there's some guesstimation involved, where  
8 you have to kind of make an educated guess as  
9 to how much the marketers are going to need,  
10 and there's a danger of over-purchase or  
11 under-purchase?

12 A. (Kahl) Yes, that's correct.

13 MR. SPEIDEL: Okay. Staff has no  
14 further questions of the witnesses. Thank you  
15 very much.

16 CHAIRMAN HONIGBERG: Commissioner  
17 Scott.

18 INTERROGATORIES BY CMSR. SCOTT:

19 Q. Good morning.

20 A. (Kahl) Good morning.

21 A. (Conneely) Good morning.

22 Q. Mr. Kahl, on Bates 24 of your testimony, you  
23 talk about -- you made reference to "slightly  
24 higher demand costs."

1 A. (Kahl) Hmm-hmm.

2 Q. Obviously, it's nice that I've been able to  
3 cross off different questions I have because  
4 they've already been asked. So you've  
5 already talked about the Canadian exchange  
6 rates which would reduce costs, but yet,  
7 you're still saying there's "slightly higher  
8 demand costs" overall. So I assume that's  
9 one of the factors that slightly increased  
10 this cost compared to last year at this time?

11 A. (Kahl) Yes.

12 Q. So can you explain where does that come from,  
13 the "slightly higher demand costs"? What  
14 drives that?

15 A. (Kahl) I believe what's happening is that  
16 every year, you know, in the winter period  
17 when we take the costs and we take our  
18 forecast, you know, the first thing we do is  
19 break them out by division. But the second  
20 thing we do is break them out by season. And  
21 I believe what's happening in the '15-'16  
22 year is that a larger portion of the costs  
23 are being assigned to the summer period as  
24 opposed to the winter. And this is based

1 partially on just how the demand forecasts  
2 allocate -- is allocated among the months, so  
3 a larger share of that planning load being  
4 allocated to the summer period. If you go  
5 back and look at the prior years, you'll see  
6 a smaller percentage allocated for the summer  
7 months. This would be Schedule 1A.

8 Q. Thanks for that. All right. I'll go to a  
9 different topic then.

10 On Bates 23 you talk about "bad debt  
11 write-off."

12 A. (Kahl) Yes.

13 Q. I guess you talk about half a million dollars  
14 for the winter period. And it looks like you  
15 take the same and kind of pro rated it for  
16 the summer; is that correct?

17 A. (Kahl) Yes. Yes.

18 Q. So the half-million for the winter, is that a  
19 normal thing? Or is that high, low?

20 A. (Kahl) It's pretty normal, actually. Yeah,  
21 it's about right.

22 Q. So that's kind of the historical average then  
23 for --

24 A. (Kahl) Yes, it has fluctuated. I know it's

1       been higher in the past. And, you know, I  
2       can't explain what really impacts that  
3       behavior on write-offs. But 500,000 is, I'd  
4       say, about average, maybe a little on the low  
5       side from what I've seen historically.

6   Q.   Okay. On Bates 36 you talk about "hedging."  
7       And there's no hedging for this period;  
8       correct?

9   A.   (Kahl) That's correct.

10  Q.   So, generally speaking, though, you discuss  
11       "hedging" a fair amount in here. I was  
12       curious. Do you do a look-back on -- you do  
13       a hedging program during the winter. You  
14       have a portfolio and you hedge a certain  
15       percentage. Is it 70 percent? Is that  
16       correct?

17  A.   (Kahl) Yes.

18  Q.   Do you retroactively look back and compare  
19       that to if you hadn't hedged, et cetera? How  
20       do you judge if the hedging program was  
21       worthwhile?

22  A.   (Kahl) I think we look at the hedging program  
23       like an insurance program, really. And so we  
24       don't tend to look back, you know. We just

1           look at it as if, okay, well, if prices take  
2           off, let's have some protection there. And,  
3           you know, we did change it this time because  
4           the odds of anything happening were pretty  
5           slim. And so the amount you were investing  
6           in the program was really just -- it was very  
7           unlikely you would hit the target price and  
8           get that protection. So we opted to change  
9           that to spend a little bit more money, but  
10          bring down the target price so that, you  
11          know, there would be a higher likely  
12          probability that we could use or utilize that  
13          hedge.

14   Q.     So how do you know that 70 percent is a good  
15           number? How do you -- why not 65 or 73? I'm  
16           just wondering.

17   A.     (Kahl) That's been around for a long time,  
18           and I know it's been discussed. But, you  
19           know, the Company is comfortable with that  
20           percentage, so...

21   Q.     Thank you for that.

22                   And there's no storage for the summer  
23           period? You're not --

24   A.     (Kahl) No. Summer is, you know, when you're



1           buying your gas to store, and it's designed  
2           to be used in the winter.

3    Q.    So, obviously this winter was, my  
4           understanding, the warmest on record,  
5           anyways. So I assume there were stocks left  
6           in storage. Did that have an impact on the  
7           summer program at all?

8    A.    (Kahl) There would be less to purchase. I  
9           believe the Washington 10 storage, because we  
10          operate that with an asset management  
11          agreement, we are able to simply not have to  
12          worry about injecting and withdrawing that  
13          storage. So I think we are protected from  
14          that scenario of having to worry about excess  
15          gas stuck in storage.

16   Q.    Okay. And you talk a little bit about  
17          potential -- you were asked about potential  
18          customer growth earlier, and I think you  
19          referred to 2015 numbers.

20   A.    (Kahl) Over 2015, yes.

21   Q.    I was just curious. Obviously, the price of  
22          heating oil is considerably lower than it has  
23          been historically in recent years. Do you  
24          think that will have a damping effect on the

1           number of new customers?

2       A.     (Kahl) I'm not an expert on fuel switching.  
3           My guess is that that would take a prolonged  
4           period of time to have customers rethink  
5           their energy choices. I think for a number  
6           of years now people are saying, you know, gas  
7           is a cheaper option. Of course, it has the  
8           added benefit of being a cleaner option. So  
9           in my opinion, I think it would take a  
10          significant amount of time for very low oil  
11          prices to impact people's decisions on how  
12          they would heat their homes.

13      Q.     I have one more crystal ball question for you  
14           since you're polishing it right now.

15               What's your best guess on what we'll see  
16           for next winter? Do you think prices will be  
17           high for gas or lower?

18      A.     (Kahl) I think they'll be a little bit higher  
19           at this point. But it's really anyone's  
20           guess. There's a possibility that some  
21           producers will get out of the market or find  
22           a way to "shut in" to avoid the situation  
23           that they've had this past winter. So...

24               CMSR. SCOTT: Thank you. That's all

1 I have, Mr. Chairman.

2 CHAIRMAN HONIGBERG: Commissioner  
3 Bailey.

4 CMSR. BAILEY: Thank you.

5 INTERROGATORIES BY CMSR. BAILEY:

6 Q. Good morning. Do either of you know what the  
7 current price per therm, cost per therm of  
8 gas is right now, this month?

9 A. (Kahl) The NYMEX price?

10 Q. The price that I can compare to the price  
11 that you're proposing to be collected. So  
12 you say .3196 is the cost per therm.

13 A. (Kahl) Yes.

14 Q. What is the equivalent price right now, at  
15 this moment, that you're buying it for?

16 A. (Kahl) That we're buying it for? What are we  
17 charging customers right now?

18 Q. Sure.

19 (Discussion between witnesses.)

20 A. (Kahl) I believe what Northern is charging  
21 right now for residential customers is up  
22 around 80 cents. That's for the month of  
23 April only. Now, earlier I was mentioning  
24 how the Company has the ability to increase

1 rates up to 25 percent or lower them by any  
2 amount. For April we did boost our rates up,  
3 and actually pretty close to the 25-percent  
4 border. We were projecting an  
5 under-collection. And I believe that was due  
6 to the warm weather that we were having.

7 One thing I will note is that when you  
8 get down to where you have one month left to  
9 change your rates, that will impact the rates  
10 a greater amount because you have fewer  
11 therms that you're dividing that dollar  
12 difference that you see by. So if we think  
13 that we're \$500,000 under-collected, if we  
14 think that's the case and we have two months  
15 left to recover it, that will give us one  
16 price. If we have one month left to recover  
17 it, which is the case with the April rate  
18 increase, that rate is twice as high. So the  
19 rates did take a jump up.

20 Q. Did you say 80 cents?

21 A. Eighty cents.

22 Q. Compared to this rate of about 32 cents?

23 A. Correct. So that is a winter rate also.

24 Q. I understand, I understand. And what was it

1           the month before that you made this  
2           25-percent increase?

3    A.    (Kahl) I think we were in the 60 to 65 cent  
4           rate.   Yeah.

5    Q.    Okay.  I'm trying to understand why the cost  
6           in the summer of 2016 is higher than the  
7           price per therm in 2015.  And the actual  
8           price was about 29 cents in 2015?  That's  
9           what you said; right?

10   A.    (Kahl) Hmm-hmm.

11   Q.    And your proposal is about 32 cents.  And I  
12           heard two different things:  One, that it was  
13           based on the change in the exchange rate.  
14           And in response to a question that  
15           Commissioner Scott asked you, you said that  
16           the exchange rate would lower the price.  So  
17           let me just ask you a question about that.

18                   Last year you could buy 79 Canadian  
19           cents for a dollar?

20   A.    (Kahl) I think you could buy a dollar for 79  
21           U.S. cents.

22   Q.    One Canadian dollar cost 79 U.S. cents.  So  
23           now one Canadian dollar costs 69 cents.  So  
24           that should lower the rate.

1 A. (Kahl) Yes.

2 Q. Okay. And the second thing you said had an  
3 impact was you allocated the demand charges  
4 more in the summer.

5 A. (Kahl) Yes.

6 Q. Okay. Can we look at Schedule 1A? Can you  
7 show me where that one is?

8 A. (Kahl) Yes. So I can show you where the  
9 percentages for summer and winter are drawn.

10 Q. Is that on Page 47?

11 A. (Kahl) This is on Bates Page 47.

12 Q. Looks like 50/50 to me.

13 A. So if we look down on Line 73, for  
14 instance --

15 Q. For storage and peaking?

16 A. Yeah, and peaking. So you're seeing that  
17 about 4.57 percent is being allocated to the  
18 summer.

19 Q. Right. That's really small.

20 A. (Kahl) Right. So last year, I believe that  
21 percentage was smaller.

22 Q. Oh, you're saying -- so it's not the  
23 difference between summer and winter; it's  
24 the difference between summer this year and

1 summer last year.

2 A. (Kahl) Yeah.

3 Q. Okay.

4 A. (Kahl) So that is one part why rates are  
5 higher.

6 Q. That's really a small piece of it, seems  
7 like.

8 A. (Kahl) And then we also have a smaller --

9 Q. Do you have the commodity price somewhere in  
10 this filing that you are going to expect to  
11 be part of this 32 cents?

12 A. (Kahl) Yes. If we turn to Bates Page 163,  
13 and if you look, you can see on Lines 13 and  
14 14 both show NYMEX price. And you can see it  
15 right there for May. That price was about a  
16 dollar -- roughly \$1.79.

17 Q. And so why does it go up to \$2 in the summer?

18 A. (Kahl) Where are you referring to?

19 Q. Well, 1.996 is almost \$2. \$2.046 in the same  
20 line that you're reading, only going across  
21 the table for June, July, August.

22 A. So these are the NYMEX prices that we pulled,  
23 and so this is what the market is indicating.  
24 I'm not an expert on why NYMEX prices move

1           the way they do. But I would speculate that  
2           we have a glut of gas right now. And  
3           typically you would not expect to see prices  
4           increasing in the summer, but I think the  
5           market is projecting that glut's going to get  
6           worked off and we'll get up to a higher  
7           level.

8       Q.   How do I convert \$1.90 to a price per therm  
9           of .3196? What goes into that .3196 of the  
10          \$1.90?

11      A.   (Kahl) This... trying to think of the best  
12          way to explain that. And we really want to  
13          look at the total commodity cost. That NYMEX  
14          price gives you a piece of total commodity  
15          costs. And then...

16               (Discussion between witnesses.)

17      A.   (Kahl) So what Schedule 22 does is shows us  
18          the cost that Northern is projecting it's  
19          going to incur over the summer, and it used  
20          that price in determining what its costs were  
21          going to be. So --

22      Q.   Well, what's the unit, \$1.90?

23      A.   (Kahl) Per decatherm.

24               (Discussion between witnesses.)



1     A.     (Kahl) Right. So this is the Henry Hub  
2             price, which is the benchmark for  
3             establishing prices.

4     Q.     Okay. But what -- so if it's \$1.90 -- you  
5             think it's per decatherm. So is 19 cents  
6             what is attributable to this price in the  
7             rate of .3196? That's what I'm trying to  
8             figure out.

9     A.     (Kahl) Right. That NYMEX price, if we look  
10            down on Line 19, we're seeing total pipeline  
11            costs. You can see Line 20 is storage costs,  
12            and there's nothing there. Line 21 is  
13            peaking costs, and that is LNG boil-off. So  
14            what we have in the summer is just gas that  
15            we're purchasing at those prices. And that  
16            shows us that the Company is spending a year  
17            about \$40 million dollars, but for the  
18            summer, only about \$5 million.

19    Q.     Well, how did you get the -- how did you use  
20             the \$1.90 in that calculation? Is that --  
21             you must multiply it by some amount of usage.

22    A.     (Kahl) Right. So usage would be what you see  
23             on Line 2. So those are your supply volumes.

24    Q.     So if I multiply Line 2 by Line 13, I should

1           get Line 17? I don't have my calculator.

2           (Witness calculating)

3   A.   (Kahl) It should be correct.

4   Q.   And that's described as "pipeline costs"?

5   A.   (Kahl) Right, because it is serving Northern  
6       through pipelines that could come from as far  
7       as the Gulf of Mexico or from a shorter  
8       distance. Could come from the Marcellus area  
9       or --

10   Q.   But that's the actual volume, what you pay  
11       for the volume of gas that you're buying.

12   A.   (Kahl) Right.

13   Q.   Okay. And then, again, I mean, if you divide  
14       it by the usage, you're back to a \$1.90. So  
15       I still don't understand. Is it 19 cents  
16       that is the piece that -- maybe you can't  
17       answer my question today. Maybe you could --

18   A.   (Kahl) Actually, why don't we take a look  
19       back up to the front. And we can see here --

20   Q.   The front of what?

21   A.   (Kahl) I'm sorry. The front of the filing,  
22       Bates Page No. 3. And if we look, we can see  
23       how much the -- this is three lines -- Line  
24       63. So we can see here what the commodity

1 cost of gas rate is.

2 Q. There we go. Thank you.

3 A. (Kahl) So, my apologies for not getting there  
4 sooner.

5 Q. Okay. And so then I would expect that the  
6 demand cost of gas of .0939 cents is higher  
7 by maybe, I don't know, a couple cents than  
8 last year, if I compare this to last year,  
9 because that's where the price difference is?

10 A. (Kahl) Now, I know when I talked about why  
11 this year's price is higher than last  
12 year's -- and I want to turn to that part of  
13 my testimony where I discuss this. This is  
14 Bates Page 24. So on Lines 2 through 6, I  
15 said, "The overall change in the proposed  
16 2016 Summer Period average rate compared to  
17 the 2015 Summer Period actual average rate is  
18 primarily due to a slightly higher demand  
19 cost and an under-collection in the 2015  
20 summer reconciliation compared to an  
21 over-collection in the prior year."

22 So if we turn to our reconciliation, we  
23 see we had an under-collection of about  
24 \$23,000. And I believe last year we had a

1       fairly significant over-collection. Last  
2       winter was cold, and because of the  
3       additional demand we were over-collected. So  
4       that's a part of why costs are higher. And  
5       that might actually be the biggest reason  
6       that costs are higher is due to that  
7       difference.

8   Q.   So last year you were -- the price that  
9       customers were paying was reduced because of  
10      an over-collection. So you collected too  
11      much in the wintertime, and so you reduced  
12      the summer rate.

13  A.   (Kahl) That's correct.

14  Q.   Okay. So if I look back last year at the  
15      demand rate and the commodity rate, they  
16      should be about the same or -- I mean, would  
17      you expect this year's commodity rate to be a  
18      little bit lower than last year's?

19  A.   (Kahl) I'm just trying to remember what we  
20      had last year for our rate.

21  Q.   Yeah.

22  A.   (Kahl) I would think so.

23  Q.   Okay. And the under-collection, is that the  
24      .0154 per therm that is on that line that

1 gets added to -- it's not labeled. Looks  
2 like Line 68, indirect cost of gas maybe, or  
3 69? I'm sorry. On Page 3.

4 A. (Kahl) So that would go, yes, into the  
5 indirect cost of gas.

6 Q. What is the indirect cost of gas? Is that  
7 your over- or under-collection?

8 A. That's part of it, yes. If you look on Page  
9 1, actually, of the summary, this will show  
10 you the components of your indirect cost of  
11 gas. And as you see, starting around Line  
12 22 --

13 Q. So there's the \$23,000 in under-collection.  
14 And you're going to -- let's see. The  
15 interest, why does that get taken out?

16 A. (Kahl) The interest?

17 Q. Yeah.

18 A. (Kahl) That is just included. That's an  
19 additional cost. So it's just negative  
20 interest.

21 Q. But it looks -- it looks like in Column C  
22 you're subtracting 335 from 23,260.

23 A. (Kahl) Yes. Like I said, that interest  
24 number is a negative.

1 Q. You've under-collected, so customers owe you  
2 interest on the money that you haven't  
3 collected; is that right?

4 A. (Kahl) Yes, but that interest could be due to  
5 a number of factors.

6 Q. Oh, okay. So the indirect cost of gas is  
7 \$22,925 -- 23,000 rounded. That's the  
8 indirect cost of gas that's going to be  
9 collected in the .0154 per therm rate on  
10 Page 3?

11 A. (Kahl) All right. I'd like to just clarify.  
12 When we talk about the "indirect cost of  
13 gas," we're talking about several items,  
14 okay. One of them is the prior period  
15 over/under. We have some interest. We also  
16 have working capital and we have bad debt.  
17 Both bad debt and working capital are  
18 themselves a net number because we do take  
19 the prior year's balance and factor that in.  
20 You can see that again on Page 1, Line 34,  
21 showing you the reconciliation of working  
22 capital. Line 4 is showing you  
23 reconciliation on bad debt.

24 And then we also have costs that are

1           determined during rate cases. This is the  
2           miscellaneous overhead on Line 45. Line 43  
3           shows local production that -- again, this is  
4           primarily LNG and storage capacity. That  
5           shows no values for the summer because it's  
6           all allocated. But there are other costs  
7           that are determined in the base rate case  
8           proceeding. And again, we consider this an  
9           indirect cost because we're not basing these  
10          off of invoices that we are receiving  
11          directly. So when you get to Line 47,  
12          there's your total indirect cost of gas. And  
13          then that, when you flip back to the other  
14          page, Page 3, that will tie out with the  
15          number on Line 66.

16       Q.    Okay. Just for my education, can you give me  
17           an idea of what's the "miscellaneous  
18           overhead"? I know that was already approved  
19           in a rate case, but I'm just curious.

20       A.    (Kahl) I think there are costs that could be  
21           tied to scheduling of gas, nominations of  
22           gas. That would include, you know, costs for  
23           employees, those types of items. So, those  
24           responsibilities that have a direct

1 connection with the cost of gas.

2 Q. Okay. Thank you. Mr. Conneely, maybe this  
3 question is for you. Do you know if a copy  
4 of the billing insert brochure that you're  
5 going to put in your May 1st bill has been  
6 sent to our Consumer Affairs Division?

7 A. (Conneely) I don't believe it has yet. We  
8 are still in the process of internal review  
9 of the bill insert.

10 Q. Okay. Will you make sure that she gets a  
11 copy of that?

12 A. (Conneely) Sure, we will.

13 Q. As well as any statements that's going to go  
14 on the bill.

15 A. (Conneely) We will.

16 CMSR. BAILEY: Okay. Thank you.

17 INTERROGATORIES BY CHAIRMAN HONIGBERG:

18 Q. Mr. Kahl, can you identify some of the other  
19 factors that affect the interest credit  
20 that's shown on Page 1, Line 24? Because my  
21 instincts were the same as Commissioner  
22 Bailey's, that if you under-collected, then  
23 your customers owe you money and some  
24 interest. It seems like that number should



1           be a positive number rather than a negative  
2           number. But you said there are other  
3           factors. What are the other factors that go  
4           into that?

5    A.   (Kahl) I think if we take a look at Bates  
6           Page 56, which is a lot of numbers...

7    Q.   Which of those numbers is the number we would  
8           want to be looking at?

9    A.   (Kahl) Yes, I'm trying to find a good place  
10           to point you to, so bear with me for one  
11           minute.

12               (Witness reviews document.)

13   A.   (Kahl) I'll do my best to explain this. But  
14           if we look down on page -- sorry -- Line 102,  
15           we're seeing net costs minus revenues. And  
16           so as we look across there, we're seeing --  
17           you can see some negative values. So there's  
18           certain months when we are over-collecting.  
19           And the last line will show interest tied to  
20           that, and so that carries across on Line 115.

21   Q.   So the short answer, without identifying  
22           specific factors, are that there are other  
23           elements of interest either owed or that are  
24           owed to you than are just associated with the

1 under-collection for that line -- for that  
2 entry on Page 1; is that correct?

3 A. (Kahl) Yes.

4 Q. All right. You said another thing that  
5 confused me a little in your discussion, I  
6 think it was with Commissioner Scott, about  
7 the over-collection that was given back in  
8 part to customers last summer, that it was  
9 associated with over-collections in the  
10 winter. And I was fairly certain that you  
11 reconciled summer to summer and winter to  
12 winter. Is that right?

13 A. (Kahl) That's correct. If I said it  
14 pertained to the winter, that -- yeah, that  
15 would be mistaken. It's summer to summer.  
16 And I think I did start to mention last  
17 winter, but it's really last summer.

18 Q. I mean, it occurred to me that, quote,  
19 unquote, "winter" lasted a long time in 2015.  
20 So it's conceivable that what we colloquially  
21 think of as winter having continued a long  
22 time could have affected things into the  
23 spring. But I'm not sure that's what you  
24 meant.

1 A. (Kahl) No, you're correct. The  
2 over-collection from -- this would really be  
3 the 2014 summer is what was -- what had  
4 flowed into the 2015 rates.

5 Q. Okay, I feel better then.

6 A. (Kahl) Okay.

7 Q. And ultimately what we're talking about here  
8 today is not something you're making a profit  
9 on; right?

10 A. (Kahl) That's correct.

11 Q. And this full reconciliation, which is fairly  
12 significant, is a significant issue. It is  
13 the way that we make sure that at the end of  
14 the day neither the Company nor its  
15 ratepayers is better or worse off as a result  
16 of what's going on; correct?

17 A. (Kahl) That's correct.

18 Q. All right. I don't think I have any other  
19 questions.

20 Mr. Taylor, do you have any further  
21 questions for your witnesses?

22 MR. TAYLOR: I have no further  
23 questions for the witnesses.

24 I do have one issue I thought

1 I would raise before we go into closing  
2 statements. I do have just one clean-up  
3 issue that I actually raised during the  
4 preliminary matters. I can take it up either  
5 in advance of closing statements or not.  
6 It's not anything I need the witnesses for.

7 CHAIRMAN HONIGBERG: All right. Then  
8 why don't we wrap up with the witnesses.

9 Thank you. You're excused.  
10 You can either stay where you are or return  
11 to the table.

12 I assume there's no objection  
13 to the striking of I.D. on Exhibits 1 and 2.

14 MR. CICALÉ: None.

15 CHAIRMAN HONIGBERG: Seeing none --  
16 thank you, Mr. Cicale. So we'll strike the  
17 I.D. for Exhibits 1 and 2.

18 Mr. Taylor, what is the no  
19 longer preliminary, but other matter you want  
20 to talk about?

21 MR. TAYLOR: As I said, it's really  
22 seen as a clean-up issue. When we made the  
23 filing this year, we submitted it with a cover  
24 letter just indicating that certain elements

1       were confidential, consistent with Rule 201.06.  
2       They're the same elements that we've  
3       traditionally marked as confidential. There  
4       was subsequently a small amount of discovery  
5       from the Staff. One of the discovery  
6       responses, we had provided some material,  
7       copies of asset management agreements. In the  
8       cover letter submitting the discovery, we  
9       indicated that we would submit a motion at or  
10      before the hearing consistent with 203.08, but  
11      prior to the hearing today we determined that  
12      the material that was submitted actually fell  
13      within the Rule of 201.06, elements that are  
14      presumptively confidential. Specifically,  
15      201.06 (a), (b) and (f) are -- actually (g), I  
16      believe, were the specific elements that we  
17      believe that it fell under. So I'm only  
18      raising that because in the cover letter we had  
19      indicated there was going to be a motion  
20      forthcoming. We believe the rule obviates the  
21      need for that motion. And so, just for the  
22      sake of a clean record proceeding, we wanted to  
23      bring that up.

24                   CHAIRMAN HONIGBERG: Mr. Speidel, is

1           there any action we need to take?

2                       MR. SPEIDEL: (No verbal response.)

3                       CHAIRMAN HONIGBERG: I didn't think  
4           so. And do you have any -- do you disagree at  
5           all, Mr. Cicale, Mr. Speidel, with the issue of  
6           what Mr. Taylor just said?

7                       MR. SPEIDEL: No.

8                       CHAIRMAN HONIGBERG: All right. So  
9           we don't need to take any action. We're good  
10          at that.

11                      All right. Let's give you a  
12          chance to sum up. Mr. Cicale, you get to go  
13          first.

14                      MR. CICALÉ: The Office of Consumer  
15          Advocate believes that the Unitil Northern  
16          Utilities Cost of Gas for the Summer Period is  
17          at a just and reasonable rate. Going forward,  
18          we encourage the Company to fill its filing  
19          with as much comparison models from summers  
20          previous when applicable and winters previous  
21          when applicable for clarity of the Commission  
22          and for the Staff and Office of Consumer  
23          Advocate to analyze and assess. And once  
24          again, thank you for your time today. The

1 Office of Consumer Advocate rests.

2 CHAIRMAN HONIGBERG: Mr. Speidel.

3 MR. SPEIDEL: Thank you, Mr. Chairman  
4 and Commissioners. Staff of the Commission  
5 requests approval of the Northern Utilities  
6 Summer Cost of Gas rates as filed, subject to  
7 reconciliation and audit. Thank you very much.

8 CHAIRMAN HONIGBERG: Mr. Taylor.

9 MR. TAYLOR: I have nothing to add  
10 that my witnesses haven't already addressed.  
11 We very much appreciate your time this morning  
12 and ask that the Commission approve the filing  
13 as it's been submitted.

14 CHAIRMAN HONIGBERG: Commissioner  
15 Scott.

16 CMSR. SCOTT: What date is this  
17 needed?

18 MR. TAYLOR: I believe if we could  
19 have an order before May 1, that would be very  
20 helpful.

21 CHAIRMAN HONIGBERG: Thank you all.  
22 We'll take this under advisement and issue an  
23 order as quickly as we can.

24 (Hearing adjourned at 10:10 a.m.)