

1 **STATE OF NEW HAMPSHIRE**
2 **PUBLIC UTILITIES COMMISSION**

3
4 **October 21, 2020 - 10:07 a.m.**

5 *[Remote Hearing conducted via Webex]*
6

7
8 **RE: DG 20-154**
9 **NORTHERN UTILITIES, INC.**
10 **2020-2021 Cost of Gas.**

11 **PRESENT:** Chairwoman Dianne Martin, Presiding
12 Cmsr. Kathryn M. Bailey

13 Jody Carmody, Clerk
14 Eric Wind, PUC Remote Hearing Host

15 **APPEARANCES:** **Reptg. Northern Utilities, Inc.:**
16 Patrick H. Taylor, Esq.

17 **Reptg. Residential Ratepayers:**
18 Christa Shute, Esq.
 Office of Consumer Advocate

19 **Reptg. PUC Staff:**
20 Mary E. Schwarzer, Esq.
 Stephen Frink, Dir./Gas & Water Div.
 Al-Azad Iqbal, Gas & Water Division

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23 Court Reporter: Steven E. Patnaude, LCR No. 52
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I N D E X

PAGE NO.

**WITNESS PANEL: CHRISTOPHER A. KAHL
 FRANCIS X. WELLS
 S. ELENA DEMERIS**

Direct examination by Mr. Taylor	11
Cross-examination by Ms. Schwarzer	14, 27
Interrogatories by Cmsr. Bailey	23
Interrogatories by Chairwoman Martin	28
Cross-examination by Ms. Shute	33

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CLOSING STATEMENTS BY:

Ms. Shute	38
Ms. Schwarzer	38
Mr. Taylor	39

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Order of Notice	<i>premarked</i>
2	Northern Utilities, Inc. 2020-2021 Cost of Gas filing <i>[REDACTED - For PUBLIC Use]</i>	<i>premarked</i>
3	Northern Utilities, Inc. 2020-2021 Cost of Gas filing {CONFIDENTIAL & PROPRIETARY}	<i>premarked</i>

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P R O C E E D I N G

CHAIRWOMAN MARTIN: Okay. We're here this morning in DG 20-154 for a hearing regarding the Northern Utilities, Incorporated, 2020 through 2021 Cost of Gas filing.

I need to make the findings related to this remote hearing.

As Chairwoman of the Public Utilities Commission, I find that due to the State of Emergency declared by the Governor as a result of the COVID-19 pandemic, and in accordance with the Governor's Emergency Order Number 12, pursuant to Executive Order 2020-04, this public body is authorized to meet electronically. Please note that there is no physical location to observe and listen contemporaneously to this hearing, which was authorized pursuant to the Governor's Emergency Order.

However, in accordance with the Emergency Order, I am confirming that we are utilizing Webex for this electronic hearing. All members of the Commission have the ability to communicate contemporaneously during this hearing, and the public has access to

1 contemporaneously listen and, if necessary,
2 participate.

3 We previously gave notice to the public
4 of the necessary information for accessing this
5 hearing in the Order of Notice. If anybody has a
6 problem, please call (603)271-2431. In the event
7 the public is unable to access the hearing, the
8 hearing will be adjourned and rescheduled.

9 All right. Let's take roll call
10 attendance. My name is Dianne Martin. I am the
11 Chairwoman of the Public Utilities Commission.
12 And I am alone.

13 Commissioner Bailey.

14 CMSR. BAILEY: Commissioner Kathryn
15 Bailey. And I am alone, but expecting a delivery
16 person to come into my house at some point.

17 CHAIRWOMAN MARTIN: All right. Thank
18 you.

19 And let's take appearances.
20 Mr. Taylor.

21 MR. TAYLOR: Good morning,
22 Commissioners. This is Patrick Taylor, on behalf
23 of Northern Utilities, Inc., doing business as
24 Unitil. And I'll also just introduce some of the

1 other folks who are here on the line with me
2 today: Christopher Kahl, Francis Wells, and
3 Elena Demeris will all be appearing as witnesses.

4 And I'll also note that, even though
5 they are not panelists, André Francoeur,
6 Christopher Goulding, and Dan Main from our
7 Company are all observing as members of the
8 public, and are available as well.

9 And, I, too, am alone, at least in this
10 room. There is a house full of remote learners.
11 But they have been instructed not to enter the
12 room, so --

13 CHAIRWOMAN MARTIN: We'll see if your
14 remote learners do better than mine.

15 All right. Ms. Shute.

16 MS. SHUTE: Good morning,
17 Commissioners. Christa Shute, Staff Attorney for
18 the Office of the Consumer Advocate, here
19 representing residential ratepayers.

20 CHAIRWOMAN MARTIN: Thank you. And
21 Ms. Schwarzer.

22 MS. SCHWARZER: Good morning, Madam
23 Chairwoman and Commissioner Bailey. I am Mary
24 Schwarzer, Staff Attorney with the Public

1 Utilities Commission. And with me this morning
2 is Stephen Frink, the Director of Water and Gas
3 Division; Al-Azad Iqbal, who is a Utility Analyst
4 in that division.

5 CHAIRWOMAN MARTIN: All right. Great.
6 Thank you.

7 I have Exhibits 1, 2, 3 prefiled and
8 premarked for identification. I also have that
9 the Company is relying upon Puc 201.06 and .07
10 for confidential treatment of supplier
11 information. And, so, parties should just note
12 that and be careful not to disclose confidential
13 information in the public session.

14 Any other matters we need to talk about
15 before we go to witnesses?

16 *[No verbal response.]*

17 CHAIRWOMAN MARTIN: Okay. Oh,
18 Ms. Schwarzer.

19 MS. SCHWARZER: I believe the utility
20 wanted to address a procedural -- Northern wanted
21 to address a procedural point.

22 MR. TAYLOR: Indeed. And I was just
23 sort of frantically trying to unmute my button
24 there. So, thank you, Attorney Schwarzer, for

1 raising that.

2 Yes. Actually, there are two things
3 that I just want to raise for the Commission.

4 One relates to the exhibits that we
5 filed, Hearing Exhibits 2 and 3. And I just want
6 to point out that, when we made our initial
7 filing, the Company had inadvertently omitted a
8 clean version and a redline version of one tariff
9 page. And we subsequently filed that in the
10 docket a couple days later. When I filed Hearing
11 Exhibit 2 and Hearing Exhibit 3, I inserted those
12 tariff pages into the filing, and then redid the
13 Bates numbering.

14 And, so, just for the parties'
15 references, when we're referencing the Company's
16 cost of gas filing today, the exhibits that have
17 been filed in this docket have a different Bates
18 Page numbering. It's off by two, compared to
19 what we initially filed.

20 And, so, I raise that only just to --
21 to make sure that people are referencing the
22 exhibits that we filed, as opposed to the initial
23 filing, because otherwise the Bates Page numbers
24 may not match up when we're making reference to

1 it.

2 The other thing that I wanted to raise
3 is the Commission issued its Order of Notice,
4 which has been filed by the Staff as an exhibit
5 in this matter, on September 25th. The Order of
6 Notice directed the Company to publish a copy of
7 the notice on the Company's website within one
8 business day after the date of issue, and the
9 document publication by affidavit filed with
10 Commission no later than 10:00 a.m. on
11 October 8th.

12 The Company did make publication on its
13 website as directed. However, the Company filed
14 its proof of publication on October 9, one day
15 late.

16 So, the Company hereby moves the
17 Commission to grant the Company a waiver of the
18 October 8th filing deadline as set forth in the
19 September 25th Order of Notice, and find that the
20 Company has substantially complied with the Order
21 of Notice. No parties were prejudiced in their
22 ability to participate in this case, and the
23 Commission is not prejudiced in its ability to
24 render a decision in the matter. And, as such,

[WITNESS PANEL: Kahl|Wells|Demeris]

1 good cause exists to grant the Company a waiver.

2 And that's the only other procedural
3 issue I wanted to raise.

4 CHAIRWOMAN MARTIN: Okay. Thank you.
5 Any objection to the waiver?

6 MS. SCHWARZER: None.

7 CHAIRWOMAN MARTIN: All right. We'll
8 address that in our order. Thank you for that,
9 and thank you for clarifying the exhibits and the
10 Bates issues. That's helpful.

11 All right. Let's go to the witnesses
12 then. Steve, could you please swear in the
13 witnesses.

14 (Whereupon **Christopher A. Kahl,**
15 **Francis X. Wells,** and **S. Elena Demeris**
16 were duly sworn by the Court Reporter.)

17 CHAIRWOMAN MARTIN: Okay. Thank you.
18 Mr. Taylor.

19 MR. TAYLOR: I'm going to ask the
20 witnesses -- or, I'm going to ask the witnesses
21 some questions, starting with Mr. Kahl.

22 **CHRISTOPHER A. KAHL, SWORN**

23 **FRANCIS X. WELLS, SWORN**

24 **S. ELENA DEMERIS, SWORN**

[WITNESS PANEL: Kahl|Wells|Demeris]

1 **DIRECT EXAMINATION**

2 BY MR. TAYLOR:

3 Q Mr. Kahl, can us please state your name and your
4 position within the Company?

5 CHAIRWOMAN MARTIN: Mr. Kahl, you're on
6 mute.

7 **BY THE WITNESS:**

8 A (Kahl) Sorry about that. It's Christopher Kahl,
9 Senior Regulatory Analyst.

10 BY MR. TAYLOR:

11 Q And have you previously testified before the
12 Commission, Mr. Kahl?

13 A (Kahl) Yes, I have.

14 Q If you could please refer to Hearing Exhibit 2,
15 or Hearing Exhibit 3, and specifically starting
16 at Bates Page 034 is testimony bearing your name.
17 Was this testimony prepared by you or under your
18 direction?

19 A (Kahl) Yes, it was.

20 Q And were the schedules that accompany your
21 testimony prepared by you or under your
22 direction?

23 A (Kahl) Yes.

24 Q Do you have any changes or corrections to your

[WITNESS PANEL: Kahl|Wells|Demeris]

1 testimony or schedules that you wish to note on
2 the record today?

3 A (Kahl) No.

4 Q And just with respect to your testimony, if you
5 were asked the same questions in your prefiled
6 testimony today, would your answers be the same?

7 A (Kahl) Yes, they would be.

8 Q Mr. Wells, could you please give your name and
9 position within the Company?

10 A (Wells) My name is Francis Wells. I am the
11 Manager of Energy Planning for Unitil Service
12 Corp.

13 Q Have you previously testified before the
14 Commission?

15 A (Wells) Yes.

16 Q And, if you could please refer to the Hearing
17 Exhibit, specifically starting at Bates Page 068,
18 there's testimony bearing your name. Was this
19 testimony prepared by you or under your
20 direction?

21 A (Wells) Yes.

22 Q And were the schedules that accompany your
23 testimony prepared by you or under your
24 direction?

[WITNESS PANEL: Kahl|Wells|Demeris]

1 A (Wells) Yes.

2 Q Do you have any changes or corrections to your
3 testimony or schedules that you'd like to note on
4 the record today?

5 A (Wells) No.

6 Q And, with respect to your testimony, if you were
7 asked the same questions in your prefiled
8 testimony today, would your answers be the same?

9 A (Wells) Yes.

10 Q Thank you. And, finally, Ms. Demeris, can you
11 please state your name and your position with the
12 Company?

13 A (Demeris) Yes. My name is Elena Demeris. I'm a
14 Senior Regulatory Analyst.

15 Q And have you previously testified before the
16 Commission?

17 A (Demeris) Yes, I have.

18 Q Referring to the Hearing Exhibits, starting at
19 Bates Page 095, there's testimony bearing your
20 name. Was this testimony prepared by you or
21 under your direction?

22 A (Demeris) Yes.

23 Q And were the schedules that accompany your
24 testimony prepared by you or under your

[WITNESS PANEL: Kahl|Wells|Demeris]

1 direction?

2 A (Demeris) Yes.

3 Q Do you have any changes or corrections to your
4 testimony or schedules that you want note on the
5 record today?

6 A (Demeris) I do. On Bates Page 290 and Bates Page
7 305, there are references to "Schedule 10B", and
8 those should be "Schedule 17-FXW".

9 Q Thank you.

10 A (Demeris) Thank you.

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

14 A (Demeris) Yes.

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

17 CHAIRWOMAN MARTIN: Okay. I'LL begin
18 with Ms. Shute, do you have questions?

19 MS. SHUTE: I do not. Thank you.

20 CHAIRWOMAN MARTIN: And Ms. Schwarzer?

21 MS. SCHWARZER: Yes. Thank you, Madam
22 Chairwoman.

23 **CROSS-EXAMINATION**

24 BY MS. SCHWARZER:

[WITNESS PANEL: Kahl|Wells|Demeris]

1 Q I would like to ask what the major factors are
2 that account for such a significant increase in
3 rates from last winter? This is directed to the
4 panel.

5 A (Kahl) This is Chris, Chris Kahl. Yes. The
6 rates are higher for a number of reasons. We
7 have higher demand costs, and that is due to
8 having two new contracts that are scheduled for
9 November 1st to come on line.

10 Also, if we look at last year's rates,
11 last year's rates were actually on the low side,
12 you could say "unusually low". We had last year
13 a reconciliation over-recovery; this year we have
14 a reconciliation under-recovery.

15 We had higher asset management or AMA
16 revenues included last year. We have lower
17 revenues this year. And, again, that is going to
18 increase your demand costs.

19 Those are the main issues. We also
20 have lower sales projected this year compared to
21 last year.

22 For reference, if you look at some of
23 the tariff pages, I believe the redline version
24 of tariff pages, I believe it's 40 and 41, they

[WITNESS PANEL: Kahl|Wells|Demeris]

1 will compare, and you can see what the demand
2 charges were filed last year compared to this
3 year. And that will help highlight some of those
4 differences. You are muted.

5 Q Thank you, Mr. Kahl. In your discussion of the
6 increased demand charges, and you referred to two
7 new contracts. Is that the same thing as the new
8 pipeline in the portfolio or is that an
9 additional factor?

10 A (Wells) It is the new pipeline contracts that we
11 are anticipating coming on line in November.

12 Q Thank you. How will the new pipeline be used in
13 the winter, in terms of load factor and total
14 Dth? And what resources are these replacing
15 compared to last winter?

16 A (Wells) The best place to see the utilization of
17 the resources, the new resources, is actually in
18 my testimony. And I apologize, I usually have a
19 nice tabulated hardcopy of this filing. But --

20 Q Might it be Bates 082 to 086? Or, perhaps not.

21 A (Wells) No. I mean, I suppose that -- okay. So,
22 I'm just going to answer the question
23 contemporaneously, rather than relying directly
24 on the numbers. I'm going to say that, generally

[WITNESS PANEL: Kahl|Wells|Demeris]

1 speaking, the new resources are running in the
2 November through March, primarily November
3 through March resources, as very high load factor
4 in those months, nearly at 100 percent during our
5 winter peak. Utilization is lower in the
6 off-peak, April through October, generally
7 speaking.

8 These resources are replacing base load
9 supplies on -- for PXP, that would be PNGTS base
10 load supplies, as PXP is a PNGTS capacity
11 project. And, for the Atlantic Bridge capacity,
12 it's generally replacing Maritimes delivered base
13 load supply.

14 Q I just want to make sure I'm not on mute. Great.
15 Since you mentioned them, could you give an
16 update on the status of the PXP, Portland XPress,
17 and the AB, Atlantic Bridge, projects?

18 A (Wells) So, we anticipate that the PXP will be
19 available on November 1st. That project is
20 continuing on construction, which they anticipate
21 to be sufficiently complete for service beginning
22 November 1st. All of the regulatory hurdles
23 related to that project have been met.

24 Atlantic Bridge, the update I would

[WITNESS PANEL: Kahl|Wells|Demeris]

1 provide, from my prefiled testimony, is that,
2 since the order essentially accepting Algonquin's
3 rehearing request, a number of things have
4 happened.

5 First, I would -- first, the
6 Massachusetts DEP has actually approved the --
7 or, we reaffirmed, if you will, the air permit
8 that was the subject of the initial court
9 challenge. So, the issues that led to the First
10 Circuit Court of Appeals order remanding the air
11 permit for a best available control technology
12 analysis have been resolved by the DEP pursuant
13 to that order.

14 Secondly, the FERC has approved the
15 placement of the Weymouth compressor and the
16 Maritimes facilities needed to facilitate
17 Atlantic Bridge capacity. Those facilities have
18 been placed into service pursuant to -- pursuant
19 to FERC authorization.

20 Unfortunately, in the days prior to the
21 initiation of contracts, there were -- there was
22 an incident at the Weymouth compressor station
23 that required a -- or, there was an emergency
24 shutdown. The root cause of that initial

{DG 20-154} {10-21-20}

[WITNESS PANEL: Kahl|Wells|Demeris]

1 shutdown is under investigation, pursuant to a
2 Corrective Action Order that was issued by the
3 PHMSA. That's the Pipeline and Hazardous
4 Material Safety Administration.

5 Currently, our Atlantic Bridge contract
6 is now pending resolution of the -- of that
7 outage. So, there is a *force majeure* on Atlantic
8 Bridge. We are in contact with Enbridge, the
9 parent company of Algonquin, ultimately the
10 operator of the Weymouth compressor. And
11 anticipate that, as soon as it is safe to do so,
12 that our contract will begin service.

13 Q Do you anticipate that will be before November
14 1st? Do you anticipate supplier capacity issues
15 pending that investigation?

16 A (Wells) I do not anticipate it will be before
17 November 1st.

18 Q Is that a concern for you or do you have it
19 covered?

20 A (Wells) At this time, no. If, as I said in my
21 prefilled testimony, if there is an extended delay
22 in either of these projects, we would purchase
23 delivered supplies, as we had previously to our
24 entering these contracts, in order to provide any

[WITNESS PANEL: Kahl|Wells|Demeris]

1 needed supply, if there was any supply
2 deficiency, that the remainder of the portfolio
3 couldn't handle, until such time as those
4 resources were to become available. So, at this
5 point, I don't -- I don't foresee an issue.

6 If I come to believe that these
7 outages -- or, the outage would be extended, just
8 to clarify, I said "the outages", I meant "the
9 outage of Atlantic Bridge would be extended",
10 then we would certainly reach out to the parties
11 and alert them to that development.

12 Q Thank you. Does this forecast differ from last
13 year's? And how has COVID impact -- how has the
14 COVID impact been incorporated into the forecast,
15 if any?

16 A (Wells) So, in my prefiled testimony, I do
17 discuss that we -- the Company made an adjustment
18 for COVID-19. Essentially, my understanding of
19 our analysis is that we basically indexed the
20 sales forecast for the coming, you know, for the
21 coming winter based on the limited amount of
22 COVID-19 impacted sales data that we had. You
23 know, keeping in mind that, originally, at the
24 time, our forecast, you know, really only -- the

[WITNESS PANEL: Kahl|Wells|Demeris]

1 only actual data that we have that pertains to a
2 winter period usage was March and April of 2020.
3 So, projecting that forward, I'm sure it was a
4 challenge. And, so, we're using those -- that
5 limited amount of winter data as the basis for
6 projecting how this winter would -- how the
7 system will perform in this coming winter.

8 Q I have just a few more questions, and I thank you
9 for your patience. How does the current NYMEX
10 futures price compare to those used in the cost
11 of gas filing?

12 A (Wells) I have to admit I did not check the
13 current NYMEX price this morning. But when I
14 last checked, they seemed to be relatively close.
15 It wasn't a major change. So, I would say that
16 the NYMEX update would not yield a significant
17 change in the filed rate.

18 Q And could you estimate that you last looked at
19 the NYMEX rate in the last four days? In the
20 last week? When did you last --

21 A (Wells) It was last week.

22 Q Does the proposed maximum cost of gas rates allow
23 enough flexibility to absorb normal price
24 fluctuations through monthly rate adjustments

[WITNESS PANEL: Kahl|Wells|Demeris]

1 without adjusting the rate at this time?

2 A (Kahl) Yes. Yes.

3 Q Mr. Kahl, thank you. And has the Company
4 received a final --

5 CHAIRWOMAN MARTIN: Ms. Schwarzer, we
6 missed part of your question.

7 Now you're on mute. If you can unmute
8 and restate the question.

9 MS. SCHWARZER: Thank you, Madam Chair.

10 BY MS. SCHWARZER:

11 Q Has the Company received a final or draft audit
12 report from the Commission Audit Staff on its
13 audit of last year's cost of gas reconciliation?
14 And, if so, would you summarize the Audit Staff's
15 findings and conclusion?

16 CHAIRWOMAN MARTIN: Mr. Kahl, you're on
17 mute.

18 WITNESS KAHL: Can you hear me? Okay.

19 **BY THE WITNESS:**

20 A (Kahl) Yes. We did get a final order on that.
21 And let me pull it up right now. Hold on.

22 Yes. We did get, basically, a clean
23 order on that. And --

24 BY MS. SCHWARZER:

[WITNESS PANEL: Kahl|Wells|Demeris]

1 Q I'm sorry, Mr. Kahl. You mean "audit", not
2 "order", correct?

3 A (Kahl) Yes. Yes. Actually, here -- I have it
4 here. The summary: Audit reviewed all expenses
5 and revenues with the annual cost of gas period
6 of August 2019 through July 2020, and the
7 estimated expenses and revenues for August 2020
8 through October 2020. The report -- the reported
9 activity for the 2019-2020 annual period as
10 stated is deemed correct, with my stated
11 under-recovery of \$755,934.

12 MS. SCHWARZER: Thank you very much. I
13 have no further questions.

14 CHAIRWOMAN MARTIN: All right. Thank
15 you. Commissioner Bailey.

16 CMSR. BAILEY: Thank you. Good
17 morning. Ms. Schwarzer asked most of my
18 questions -- I think all of them for Mr. Wells.
19 I have some questions for Mr. Kahl.

20 CHAIRWOMAN MARTIN: Mr. Kahl, can you
21 mute yourself in between? Thank you.

22 BY CMSR. BAILEY:

23 Q I'm looking for the Bates Page. On Page 57,
24 Mr. Kahl, where you talk about write-offs for

[WITNESS PANEL: Kahl|Wells|Demeris]

1 uncollectibles, can you tell me how that compares
2 with -- how COVID has affected the
3 uncollectibles?

4 A (Kahl) That's, I think, somewhat difficult to
5 answer, because there was a moratorium on
6 shutoffs. And I did speak with someone in our
7 Billing Department just yesterday, just to try to
8 get an update. I can -- you may be aware, but
9 the shutoff moratorium has been kind of gradually
10 lifted, and the Company can begin some shutoffs
11 for commercial customers. I believe it can begin
12 them for non-low income residential in November.
13 However, I was told the Company is trying to be
14 very flexible, and really working very hard to
15 try to get customers, you know, onto a payment
16 plan if at all possible.

17 But it's really difficult to say how we
18 think it's going to end up or how that bad debt
19 estimate that we have in the cost of gas is going
20 to come out throughout this -- throughout this
21 winter, upcoming winter period.

22 Q So, what you're saying is that you don't really
23 know what the bad debt is, because there is no
24 bad debt resulting from COVID yet, because it

[WITNESS PANEL: Kahl|Wells|Demeris]

1 hasn't gotten to that point?

2 A (Kahl) Yes.

3 Q Okay. So, how did you -- how did you estimate
4 the bad debt for this filing? Did you base it on
5 last year's bad debt?

6 A (Kahl) Actually, again, our Collection Department
7 does come up with their projection of what they
8 thought the bad debt would be, with very limited
9 information. So, this is done more or less, you
10 know, early to mid summer period. And they had
11 noticed, I believe, that early, like January,
12 February, I believe, write-offs were a bit
13 smaller than what they had seen. So, they -- I
14 think they reduced their projection down just a
15 slight amount, I think it was around 450,000 the
16 prior year, this year it's about 400,000, for the
17 total -- the total New Hampshire Division.

18 Q Okay. Thanks. Let me just scroll to my next
19 question.

20 The carryover sentence between Bates
21 Page 066 and 067 -- sorry -- it says that you are
22 projecting a "target balance over-collection of
23 \$5.4 million." Can you explain that to me? Why
24 would you target an over-collection?

{DG 20-154} {10-21-20}

[WITNESS PANEL: Kahl|Wells|Demeris]

1 A (Kahl) In terms of an annual cost of gas, the way
2 it is designed is that we will over collect
3 during the winter period, and under collect
4 during the summer period. And, so, we want to
5 try to have a target level of where we think we
6 should be at the end of April. Again, if we're
7 incurring significant demand costs every month,
8 all twelve months, in the summer months you're
9 not going to recover those costs, based on the
10 current design of the cost of gas rates. So,
11 you're going to over collect during the winter
12 months. And, so, we're trying to have a target
13 level that we can set in order to determine if we
14 think we are over or under collecting our
15 expenses, our cost of gas expenses.

16 Q So, said another way, are you saying that you're
17 collecting the demand charges in the winter,
18 rather than in summer?

19 A (Kahl) We are collecting the bulk of them in the
20 winter, yes.

21 CMSR. BAILEY: Okay. Thank you. All
22 right. Madam Chair, that's all I have. Thank
23 you.

24 CHAIRWOMAN MARTIN: Ms. Schwarzer.

[WITNESS PANEL: Kahl|Wells|Demeris]

1 MS. SCHWARZER: Thank you. If I could
2 just ask a follow-up?

3 CHAIRWOMAN MARTIN: We lost you.

4 MS. SCHWARZER: That was something
5 weird. Am I still --

6 CHAIRWOMAN MARTIN: We lost you for a
7 second there. Go ahead and try again.

8 MS. SCHWARZER: Thank you.

9 BY MS. SCHWARZER:

10 Q Mr. Kahl, would it be possible for you to
11 estimate a percentage of demand charges that your
12 target has for the summer and winter collections?
13 For example, would you say it's 70/30 or 80/20 or
14 something else?

15 A (Kahl) Yes. I am going to take a look at the
16 filing. So, just give me a moment to find the
17 page. (*Short pause*) Okay. I found the page.

18 Q What page is that, sir?

19 A (Kahl) Yes. This would be Page 135. And this is
20 from my Schedule CAK-5, and it is Page 4 of 5.
21 And what this does is it takes the demand costs
22 that have been allocated to the New Hampshire and
23 the Maine Divisions. And it allocates these
24 demand costs to the seasons. So, as we look on

[WITNESS PANEL: Kahl|Wells|Demeris]

1 the bottom block of that page, you're seeing, and
2 to the far right, you're seeing summer and winter
3 allocations of costs, the percentages.

4 And we can see here that we're
5 allocating somewhere around 90 percent of those
6 demand costs to the winter period.

7 Q Thank you. I just want to make sure I'm on the
8 right line. On Bates Page 135, can you give me a
9 line number?

10 A (Kahl) You can look at Line Number 80, for
11 instance.

12 Q I'm sorry? I just didn't hear you.

13 A (Kahl) Line Number 80.

14 MS. SCHWARZER: Okay. Yes. Thank you
15 very much. No further questions.

16 CHAIRWOMAN MARTIN: Okay. I just have
17 a couple questions.

18 BY CHAIRWOMAN MARTIN:

19 Q One, if you look at Bates Page 030, regarding
20 capacity allocators, can you explain the changes
21 there? This may be a question for Mr. Wells.

22 A (Wells) Yes. I prepared the capacity allocators.
23 So, capacity allocators are actually calculated
24 in Schedule 22. And, generally, the change in

[WITNESS PANEL: Kahl|Wells|Demeris]

1 the allocators is attributable to a change in the
2 portfolio. So, generally, if you look at the --
3 you see that the pipeline allocator is going up,
4 that is attributable to the fact that we actually
5 have more capacity this year that is designated
6 as pipeline capacity. So, the new resources that
7 came into our portfolio, or will come into our
8 portfolio for the winter period, are pipeline
9 capacity resources. And, so, all of our
10 customers will be utilizing more pipeline
11 capacity on our design day. And, so, therefore
12 they're allocated more pipeline.

13 Generally, the -- get back to -- you
14 know, the storage allocations are relatively
15 close to what they were the year prior. And this
16 is attributable to the fact that our storage
17 resources are generally the same as -- or, they
18 are the same as last year.

19 And so, that the -- there are two
20 factors that really affect capacity allocators.
21 One is the portfolio itself, which, as I stated,
22 we have higher pipeline, the same storage, and
23 because we have higher pipeline, we actually have
24 less peaking overall. And, so, the other factor

[WITNESS PANEL: Kahl|Wells|Demeris]

1 is the design day itself. And, so, our portfolio
2 is actually reflecting higher pipeline resources,
3 because we have new pipeline capacity that will
4 be starting, and lower peaking, because some of
5 the Granite capacity that had been designated as
6 peaking under our tariff, basically, any Granite
7 capacity that doesn't have either pipeline or
8 storage capacity upstream of it is allocated as
9 peaking capacity. And, so, we have less of that
10 this year, because we are going -- we anticipate
11 using it to -- or, supplying it with our Portland
12 PXP capacity.

13 And, so, generally speaking, for both
14 high and low winter use customers, we're going to
15 see higher pipeline capacity numbers and lower
16 peaking numbers, and roughly the same storage
17 numbers. You know, the design day is lower than
18 was projected last year, but it is consistent
19 with what we actually ended up experiencing last
20 year.

21 So, I sort of indexed the design day to
22 last winter on a systemwide basis, just wanting
23 to be conservative, i.e., maybe higher, even
24 though the Company should be seeing some -- we

[WITNESS PANEL: Kahl|Wells|Demeris]

1 believe that revenue will be lower due to the
2 COVID-19 impacts. We don't have enough
3 experience to say that our design day will be
4 lower at this point. So, I wanted to keep those
5 design days relative to our recent experience.

6 And, so, those combination of factors
7 led to the capacity allocators that we're
8 proposing in this filing.

9 Q Thank you. That was very helpful. And one of
10 the initial questions from counsel for Staff
11 related to the major factors that contributed to
12 the increase from last year. One of those was
13 the reconciliation of under-recovery. Can you
14 tell me more about the under-recovery? And I'm
15 not sure which witness this would relate to, and
16 why that's the case?

17 A (Kahl) Yes. In terms of the under-recovery, you
18 know, this is, again, the ending balance from the
19 prior year. It varies each year. You can under
20 or over recover based on how your sales compare
21 verse forecasted. And a big factor, of course,
22 is how NYMEX prices behave during the year
23 compared to how you projected them.

24 So, I mean, that, in a nutshell, is the

[WITNESS PANEL: Kahl|Wells|Demeris]

1 reason you're going to have these reconciliation
2 balances. So, from year to year, you can have a
3 positive or a negative reconciliation balance.
4 And last year, we ended up with an
5 over-collection; this year projecting a
6 under-collection.

7 Q I think you had stated that last year's was
8 unusually low --

9 *[Court reporter interruption due to*
10 *indecipherable audio.]*

11 BY CHAIRWOMAN MARTIN:

12 Q I think my question was, given your earlier
13 comment about last year as being unusually low,
14 and then this year's, and maybe I have that mixed
15 up with demand, the overall demand?

16 A (Kahl) Yes. I think I was saying the rates were
17 on the low side last year, unusually low, and
18 that that was due to a combination of factors.
19 So that was you had the over-collection, which
20 would lower rates; you had lower demand costs,
21 which would lower rates; and tied to those demand
22 costs was asset management revenue, and we were
23 getting more revenue last year. And so, again,
24 all those combined to give us a lower cost of gas

[WITNESS PANEL: Kahl|Wells|Demeris]

1 rate.

2 Q Which essentially just caused a further
3 discrepancy from last year to this year, that is
4 why the increase is so significant?

5 A (Kahl) Yes.

6 Q Okay. All right.

7 A (Kahl) I do want to throw in -- I'm sorry. I do
8 want to just throw in that sales are lower,
9 projected to be lower this year. I believe I
10 mentioned it earlier. But, as you lower sales,
11 you're going to put -- it's going to have an
12 impact of increasing your rates.

13 CHAIRWOMAN MARTIN: Okay. Thank you
14 for that. I don't have other questions. But I
15 do think Ms. Shute had her hand up.

16 MS. SHUTE: Thank you, Chairwoman
17 Martin.

18 **CROSS-EXAMINATION (continued)**

19 BY MS. SHUTE:

20 Q I just wanted to follow up on a question, the
21 question that Commissioner Bailey posed around
22 the demand charges and when they're collected.

23 Could you identify what the percentage
24 of sales are, commercial to residential, in your

[WITNESS PANEL: Kahl|Wells|Demeris]

1 winter months versus your summer months please?

2 A (Kahl) I'll calculate that quickly. I have about
3 19 percent, is your summer percentage of total.

4 Q So, in the summer, the -- the percentage of what?
5 Is the residential versus the commercial or --

6 A (Kahl) No. That summer sales are about 19
7 percent of total annual sales.

8 Q Oh. Okay. My question was actually -- thank
9 you. That's also helpful. But my question is
10 actually what percentage of your sales in the
11 winter are commercial and what percentage is
12 residential?

13 A (Kahl) I could answer that for you, but it will
14 take me a minute. So, --

15 Q And then, I'm just looking for the comparison to
16 the summer. Like, is there a substantial shift?
17 Is the majority of sales in the summer
18 commercial, whereas, yes, in the wintertime,
19 there's more of a balance?

20 A (Kahl) Yes, there's definitely more sales
21 commercial -- let me restate that. There's
22 definitely a higher percentage of sales in the
23 summertime that are commercial and industrial,
24 and it's definitely quite noticeable.

{DG 20-154} {10-21-20}

[WITNESS PANEL: Kahl|Wells|Demeris]

1 Again, if I -- if I get back to our
2 filing. For instance, I can point you to Page
3 137, Bates Page 137, and that is showing demand.
4 And, if we look on that page, at Lines 13, 14,
5 15, you can see where, in the winter, residential
6 is fairly similar to the low load factor
7 forecast. In the summer, they both drop
8 significantly, and the high load factor makes up
9 a much larger percentage at that point.

10 Q I guess what I'm wondering is whether or not -- I
11 guess what I'm wondering is whether or not that
12 if that results in residential carrying some of
13 the demand costs for commercial from the
14 summertime? I realize that this is a -- this
15 seems to be the result of the way that the
16 ratemaking is structured. But is that part of
17 the result?

18 A (Kahl) I think it's important to remember that
19 the residential rate is calculated by taking the
20 total demand cost for the season and dividing it
21 by the total sales. So, it's, in a sense, the
22 average rate. And the high load factor
23 commercial rates are adjusted off of that.
24 So, --

[WITNESS PANEL: Kahl|Wells|Demeris]

1 Q Oh. Okay. So, what you're saying -- I'm sorry
2 to interrupt. What you're saying is that the --
3 you said the residential rate is calculated by
4 the total demand costs for the season divided by
5 the total sales. So, it's not actually taking
6 into account the demand costs outside of the
7 season. It's actually the demand costs for that
8 season. And then, the remainder of what you need
9 to collect is collected through the commercial
10 and industrial?

11 A (Kahl) Yes. Yes. It's a somewhat simplified way
12 of putting it, but, yes.

13 Q I'm sure it is.

14 A (Kahl) Yes.

15 MS. SHUTE: Okay. Thank you.

16 WITNESS WELLS: Hi, Christa. If I may?
17 I'm actually looking at Schedule 17. And, to
18 kind of put it in perspective, what I've done is
19 just add the residential -- the two "residential"
20 columns. And this is on, and I apologize, it is
21 on Bates Page 185. And I'm just calculating this
22 right now in my spreadsheet version of this.
23 Residential comprises 48 percent of winter sales
24 and 43 percent of summer sales. So, I don't know

[WITNESS PANEL: Kahl|Wells|Demeris]

1 that the -- you know, the level of
2 cross-subsidization that you are concerned with
3 may be, in fact, happening.

4 Q Okay. Yes. That's not --

5 A (Wells) Because, you know, residential is a
6 substantial portion of both summer and winter
7 sales.

8 MS. SHUTE: Okay. That's helpful.

9 Thank you.

10 I don't have any further questions,
11 Chairwoman Martin.

12 CHAIRWOMAN MARTIN: Okay. Thank you.

13 Mr. Taylor, do you have any more
14 questions for your witnesses?

15 MR. TAYLOR: I have no redirect for the
16 witnesses. Thank you.

17 CHAIRWOMAN MARTIN: All right. Then,
18 before we take closing arguments, without
19 objection, we'll strike the ID on Exhibits 1, 2,
20 3, and admit those as full exhibits.

21 Anything else we need to do before
22 closings?

23 *[No verbal response.]*

24 CHAIRWOMAN MARTIN: All right. Then,

1 Ms. Shute.

2 MS. SHUTE: Thank you very much. The
3 *[indecipherable audio]* Advocate sees the rates
4 and tariffs as set forth --

5 CHAIRWOMAN MARTIN: Ms. Shute.

6 *[Court reporter interruption due to*
7 *indecipherable audio.]*

8 MS. SHUTE: The Office of the Consumer
9 Advocate sees the rates and tariffs as set forth
10 in this Petition as just and reasonable, and
11 recommends their approval by the Commission.

12 Thank you.

13 CHAIRWOMAN MARTIN: All right. Thank
14 you. Ms. Schwarzer.

15 MS. SCHWARZER: Thank you, Madam
16 Chairwoman.

17 Staff has reviewed Northern's cost of
18 gas filing and the Environmental Response Cost
19 Report, and recommend that the Commission approve
20 the proposed rates, supply balancing charges, gas
21 allowance factor, and the capacity allocator
22 percentages, short-term debt limits, and changes
23 in interruptible transportation reporting
24 requirements.

1 Northern's gas supply planning and
2 dispatch is very similar to last year's, with an
3 exception of COVID adjustments, and the cost
4 allocations between Maine and New Hampshire
5 transportation -- excuse me -- Maine and New
6 Hampshire transportation and firm sales
7 customers, and winter and summer periods have
8 been calculated in accordance with prior approved
9 allocation methodologies.

10 Staff finds the recommendation of
11 Northern's proposal just and reasonable. And
12 their rates and tariffs we recommend be
13 approved -- we recommend approval of the proposed
14 LDAC rates, designed to recover costs as provided
15 for in prior dockets and as approved by the
16 Commission.

17 CHAIRWOMAN MARTIN: All right. Thank
18 you. And Mr. Taylor.

19 MR. TAYLOR: The Company thanks the
20 Commission for giving us the opportunity to
21 present our filing today. We appreciate the
22 Commission's time, as well as the support of the
23 Staff and the Consumer Advocate.

24 We really, with all of our cost of gas

1 filings, endeavor to submit a straightforward
2 package for your consideration. And we've made
3 every effort to include as much information as
4 possible in the testimonies and schedules. We
5 believe that the filing merits the Commission's
6 approval.

7 And we, again, appreciate your time.
8 Thank you.

9 CHAIRWOMAN MARTIN: Okay. Great.
10 Thank you, everyone. We will take the matter
11 under advisement and issue an order shortly.
12 Have a great day.

13 ***(Whereupon the hearing was adjourned at***
14 ***11:03 a.m.)***