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8
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16
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19
20
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23
24

I N D E X

PAGE NO.

**DISCUSSION RE: MOTION FOR
CONFIDENTIAL TREATMENT** 4

**STATEMENTS OF PRELIMINARY POSITION, AND
INCLUDING PRELIMINARY QUESTION OF WHETHER
SPECIAL CIRCUMSTANCES STILL EXIST BY:**

	Ms. Geiger	7
	Mr. Getz	12
	Mr. Kreis	16
	Mr. Dexter	17

INITIAL QUESTION BY CHAIRMAN GOLDNER 22

RESPONSES BY:

	Ms. Geiger	22, 26
	Mr. Getz	24

QUESTIONS BY CMSR. CHATTOPADHYAY 28, 62

QUESTIONS BY CHAIRMAN GOLDNER 41

CLOSING COMMENTS BY:

	Ms. Geiger	63, 70
	Mr. Getz	64
	Mr. Kreis	67
	Mr. Dexter	68

DISCUSSION RE: MOTION TO INTERVENE BY FOSS 65

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
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21
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P R O C E E D I N G

CHAIRMAN GOLDNER: Okay. Good morning, everyone. I'm Chairman Goldner. I'm joined today by Commissioner Chattopadhyay.

We're here this morning in Docket DG 21-144 for a prehearing conference regarding the Petition of Northern Utilities for approval of a Seventh Amendment to an existing special contract with Foss Performance Materials, LLC, initially approved in January 2000 in Order 23,381.

Let's take appearances, beginning with the Company.

MS. GEIGER: Yes. Good morning, Mr. Chairman and Commissioner Chattopadhyay. I'm Susan Geiger, from the law firm of Orr & Reno, and representing Northern Utilities. And with me this morning, at counsel's table, are Christopher Goulding, Michael Smith, and Cindy Carroll.

CHAIRMAN GOLDNER: Okay. Mr. Getz, go ahead.

MR. GETZ: Good morning, Mr. Chairman, Commissioner. I'm Tom Getz, from the law firm of McLane Middleton, on behalf of Foss Manufacturing. With me today, to my right, is

1 Dean Landry, who is the Vice President of
2 Operations for Foss; and two external consultants
3 for Foss, Gray Campbell and Rick White.

4 CHAIRMAN GOLDNER: Okay. Thank you,
5 Attorney Getz. And the Office of Consumer
6 Advocate?

7 MR. KREIS: Good morning, Chairman
8 Goldner, Commissioner Chattopadhyay. I'm Donald
9 Kreis, the Consumer Advocate. And, as everybody
10 knows, my job is to represent the interests of
11 residential customers.

12 CHAIRMAN GOLDNER: Very good. And the
13 Department of Energy?

14 MR. DEXTER: Good morning, Mr.
15 Chairman, Commissioner. My name is Paul Dexter,
16 attorney for the Department of Energy. I'm
17 joined today by our Director of the Gas Division,
18 Faisal Deen Arif.

19 CHAIRMAN GOLDNER: Okay. Very good.
20 And is there anyone else here today?

21 *[No indication given.]*

22 CHAIRMAN GOLDNER: No? Okay. Okay.
23 So, we note that Northern has filed a Motion for
24 Confidential Treatment supporting the Seventh

1 Amendment of this Special Contract. Have the DOE
2 and OCA had an opportunity to review that motion?

3 MR. KREIS: Yes. You would like me to
4 tell you whether I oppose the motion or --

5 CHAIRMAN GOLDNER: It's -- that was the
6 next question. If you wish to anticipate it,
7 please go ahead.

8 MR. KREIS: Well, you looked at me.
9 So, I thought maybe you were hoping I would say
10 "the Office of the Consumer Advocate has no
11 position on the motion."

12 CHAIRMAN GOLDNER: Mr. Dexter.

13 MR. DEXTER: Thank you. The Department
14 of Energy, I have not reviewed the motion, but I
15 don't anticipate having any objection to it,
16 assuming that it's a similar motion that has been
17 presented and granted in past reviews of
18 amendments with this company.

19 CHAIRMAN GOLDNER: Okay. Yes, very
20 good, Mr. Dexter.

21 Okay. Thank you. So, we'll take it
22 under advisement and issue -- an order will be
23 forthcoming.

24 Okay. So, for preliminary issues,

1 before we hear the initial positions of the
2 parties, we'll note that approval of the proposed
3 Seventh Amendment to the existing contract
4 between Northern and Foss would extend the
5 contract option -- pardon me -- to February 2025,
6 about a quarter century of special contract
7 non-tariffed rates.

8 The original contract, approved 22
9 years ago, was premised on inciting Foss to use
10 natural gas, that's on Page 3 of DG 99-171, and,
11 by doing so, would contribute to Northern's fixed
12 costs, and thus lower costs to other customers.
13 Of course, costs to other customers would have
14 been lower if Foss had paid the tariffed rates.
15 Excuse me.

16 In fact, in the original 2000 order,
17 Foss's ability to use alternative fuels was a
18 reason for the specialized rates. Northern
19 feared the loss of Foss as a customer and
20 provided subsidized rates, even though the
21 replacement fuel, at least today, is
22 electrically -- is electricity, rather, supplied
23 from another of the Company's entities, Unitil
24 Energy Systems.

1 The reason, in more recent filings, has
2 morphed into job retention, due to more expensive
3 fuel costs in New Hampshire, and yet job loss has
4 still happened.

5 The Commission would like to hear from
6 the parties today, on a preliminary basis, as
7 well as any settlement reached or testimony at a
8 final hearing, whether special circumstances, per
9 378:18, still exist, or, alternatively, whether
10 this contract is intended to end in the near
11 future upon Foss switching to electric versus gas
12 operations.

13 So, we can begin with the Company,
14 Attorney Geiger, if you prefer, or if you'd like
15 to go last, that's fine, too?

16 MS. GEIGER: No, that's fine, Mr.
17 Chairman. Thank you very much.

18 As indicated in its Petition that was
19 filed December 29th, 2021, Northern is seeking
20 approval of the Special Contract with Foss
21 Manufacturing Company that was originally
22 approved, as the Commission has noted, in January
23 of 2000.

24 The Seventh Amendment, which is

1 presently before the Commission, makes no changes
2 in the existing contract, except to extend the
3 termination date to February 29th, 2024, with an
4 option to extend on a month-to-month basis for a
5 period of up to one year. And, along with the
6 Petition for Approval that we filed back in
7 December of last year, Northern submitted the
8 prefiled testimony of Michael Smith, as well as
9 several schedules, all of which support the
10 position that Foss meets the statutory criteria
11 of RSA 378:18, that is that Foss's circumstances
12 are special, and render a departure from
13 Northern's general tariffs just and consistent
14 with the public interest.

15 On February 18th, 2022, the Department
16 of Energy filed a letter with the Commission
17 indicating that it had reviewed the materials
18 submitted with Northern's Petition, noting that
19 Northern's estimated marginal revenues from Foss,
20 under the special contract, exceeded the
21 Company's marginal cost to serve Foss.
22 Therefore, Northern's tariffed customers are not
23 expected to be burdened with any revenue
24 shortfall stemming from Foss's special contract

1 rate.

2 The DOE letter also noted that Foss
3 does not compete with other New Hampshire
4 companies in its market sector. And that Foss
5 had recently implemented energy efficiency
6 measures.

7 And that, based on these circumstances,
8 the DOE concluded that approval of the contract
9 amendment and extension is consistent with the
10 public interest and, therefore, recommended
11 approval from the Commission.

12 Now, on February 23rd, 2022, the
13 Commission issued an order commencing an
14 adjudicative proceeding in this matter. The
15 order doesn't reference DOE's recommendation for
16 approval. So, it's not clear if the Commission
17 had that letter in hand when it issued its order.
18 But, nonetheless, the order identified several
19 issues raised by Northern's filing, and it
20 noticed the instant prehearing conference.

21 The order also required Northern to
22 publish the order on Northern's website within
23 two business days, and to document such
24 publication by affidavit filed with the

1 Commission on or before March 10th, 2022. And,
2 as indicated in the affidavit that we filed on
3 February 28th of 2022, Northern has complied with
4 those requirements.

5 Now, the order that I just referenced
6 set August 16th as the intervention deadline, and
7 Northern would note that there have been no
8 petitions for intervention filed.

9 Last Friday, on September 9th, 2022,
10 Northern filed its supplemental testimony and
11 schedules that address all of the issues that the
12 Commission has raised in its February 23rd order,
13 including the Commission's checklist for special
14 contracts. Northern respectfully submits that
15 all of its filings demonstrate that Foss
16 continues to present special circumstances that
17 warrant departure from tariffed rates.

18 Of particular note is that the marginal
19 revenues to be paid by Foss will exceed
20 Northern's marginal cost to serve this customer,
21 and, therefore, tariffed customers will not be
22 subsidizing Foss's special contract rate.

23 Northern is prepared to engage with the
24 Department of Energy and the Office of Consumer

1 Advocate in a technical session following this
2 prehearing conference, for the purpose of
3 answering any questions about its filings, and to
4 develop a procedural schedule for the duration of
5 this docket.

6 Yesterday, I circulated a proposed
7 schedule to Attorneys Dexter and Kreis so we have
8 a starting point for that conversation. But,
9 because this matter has been pending for several
10 months, the Company is very interested in having
11 it resolved expeditiously.

12 Lastly, thank you, Mr. Chairman, for
13 raising the issue of the Motion for Protective
14 Order. Northern has actually filed two Motions
15 for a Protective Order. We filed one back in
16 December of 2021, and then filed another one last
17 Friday. They are essentially the same, and they
18 seek protective treatment of the same type of
19 information.

20 There were no objections filed with the
21 Commission on the first motion. Presumably,
22 there will be none with the second. But, again,
23 we'd appreciate a ruling on that motion soon.

24 Thank you for the opportunity to

1 provide this prehearing conference statement.
2 And we'd be happy to answer any questions.

3 CHAIRMAN GOLDNER: What we can do is
4 just maybe go around the room, and then come back
5 to questions, if that would work for everyone?
6 That might be easier.

7 *[No verbal response.]*

8 CHAIRMAN GOLDNER: Okay. Let's move to
9 Attorney Getz.

10 MR. GETZ: Thank you, Mr. Chairman.

11 So, let me address first the issues
12 that you raised about the 25 years of special
13 contracts, and whether special circumstances
14 still exist that would render the contract in the
15 public interest?

16 And I will note, as in the letters from
17 Mr. Landry to Mr. Smith that have been made a
18 part of the filings by Northern, that this shows
19 the history of AstenJohnson, which is the firm
20 that Mr. Landry was employed by, who acquired
21 Foss in 2017. So, AstenJohnson, in Foss's
22 history, this would be the first Special Contract
23 under their auspices.

24 And, as laid out in that letter from

1 December 20, 2021, it's clear that there are very
2 extreme competitive pressures on Foss, for a
3 variety of reasons. One is just the energy costs
4 in New England versus the rest of the United
5 States and elsewhere. Of course, Foss has
6 manufacturing plants elsewhere in the United
7 States and abroad.

8 And, also would note that, through the
9 pandemic and the last several years, there was a
10 reduction in employment at Foss, from a high of
11 435, and it went down to as low as 301. And Foss
12 is engaged in trying to build that -- is to build
13 up that labor force again in the Seacoast. Of
14 course, which we take the position that a special
15 contract here not only benefits -- benefits Foss,
16 but it benefits Northern by retaining load, and
17 it benefits the State of New Hampshire and the
18 Seacoast by increasing and solidifying the
19 economic base for the state.

20 In addition to the issue of retention
21 of jobs and the propriety of the Special
22 Contract, you know, would also note that the
23 competition and the -- from other firms around
24 the country, it puts the company, Foss, in a

1 position where it has to make decisions about
2 "we'll invest here or we'll invest in other
3 facilities, in Wisconsin or elsewhere." And the
4 special contract will put Foss in the position of
5 making investments here.

6 You also asked about the transition
7 from natural gas to electricity. And that has
8 been something that Foss has spent a great deal
9 of time trying to figure out the best, optimum
10 way of using natural gas and electricity. And,
11 of course, as we all know, especially in the past
12 year, prices for natural gas and electricity have
13 spiked, which, again, augments the reason why the
14 competitive pressures on Foss and why a special
15 contract makes sense.

16 But, when we filed this Special
17 Contract, as you know, the previous contracts
18 were of durations of five years, Foss
19 specifically, with Northern, asked for a two-year
20 contract, with an option for a third, because it
21 thought at that time that that would be
22 sufficient to make some judgments and have some
23 information about what's the long-term best way
24 of providing energy at the site.

1 And we could get into this at the
2 technical session. But, I think, at one point,
3 there was a feeling that going full to
4 electricity may be the best -- the best result.
5 It certainly is something that the Company wants
6 to have electricity, to be fully redundant from a
7 reliability purpose. But how you moderate when
8 you're using gas and when you're using
9 electricity is still not determined.

10 What does have to happen, though, is
11 the second transformer needs to be installed,
12 which you may have seen in the letters as well as
13 something that is being negotiated between Foss
14 and Northern as we go, to just to get it in
15 there. But, then, it's a question of optimizing
16 the use. Whether, again, is electricity a backup
17 to gas, is gas a backup to electricity, or do you
18 change throughout the seasons? And that is
19 really not determined at this point. But the
20 special contract puts the Company in a position
21 where it can make those decisions about what's
22 the best use of the two forms of energy.

23 I think, if push came to shove, and you
24 were -- and Mr. Landry were asked today "Is it

1 going to be all gas? Is it going to be
2 electricity? Or is it going to be some portion
3 of one or the other?" I'm not sure that he could
4 answer that directly, because there's a lot to
5 know. But, I think, given some circumstances, it
6 may be use of more gas than we had thought a year
7 ago.

8 So, with that background, there are
9 some other procedural issues, but maybe I should,
10 you know, wait to address those, with respect to
11 the procedural schedule and whether we should
12 be -- continue to participate as a necessary
13 party and a counterparty to the proceeding, or
14 would it be advisable to move to intervene
15 formally as a party, which I can do.

16 CHAIRMAN GOLDNER: Thank you, Attorney
17 Gets. Yes, you're right. I think waiting for
18 the procedural material till the end would be
19 perfect. And maybe the DOE and OCA would like to
20 weigh in on the "intervenor" question.

21 So, we'll move to the Office of
22 Consumer Advocate, and Attorney Kreis.

23 MR. KREIS: Thank you, Mr. Chairman.

24 I would say that the OCA is here today

1 as a matter of due diligence. I note that the
2 Department of Energy recommended approval of the
3 Seventh Amendment of the Special Contract, as we
4 work our way through the whole Bill of Rights,
5 and that was earlier this year. And, assuming
6 that the circumstances haven't changed, other
7 than the spike in energy prices that Mr. Getz
8 just alluded to, we would be in a position either
9 to not oppose or to support the latest edition of
10 the Special Contract.

11 The issues that the Commission has
12 raised are all interesting and important. And
13 we're eager to be an active participant in the
14 discussions.

15 But, at present, it does not look like
16 we, on behalf of residential customers, will have
17 any issues about this Special Contract being
18 amended again, despite its longevity.

19 CHAIRMAN GOLDNER: Okay. Thank you,
20 Attorney Kreis.

21 And we'll move to Attorney Dexter.

22 MR. DEXTER: Thank you, Mr. Chairman.
23 As you noted, or as Attorney Geiger for Northern
24 Utilities noted, the Department of Energy

1 reviewed the amendment, this Seventh Amendment to
2 the Special Contract when it was filed late last
3 year, and recommended approval, and submitted a
4 letter of recommendation to the Commission.

5 Our analysis focused on three items, as
6 pointed out in our letter. Primarily, most
7 important, is that, in order for the Department
8 to recommend approval of this amendment, the
9 revenues projected to be received from the
10 Special Contract needed to exceed the marginal
11 cost. And we reviewed the information presented
12 by the Company. We made some recommendations
13 that led to a revised calculation of the marginal
14 costs back in the December/January timeframe.
15 The Company made those revisions, and that led to
16 our recommendation. In other words, our
17 conclusion, based on the information, was the
18 same as the Company's, that the revenues would
19 exceed the costs.

20 Second, I guess, in terms of importance
21 or factors that led to our decision is the
22 statement by the Company that the competition
23 that they face in the industry in which they
24 operate is not in New Hampshire, it is

1 out-of-state. It is very significant to the
2 Department of Energy that special contracts not
3 give Manufacturer A a competitive advantage over
4 Manufacturer B, if Manufacturer B also operates
5 in the State of New Hampshire. So, we believe
6 that the company, Foss, has demonstrated that
7 their competition lies outside the state, and,
8 therefore, this special contract would not be
9 harmful to any other competitors in the State of
10 New Hampshire.

11 Third, it was important to the
12 Department of Energy that Foss follow through
13 with the commitments it had made regarding the
14 energy audit it was ordered to do as a condition
15 of a prior approval, and implementation, where
16 possible, of the energy efficiency measures that
17 were identified in the audit. And we believe
18 that Foss had made a demonstration -- Foss and
19 Northern had made a demonstration in that regard.

20 Fourth, factoring into our
21 recommendation, was the short-term nature of the
22 proposed amendment, two to three years. We have
23 an easier time recommending approval of something
24 of a short term versus long term, primarily,

1 because the marginal cost -- marginal revenue
2 analysis is projected, and projections are
3 generally more accurate in the short term. And,
4 to the extent there ended up, in reality, being
5 any sort of a subsidy that we do not believe was
6 appropriate, that subsidy would be of a short
7 duration.

8 So, having looked at all that and said
9 all that, we recommended approval, I guess, about
10 nine months ago. Since then, Northern has filed
11 an updated analysis of the marginal cost. We
12 have looked at it quickly. But plan to explore
13 it more in the tech session today. In
14 particular, it appears to us that the -- that the
15 projected usage in the analysis is based on,
16 essentially, a 2021 calendar year. We thought
17 that that information would be updated in the
18 recent filing. It appears to us not to have
19 been, but we'll explore that with Northern and
20 Foss at the tech session.

21 We believe that the -- that the usage
22 that goes into the marginal revenue calculation
23 should be updated, to see, you know, how recent
24 usage compares to past usage.

1 We have, as you pointed out, almost two
2 decades of usage information that we can look to
3 to see if the assumed therm usage in the analysis
4 is consistent or representative of what's gone on
5 in the past. So, we plan to address that during
6 the tech session.

7 We want to review whether or not the
8 marginal costs that were reviewed in the
9 Company's most recent rate case have been
10 escalated properly for inflation factors and time
11 value of money.

12 And we also want to explore what
13 revenues would look like under the tariffed rate.
14 We think that's an interesting piece of
15 information that the Commission should have. We
16 don't believe that will be difficult for the
17 Company to calculate, so that we can see how much
18 of a "subsidy" or discount we're dealing with
19 here. So, that's something that we will be
20 looking at during the tech session and the review
21 period that the Company will be proposing.

22 Assuming that, after looking at all
23 that, that marginal revenue or the revenue still
24 exceeds the marginal cost, we don't -- the

1 Department doesn't anticipate changing its
2 recommendation, and, in fact, we anticipate
3 continuing our recommendation for approval. But
4 we do want to make sure that we're dealing with
5 the most recent information.

6 So, that's our position at this time.

7 CHAIRMAN GOLDNER: Before I turn it
8 over to Commissioner Chattopadhyay for some
9 follow-on questions, I just want to understand
10 the cost position. So, Attorney Geiger, you
11 said, I think, during your statement, that there
12 was "no subsidy". And I just want to make sure
13 we're defining our terms the same way.

14 I think what you're saying is, is that,
15 because they're -- when you compare the marginal
16 revenue to the marginal cost, you're eating into
17 the fixed costs, and, therefore, providing --
18 enabling help to other customers, assuming Foss
19 were not a gas customer at all. Is that a fair
20 summary?

21 MS. GEIGER: Yes. Said another way,
22 Mr. Chairman, yes, I believe you're correct
23 conceptually. I note, I think at the end of the
24 supplemental filing that was made, that keeping

1 the customer on the system benefits other
2 Northern customers.

3 And, so, if I understand your comments
4 correctly, I think you were getting at that
5 point, is that correct?

6 CHAIRMAN GOLDNER: Yes. But I'll use
7 my own sort of vocabulary. But, to the extent
8 that you're eating into fixed cost, the idea is
9 is that you're benefiting other customers. Of
10 course, if you consume the entire fixed cost by
11 using the tariffed rates, then there would be
12 a -- there would be less subsidization in that
13 paradigm.

14 MS. GEIGER: I don't think that we are
15 taking the position that -- there isn't any
16 subsidization because the marginal revenues
17 exceed the marginal costs. But I think -- I
18 guess I would defer to the Company on this. I
19 think there are a bunch of different ways to
20 view, you know, financially what happens to the
21 Company and its other customers when a special
22 contract exists that provides one customer a
23 discount from tariffed rates. And, obviously, we
24 believe that, because we've met the checklist,

1 and especially because the marginal cost analysis
2 has been satisfied, that other customers are not
3 being -- other customers are not subsidizing this
4 customer.

5 CHAIRMAN GOLDNER: And I do recognize
6 we have two experts on this case, because I
7 noticed, Attorney Geiger, that both you and
8 Attorney Getz signed the original order. So, I
9 do appreciate having the expertise in the room
10 today here many years later.

11 Yes. Attorney Getz, if you'd like to
12 jump in, that would be great. I think that -- I
13 think, to the extent that there's a special rate,
14 there is, by definition, a "subsidy". So -- but
15 the only question is, the amount of that subsidy,
16 which is what Attorney Dexter was pointing out,
17 and the benefits of that subsidy.

18 Attorney Getz, would you like to weigh
19 in? And, Attorney Geiger, I'll come back to you.

20 MR. GETZ: I would be happy to.

21 And maybe, because we come from
22 different worlds, where I spent my life in
23 regulation, and you spent your life working in
24 business, I think we use our terms differently.

1 I don't look at this as a "subsidy". So, I would
2 consider -- or, eating into fixed costs. The way
3 the rate is constructed, there is a contribution
4 that, above costs, that the Company collects.
5 What -- in a situation of special circumstances,
6 that contribution is reduced, specifically to
7 encourage the company to stay a customer, to
8 potentially add load, to retain customers. So, I
9 don't think -- so, I think there is -- that
10 that's the way I frame it, and that it would not
11 consider it a "subsidy".

12 And, also, when you -- in your opening
13 remarks, I think you said something to the effect
14 that "costs would have been" -- "costs overall, I
15 think, to customers would have been lower, if
16 full tariff prices were charged." But, you know,
17 in some respects, there's two problems with that,
18 and I think are both counterfactuals. One is
19 that, you know, that that was a decision, you
20 know, years ago, Foss may not be, as it's
21 constituted today, wouldn't have the information
22 about what would happen. But it could have been
23 just as likely, and I think it was Northern and
24 Foss, and the Commission's view at that time,

1 that, if the special rate hadn't been charged,
2 load would have been decreased, employment could
3 have been decreased, and that's why you had the
4 Special -- the Special Contract. It was better
5 to retain some contribution, rather than possibly
6 lose it all. So, I think that's, you know, the
7 determination that was made.

8 And that's why the Company is back, and
9 Foss takes the position that the same type of
10 special circumstances exist, and, you know, and
11 really under very different facts today, of the
12 last few years, as opposed to how this started,
13 you know, twenty some years ago.

14 But the -- you know, there is an issue
15 that could be explored. And, you know, does the
16 tariff rate itself make sense? How many
17 customers are on it?

18 You know, so, but, for the particulars
19 of Foss, the discount to the tariff is something
20 that's critical for it to maintain and grow its
21 business.

22 CHAIRMAN GOLDNER: Okay. Thank you.
23 Attorney Geiger.

24 MS. GEIGER: I would just add, Mr.

1 Chairman, that the supplemental filing that the
2 Company made on Friday went through, I believe,
3 in detail, why this customer and Northern meet
4 the checklist for special contracts. And one of
5 the checklist items includes whether or not, you
6 know, this customer has been -- or, the special
7 contract section has been considered by the
8 Company in its Integrated Resource Plan. And
9 Northern has done that. They have assumed that
10 this customer will remain on the system at the
11 discounted rate.

12 And, therefore, the customer has just
13 gone through -- excuse me -- the Company has just
14 gone through a rate case, I think in anticipation
15 that this customer would remain on the system at
16 the discounted rate.

17 So, it seems to me that the economics,
18 you know, of this Special Contract, and how they
19 impact other customers, has recently been
20 considered by the Commission. And, therefore, we
21 believe that, you know, again, all of the other
22 checklist items have been met.

23 And I guess the other thing I would
24 point out for the Commission is that, you know,

1 this is the Seventh Amendment that has been
2 reviewed by the Commission, never had a hearing
3 on it. The Commission Staff has previously
4 reviewed the filings, again, when the Commission
5 was integrated with Staff, that has now departed
6 to DOE. A member of the Commission's staff --
7 current Commission Staff was also the person who
8 reviewed the special contract in the past. So,
9 obviously, the Commissioners have a resource
10 available to them, with, you know, institutional
11 memory and specific knowledge about this
12 customer's circumstances, who can assist the
13 Commission in evaluating the contract.

14 And, so, I guess I would leave it at
15 that.

16 CHAIRMAN GOLDNER: Okay. Thank you. I
17 think I'm clear on the definitions and marginal
18 cost and so forth. So, I appreciate the answers
19 on that.

20 I have some follow-on questions, but
21 I'll move to Commissioner Chattopadhyay first.

22 CMSR. CHATTOPADHYAY: So, to start
23 with, and this is a question for Foss, can you
24 give me a sense of what Foss Performance

1 Materials, you know, what part they are
2 producing? What is the business?

3 So, I just want to get a sense of that
4 first.

5 MR. GETZ: So, I think, Commissioner,
6 that if you refer to, you know, Schedule 9 of the
7 original filing from last December, the letter
8 from Mr. Landry to Mr. Smith, I think that lays
9 that out, you know, as succinctly as I can do it.
10 You know, Foss uses needle punch technology for
11 nonwoven fabrics and specialty fibers. I think,
12 you know, the easy way to look at it, in my mind,
13 is they provide, you know, essentially, the
14 carpeting that are in automobiles of, you know,
15 of all sorts. And they, you know, so that is one
16 of their biggest products and their biggest, you
17 know, industries that they sell to is the
18 automobile industry, and that's what they -- and
19 it's a very specialized manufacturing process
20 that they have there.

21 And I could have Mr. -- if you'd like
22 Mr. Landry to respond, I'm sure he could do a
23 much better job than I just did. But, I think,
24 if you look to that letter, that I think is a

1 good overview.

2 CMSR. CHATTOPADHYAY: I think that is
3 good enough. The reason I was trying to -- the
4 reason I asked the question was to get a sense of
5 how specialized the business is.

6 And, so, it is -- then, I should assume
7 that it's specialized enough that there's nobody
8 else in New Hampshire that does the business.
9 So, I'm just trying to confirm that.

10 MR. GETZ: There is not.

11 CMSR. CHATTOPADHYAY: Okay. So, let's
12 go to the issue of "fixed costs". And, as I
13 understand, at least based on the 2021
14 information that the DOE looked at, and concluded
15 that the marginal revenue was greater than the
16 marginal cost. And I'm going to assume, not
17 "assume", but that would tell me that the revenue
18 also allowed the Company, Unitil, here to recover
19 some of the fixed costs associated.

20 And, so, my question is, do you have a
21 sense of what percentage of the fixed cost do the
22 rates, you know, are we talking about, in terms
23 of the marginal revenue that, you know, you just
24 mentioned before?

1 MS. GEIGER: The Company would be happy
2 to take that as a record request, if that's okay?

3 CMSR. CHATTOPADHYAY: So, I'm going to,
4 because it's -- I think that would be good. It's
5 like a record request. So, let me try and keep
6 it simple.

7 Please estimate the percentage of the
8 fixed costs recovered through the rates, the
9 special contract -- through the special contract
10 rates. Okay. So, is that clear enough?

11 MS. GEIGER: Yes.

12 CMSR. CHATTOPADHYAY: Okay.

13 MR. DEXTER: Commissioner, I'm sorry to
14 interrupt. But I understand that question is
15 going to the Company. But, if I were answering
16 it, I'd want to know what time period you're
17 looking for. Are you looking at forecasted or
18 are you looking at historical?

19 CMSR. CHATTOPADHYAY: So, I mentioned
20 the information that DOE was referring to in its
21 letter, I understood it was based on the
22 information it had about 2021. And using that
23 information, and, of course, this is a question
24 that is better directed to the utility, so, they

1 should be responding, using whatever information
2 they have.

3 And I'll be more than happy to even
4 have the updated information, if you have 2022
5 numbers, because, apparently, they did a
6 recalculation.

7 CHAIRMAN GOLDNER: I'll just jump in,
8 Commissioner.

9 I think we'll issue, after this
10 prehearing conference, a list of questions for
11 the parties. And, so, we'll issue a PO in
12 writing after the hearing, so you can have
13 clarity on the questions.

14 MS. GEIGER: Thank you, Mr. Chairman.
15 To the point about the period for which the
16 Company should be looking at costs, obviously,
17 2022 costs have not been concluded. So, 2021 is
18 the last full calendar year that we have to
19 examine. And I just wanted to, you know, --

20 CMSR. CHATTOPADHYAY: Okay.

21 MS. GEIGER: -- make sure that there
22 were any expectations that there was going to be
23 anything related to 2022, because we don't have
24 those.

1 CMSR. CHATTOPADHYAY: Yes. Thank you
2 for that clarification. The reason I mentioned
3 "2022", and maybe I misunderstood, as I
4 understood DOE's analysis, looking at the
5 marginal revenue, comparing it with marginal
6 cost, that was based on data from 2021. And
7 then, I may have misheard, but I heard that the
8 Company has done some "updated analysis". And I
9 wasn't sure what period that has looked at, use
10 that.

11 MS. GEIGER: I believe it was the same
12 period. And it was actually --

13 CMSR. CHATTOPADHYAY: Okay.

14 MS. GEIGER: -- a supplemental, a
15 supplemental filing. It wasn't necessarily
16 updating.

17 CMSR. CHATTOPADHYAY: Okay. So, it was
18 the same period. Okay. Okay.

19 MS. GEIGER: Thank you.

20 CMSR. CHATTOPADHYAY: Does the utility,
21 or even Foss, know when they expect to fully
22 switch to electric operations, and if that is at
23 all a consideration?

24 MR. GETZ: So, Commissioner, they do

1 not expect to fully switch to electric. That
2 they will have the capability to use both gas and
3 electric. What has, I think, changed over time
4 is the calculation about how much they would be
5 relying on electricity.

6 But, again, if there's going to be
7 written record requests, we can address that, I
8 think, in a little more depth.

9 CMSR. CHATTOPADHYAY: Okay. I think
10 that would be fine. If you -- if the parties
11 think that it's easier to respond in writing,
12 we'll give them the ability to get in that, and
13 we will certainly do that.

14 MR. GETZ: If I could?

15 CMSR. CHATTOPADHYAY: Sure.

16 MR. GETZ: And maybe it helps to put a
17 finer point on this, to the extent, you know, we
18 address it clearly.

19 Foss is looking for dual fuel
20 capability, and once that second transformer is
21 in, will be able to, you know, run the plant on
22 both. And having the full electric capability
23 puts it in a position, if something were to occur
24 either with gas supply or gas prices, then it

1 wouldn't have to shut down its production lines.
2 And that is the focus of the business, is to keep
3 those production lines going, you know, 24/7.

4 So, it wouldn't be just picking one or
5 the other. It's really looking at the dual
6 capability, to use gas or electric, or some
7 combination, depending on other factors.

8 CMSR. CHATTOPADHYAY: I haven't thought
9 through this fully, but, if that is what the
10 company is -- Foss is intending to do, one of the
11 clauses that, you know, we talked about, there
12 were like ten points, and one of them is about
13 the "650 MCF of natural gas per month", and going
14 to do over that number be impacted? Would you go
15 below that? That's -- or, is that -- do you
16 still, even if you do, it doesn't matter, because
17 that's the amount that you would be paying for?

18 MS. GEIGER: It is a take-or-pay
19 contract. So, the amount that's at stake is
20 above the 650. And that was included in the
21 filing that we made on Friday.

22 CMSR. CHATTOPADHYAY: Okay.

23 MS. GEIGER: So, there is a paragraph
24 in the supplemental prefiled testimony that

1 addresses the -- both the sort of the conversion
2 from MCU to therms. Because I think the
3 checklist was talking about the "650 MCU", and
4 the contract talks about "therms". But we also
5 have indicated that the Special Contract
6 take-or-pay provision is for an amount of therms
7 that greatly exceeds the 650. And that would be
8 in effect, you know, for the next two years, for
9 the term of the Special Contract.

10 CMSR. CHATTOPADHYAY: Okay.

11 CHAIRMAN GOLDNER: I think Mr. Getz
12 would like to comment.

13 CMSR. CHATTOPADHYAY: Oh. Please, yes.

14 MR. GETZ: I was just going to say, I
15 believe, in Mr. Smith's supplemental testimony,
16 he addressed the issue of that the monthly usage
17 is so far in excess of the 650, that it's hard to
18 imagine. I guess it's conceivable, at some
19 point, after the second transformer is installed,
20 that, for some potential reason, but -- that it
21 could get down that low, and maybe in a month or
22 two. But I think we would be looking at it
23 potentially outside the term of the existing
24 contract.

1 CMSR. CHATTOPADHYAY: This, I'm going
2 to read something here, and then my question may
3 follow that.

4 So, as I understood, the Company had
5 explained that the prior calculations of marginal
6 cost data was adjusted by a scaling factor used
7 in the rate case that adjusts the total marginal
8 cost to the Company's revenue requirement, before
9 it is adjusted by a scaling factor to recover the
10 total distribution revenue requirement.

11 The Company has determined, as I
12 understand it, the scaling factor is used in the
13 context of revenue allocation and rate design.
14 And it is not appropriate for use in connection
15 with special contracts.

16 Can you give me a sense of, when you
17 don't use a scaling factor, what happens to the
18 marginal cost? Does it go down, go up, and by
19 how much?

20 MS. GEIGER: We'll take that as a
21 record request. Thank you.

22 CMSR. CHATTOPADHYAY: Thank you.
23 Before I forget, I'm going to note that.

24 Just give me a sense of the employment

1 figure. I know that some things might be
2 confidential. Over the last 20 years, how many
3 employees were employed, and maybe just go every
4 five years, roughly speaking, and give me -- were
5 there times when the level dipped as much as it
6 dipped during the pandemic? So, that's where I'm
7 trying to go. Has employment level always been
8 increasing or had stayed steady, over the last
9 20-25 -- 20-22 years?

10 MR. GETZ: Well, first of all, I think
11 that Foss, under its current ownership, really,
12 you know, could speak to the last five years.

13 CMSR. CHATTOPADHYAY: That would be
14 helpful.

15 MR. GETZ: And it certainly can do that
16 in a record response.

17 CMSR. CHATTOPADHYAY: Okay.

18 MR. GETZ: And what we have put on the
19 record already is there was a peak of 435, it's
20 gone down to 301, and it's trying to build up
21 from there.

22 But we'll see if there's any more
23 historical numbers that AstenJohnson would have
24 access to.

1 CMSR. CHATTOPADHYAY: Okay. So, this
2 is a record request as well.

3 What kind of energy efficiency measures
4 does the Company undertake? And this is for
5 Foss.

6 MR. GETZ: And, again, Commissioner,
7 that we've laid that out both in the letter from
8 December 2021 and the updated letter. Pursuant
9 to the last special contract proceeding, and is
10 also laid out in Docket DG 16-855, the Company
11 undertook a energy audit that was conducted by
12 Waldron Engineering. And they had made a number
13 of recommendations that were filed, and the
14 report was made on that.

15 And, if I look at the most recent
16 filing, --

17 CMSR. CHATTOPADHYAY: If I may, can you
18 repeat the docket number for the report, the
19 audit report?

20 MR. GETZ: It's DG 16-855. And we made
21 filings on that at the end of last year.

22 CMSR. CHATTOPADHYAY: Okay.

23 MR. GETZ: And the Commission issued an
24 order earlier this year closing that docket, and

1 noting that the Company had complied with the
2 requirements.

3 And let's see. If we look at the
4 filing that was made by Foss on September 9th,
5 and there's a letter that's "Schedule NU-12",
6 from Mr. Landry to Mr. Smith, dated "September
7 7th". And, in that letter, the Company describes
8 energy efficiency improvements. There is a
9 redacted version and a confidential version. The
10 actual steps that have been taken are redacted.
11 So, --

12 CMSR. CHATTOPADHYAY: Okay. Were there
13 any that were not in the energy audit?

14 *[Atty. Getz conferring with Foss*
15 *representatives.]*

16 MR. GETZ: I believe, in the filing
17 from last year, we addressed some of those
18 issues. There were steps that were taken to
19 correct power factor, there were a number of
20 other steps, that we can provide, you know,
21 provide these in detail. But there were steps
22 other than that were in the Waldron Engineering
23 recommendation.

24 CMSR. CHATTOPADHYAY: Okay. Thank you.

1 That's all I have.

2 CHAIRMAN GOLDNER: Okay. So, Attorney
3 Getz, I'm going to paraphrase you here. But I
4 think that what you're saying is is that the
5 Company is putting the infrastructure in place to
6 choose between gas and electric, but for one
7 \$750,000 transformer, is that correct?

8 You put in one \$750,000 transformer,
9 that was half your load. So, I'm assuming you
10 need one more 750K transformer. Is that roughly
11 what's going on?

12 MR. GETZ: I think that's roughly it.
13 I think the Northern is updating the cost. I
14 think there's a potential that it's going to be
15 more expensive than the last one. But we're
16 waiting to hear on that.

17 CHAIRMAN GOLDNER: I understand.

18 MR. GETZ: But that will --

19 CHAIRMAN GOLDNER: But something like
20 that.

21 MR. GETZ: But it will be that second
22 transformer that will put the company -- Foss in
23 the position of being able to serve its load
24 fully by electric.

1 CHAIRMAN GOLDNER: Okay. So, I'm just
2 clarifying. So, 100 percent electric with the
3 extra trans -- with the additional transformer,
4 or 100 percent gas, or some mix in between, would
5 be your choices, correct?

6 *[Atty. Getz conferring with Foss*
7 *representatives.]*

8 MR. GETZ: Yes. Well, this -- a little
9 finer point on that, is that there has to be a
10 minimum use of the natural gas, just to keep the
11 facilities -- the gas facilities and the gas
12 turbine operating. So, it wouldn't ever go
13 100 percent electric, is the thinking.

14 CHAIRMAN GOLDNER: So, why would you
15 need to run the gas turbine if you're not using
16 gas?

17 MR. GETZ: I can -- would you like to
18 hear from the consultants directly, Mr. Chairman?

19 CHAIRMAN GOLDNER: Sure. Yes, please.
20 Thank you.

21 MR. CAMPBELL: Yes. Good morning,
22 Commissioners. My name --

23 *[Court reporter interruption.]*

24 MR. CAMPBELL: My name is Gray

1 Campbell. And I'm a consultant to the
2 manufacturing industry for the past 33 years.
3 And one of the things that we were brought in to
4 do was to measure the effectiveness of either an
5 electricity purchase or a gas purchase, or a
6 combination thereof.

7 The equipment -- the equipment that's
8 in the plant cannot totally be run on electricity
9 or totally be run on gas. But there -- because
10 there's certain pieces of equipment that will
11 always run on natural gas.

12 One of the things they were evaluating
13 was the addition of the -- the possibility to
14 move from the gas turbine, which generates the
15 electricity, to a combination to either increase
16 the existing 3750 kVA transformer, to a 7500,
17 which would have the capability to run most of
18 the plant, or to just add a second 3750 kVA
19 transformer.

20 CHAIRMAN GOLDNER: Hmm.

21 MR. CAMPBELL: Now, a lot of this was
22 based on the way Unitil's electric rates are
23 designed. But, now they have been modified,
24 where we can -- we have a few other options,

1 where we can do different sizes of transformers.

2 But one thing that's important to note
3 is that the project economics on the natural gas
4 always favor the natural gas. And there's
5 several reasons behind this, and I won't bore you
6 with a rate discussion. But there are certain
7 things that the plant is going to always need gas
8 for, and it's always going to need electric for.

9 CHAIRMAN GOLDNER: And if I could just
10 clarify on that. So, you have machines, like
11 your dryer at home, that run straight off the
12 natural gas, or is everything --

13 *[Mr. Campbell indicating in the*
14 *affirmative.]*

15 CHAIRMAN GOLDNER: Okay. So, it does?

16 MR. CAMPBELL: That's correct. Yes.

17 CHAIRMAN GOLDNER: That's correct.

18 MR. CAMPBELL: Yes.

19 CHAIRMAN GOLDNER: And then, you also
20 have a natural gas turbine to turn the gas into
21 electricity for other devices, correct?

22 MR. CAMPBELL: Yes, sir.

23 CHAIRMAN GOLDNER: Okay. And we can
24 put this in a record request, if this is

1 something you don't know off the top of your
2 head. But what I'm interested in is there's a
3 minimum requirement with Northern that we talked
4 about earlier, and there's machines that run --
5 that must run on natural gas. Is that the same
6 number?

7 MR. CAMPBELL: No, sir.

8 CHAIRMAN GOLDNER: Which one is higher?

9 MR. CAMPBELL: Well, the turbine is
10 always higher. The turbine --

11 CHAIRMAN GOLDNER: No, I mean, not the
12 turbine, I'm talking about the machines that --
13 forget about the turbine. The machines in the
14 factory that run on natural gas, that have to
15 take natural gas, is that basically how you align
16 the minimum requirement with Northern?

17 MR. CAMPBELL: There would be boilers
18 and certain steam requirements that are not taken
19 care of by the turbine. If that answers? Do you
20 want to add?

21 *[Atty. Getz and Foss representatives*
22 *conferring.]*

23 MR. CAMPBELL: Okay. We'll have to
24 follow up to get the exact numbers on that.

1 CHAIRMAN GOLDNER: That's fine. I'm
2 just trying to align, the factory needs gas, you
3 have a minimum requirement with Northern. I'm
4 just trying to understand the dynamics of that
5 equation.

6 And then, beyond that, beyond that
7 you've got a steam turbine running. How much
8 does the steam turbine provide of your electric
9 requirements? Is it half? Is it a quarter? Is
10 it -- what is the steam?

11 MR. CAMPBELL: It's most of the
12 requirements of the electricity.

13 CHAIRMAN GOLDNER: Okay. So, you've
14 got a single turbine that's providing most of
15 your electricity?

16 MR. CAMPBELL: Yes, sir.

17 CHAIRMAN GOLDNER: Okay. Well, that's
18 very interesting. Because, really, your choice
19 is between having the sort of New England grid
20 provide and, of course, half the New England grid
21 is gas already, with a little bit of nuclear and
22 a little bit of other stuff, right? So, you
23 would pay an electric utility to convert those
24 sources into electricity, with margin and so

1 forth built in, and you would buy that, and
2 then -- so, that's one cost, or your cost, which
3 is to pipe in the gas directly, convert it to
4 electricity and run most of your plant off the
5 turbine?

6 MR. CAMPBELL: Yes, sir.

7 CHAIRMAN GOLDNER: And does that
8 turbine have variable speed? Can it -- is it
9 like all or nothing? Like, either you get, you
10 know, four gigawatts out of it or nothing? Or
11 does it -- can you tailor it down to different
12 loads?

13 MR. CAMPBELL: All or nothing.

14 CHAIRMAN GOLDNER: All or nothing.
15 Okay. And, if it's calling for too much, like,
16 if your factory is calling for two, and the
17 Turbine is providing four, what do you do with
18 the extra energy?

19 MR. CAMPBELL: We do load shedding.

20 CHAIRMAN GOLDNER: You load shed?

21 MR. CAMPBELL: Yes. So, I mean, there
22 are a number of things in that regard with your
23 question about the efficiencies. You know,
24 certain things that -- and we want to put this in

1 a document, so that you all are sure to see it.
2 There are certain things that the client is
3 doing, in terms of measuring steam loads and --
4 okay, and other such things. But we want to be
5 very specific about that to answer your question.

6 CHAIRMAN GOLDNER: Yes, and I
7 appreciate, because it helps me understand the
8 complexity of the problem. Because the turbine
9 is either on or it's off, and it probably -- you
10 probably can't ramp it up in seconds, so you need
11 to know if it's on or off. And then, you're
12 burning gas, if the turbine is on. The turbine
13 is off, then you're calling for electricity.

14 MR. CAMPBELL: I do have -- I do have
15 one thing to add. When the turbine is on, it's
16 using 350,000 MMBTUs, or MCF, whatever your
17 nomenclature is preferred, and then we also use
18 175,000 MMBTUs, or MCF, for the boilers.

19 CHAIRMAN GOLDNER: And the boilers are
20 powered how?

21 MR. CAMPBELL: Natural gas.

22 CHAIRMAN GOLDNER: So, I'll just repeat
23 that back to make sure I understand. So, the
24 turbine is 350K, and the boilers altogether are

1 175K?

2 MR. CAMPBELL: Yes, sir.

3 CHAIRMAN GOLDNER: Okay. And the
4 boilers must run on natural gas?

5 MR. CAMPBELL: What was your verb?

6 CHAIRMAN GOLDNER: The boilers must run
7 on natural gas?

8 MR. CAMPBELL: Must?

9 CHAIRMAN GOLDNER: Must.

10 MR. CAMPBELL: Must, yes. They must
11 run on natural gas.

12 CHAIRMAN GOLDNER: Sorry, that's my
13 Midwestern accent.

14 MR. CAMPBELL: Yes.

15 CHAIRMAN GOLDNER: Okay. Very good.
16 And what was the minimum requirement from
17 Northern? Is it 650? Just making sure the units
18 are the same.

19 MR. CAMPBELL: No, that's --

20 MS. GEIGER: 200,000 therms per month.
21 And it's in the supplemental filing. And I
22 apologize for not having that at my fingertips.

23 CHAIRMAN GOLDNER: And all I'm trying
24 to do is compare the boiler requirement, which

1 has to be run by natural gas, and the minimum
2 requirement at Northern. And I'm just trying to
3 make sure the units are the same. Are we
4 talking, is it 175 as compared to 200, or am I
5 confusing units?

6 MS. GEIGER: Yes. I mean, if you look
7 at Page 7 of the supplement prefiled testimony,
8 there we indicate that the -- that the 650 MCF is
9 approximately 6,695 therms, conversion factor
10 being -- I can let Mr. Smith answer this,
11 because --

12 CHAIRMAN GOLDNER: Thank you. It's
13 been 30 years since thermal dynamics class, so --
14 *[Laughter.]*

15 MR. SMITH: Can you hear me?

16 CHAIRMAN GOLDNER: Yes, sir.

17 MR. SMITH: Mr. Chairman, yes, they're
18 different units we're talking. What Foss has
19 indicated is more of an hourly type of demand.
20 Our contract is on a monthly therm usage, it's
21 energy usage. So, there's a difference in units
22 here. There's an hourly demand, which was given
23 by Foss's consultant. And what our contract
24 requires is therms, which is energy usage, over a

1 monthly period.

2 CHAIRMAN GOLDNER: Perfect. And then,
3 could you help me convert the energy usage
4 contractual amount to what's required for the
5 boiler at Foss? Is it the same number?

6 MR. SMITH: No, it's not. They will
7 have to provide what their thermal requirements
8 are on natural gas.

9 CHAIRMAN GOLDNER: Okay. Okay. That
10 makes sense. Okay, we'll make that a record
11 request. I'm not trying to confound the hearing
12 room. I'm just trying to understand the basic --
13 basically, what's going on here.

14 MR. GETZ: And if I could add, you
15 know, the long history to this, I mean, Foss
16 originally, you know, they just separated from
17 the grid entirely, and just they provided their
18 own electricity from their -- you know, from
19 natural gas and their turbines. And they didn't
20 want to have to pay any other costs or rely on
21 anybody else. And it's a long history of the
22 family running the operation.

23 But, when AstenJohnson took over, it
24 wanted to be in a position not to have to rely

1 just on the natural gas, and they started making
2 the move to get the first transformer, get the
3 second transformer, so it would have the backup.

4 CHAIRMAN GOLDNER: Thank you. It is a
5 very sensible approach. I am just trying to
6 understand the transaction, and I think I'm much
7 clearer now. So, I appreciate everyone's help on
8 that.

9 Some more detailed questions, that was
10 sort of more overarching. Does Foss receive any
11 kind of subsidized rate on its electricity from
12 Unitil, or anyone else, or are they getting the
13 tariffed rate?

14 MR. GETZ: I understand it's the tariff
15 rate.

16 CHAIRMAN GOLDNER: Okay. How much, and
17 an approximate is fine, and we can make it a
18 record request if you don't know, but how much of
19 your total cost, so, if we look at the total cost
20 across the entire P&L, is, let's just say for
21 2021, or, you know, recently, whatever you
22 choose, is the cost for natural gas, the gas from
23 Northern? Is it -- are we talking about two
24 percent of Foss's total costs? Are we talking

1 about 50 percent of Foss's total cost?

2 I'm trying to understand the size of
3 the problem.

4 MR. GETZ: So, in the filings, we put
5 in as a confidential number what percentage of
6 operating costs was natural gas. So, I guess I
7 won't put it on the record here. But that number
8 is in the confidential redacted version of the
9 letters.

10 CHAIRMAN GOLDNER: So, it's as a
11 percentage of the operating -- I didn't see it,
12 but it's a percentage of the operating costs?

13 MR. GETZ: Yes, because that's the way
14 it's phrased in the checklist. But, you know, we
15 can respond to whatever record request you make.

16 CHAIRMAN GOLDNER: Yes. Thank you. I
17 think that might be helpful. As you may know,
18 when reading hundreds of pages of filings, one
19 sometimes doesn't catch every number. So, we
20 might ask for some simplification.

21 MR. GETZ: Yes, especially the ones
22 that are blacked out.

23 CHAIRMAN GOLDNER: Exactly. Yes, those
24 are even harder to read.

1 MS. GEIGER: Mr. Chairman, if you're
2 interested, and you have the filing right in
3 front of you, the filing that was made Friday,
4 the number that you're looking for is on Schedule
5 NU-12, on the first page.

6 CHAIRMAN GOLDNER: Okay. Thank you. I
7 don't have it in front of me. But maybe
8 Commissioner Chattopadhyay can help me with that,
9 or one of our folks in the room.

10 Is your mathematics today, so, if you
11 were doing this -- making the decision today on
12 choosing electricity or gas, would you choose
13 electricity or gas today? Which one is cheaper?

14 MR. GETZ: The choice, in a position
15 where you had the capability of fully picking one
16 or the other, it would be gas.

17 CHAIRMAN GOLDNER: Gas. Right. And I
18 understand you're only talking about a portion of
19 your load, now that I'm more educated. So, we'd
20 choose gas today. That's, obviously, at the rate
21 that it's being supplied at. If it was at the
22 tariffed rate, would you make the same choice
23 today?

24 MR. GETZ: Well, Northern provides the

1 delivery at the -- we're only talking about the
2 delivery rate. The commodity is a separate
3 contract that I'm not quite sure of the terms, on
4 when that expires.

5 CHAIRMAN GOLDNER: I understand. I'm
6 just saying, like, okay, you're getting a rate
7 today, in total, from Northern, they're providing
8 it at X rate, everything considered. So, you
9 were choosing that gas based on that rate. And,
10 now, we go to the tariffed rates, which everyone
11 else is paying, and now you have to make a
12 choice, would you make the same choice? Or,
13 would convert to electricity -- would you move to
14 electricity, based on today's rates?

15 MR. GETZ: I don't think there's a
16 clear answer to that.

17 CHAIRMAN GOLDNER: And it varies over
18 time. I understand that the rates change every
19 day, and, so, you make different decisions. Is
20 that something the company would make on a
21 daily -- your choice today, between gas and
22 electricity, is something you make on a daily
23 basis, an hourly basis, a monthly basis? How do
24 you decide?

1 MR. GETZ: Because the commodity costs
2 are done month-to-month, it's really a
3 month-to-month decision.

4 CHAIRMAN GOLDNER: Okay. Thank you.

5 So, another thing I think the
6 Commission would like to understand is, so, there
7 is a extension that's being requested here that
8 takes us through February 2025, all extensions
9 included. Is this like the last extension or
10 could there be more extensions?

11 MR. GETZ: Yes, I think this is really
12 up in the air. And this is going back to last
13 December, and the end of last year, trying to
14 project where electric costs are going to be,
15 where gas costs are going to be. NU, at the time
16 of the filing, wanted to make it a shorter -- a
17 shorter contract, get the second transformer in,
18 and see where the markets are.

19 You know, I don't think we can say
20 definitively, one way or the other, if there, you
21 know, depending on where costs go, what position
22 we're in, what other factors competitively,
23 whether there would be some request and some
24 outreach to Northern to talk about an extension

1 of this, or some combination with electric, you
2 know, it's really hard to say.

3 But the competitive interests or the
4 competitive pressures are not going away.

5 CHAIRMAN GOLDNER: I understand.

6 MR. GETZ: I think I can fairly say
7 that.

8 CHAIRMAN GOLDNER: I think that's
9 right. Even though you spent your career in
10 regulatory, and I in business, I think you
11 analyzed that one correctly.

12 MR. GETZ: Thank you.

13 CHAIRMAN GOLDNER: You're welcome. So,
14 okay. So, I'll just gather that we don't have a
15 commitment that this is the last request for an
16 extension from Foss, fair? All right.

17 MR. GETZ: We would not preclude it.

18 CHAIRMAN GOLDNER: Very good. And the
19 reason that I sort of asked that is that idea
20 from Northern, and maybe this is a question for
21 Northern, in the original filing, the 2000
22 filing, was "to incite", that's a word that I
23 took directly from the original order, "Foss to
24 use gas", "incite Foss to use gas".

1 So, what is the -- what is Northern's
2 position today? Is that still the goal?

3 MR. SMITH: Regarding -- the question
4 again?

5 CHAIRMAN GOLDNER: In the original
6 filing, the position from Northern was to -- the
7 idea behind the special contract was "to incite
8 Foss to take natural gas delivery from Northern",
9 and is that still the goal of this extension?

10 MR. SMITH: Indirectly. Initially, the
11 initial filing and contract was based on their
12 dual-fuel capability, and they actually utilized
13 multiple fuels at the time, oil, and liquified
14 natural gas and so forth. And, at the time, if
15 we didn't -- if we were unsuccessful in
16 negotiating a contract reduction, the previous
17 ownership, Foss Manufacturing, would have
18 utilized other fuels. So, that's why we put the
19 contract in place.

20 Under today, it's a different driver.
21 It's economics and so forth, and their need,
22 Foss's need, to remain competitive, and to
23 continue their operations in New Hampshire, and
24 to continue to utilize natural gas, which is a

1 benefit to Northern and also our customers.

2 CHAIRMAN GOLDNER: So, maybe I'll make
3 my last statement more of a comment than a
4 question. But it seems like, after the passage
5 of time, now Foss is in a position where they
6 can, very soon, one transformer from now, take
7 electric or gas, they can make their own economic
8 choices to choose the best solution. So, it
9 seems that would be a rational time to move to
10 sort of let's call them competitive rates. And
11 I'm sure that the parties will talk more about
12 this in the technical session. But it's sort of
13 hard to understand why that's not the case.

14 Mr. Getz, would you like to comment on
15 that? I guess it is a question.

16 MR. GETZ: Well, I think the -- it's
17 still the reality that Foss has to make decisions
18 about how much gas it's going to use, how --
19 what's it going to do with employment, where is
20 it going to make its decisions about investments.
21 Because this is not a single -- it's not like the
22 old Foss, where, you know, they didn't have
23 factories elsewhere. AstenJohnson has factories
24 in many places. And, so, it's whether, you know,

1 are they going to shift production elsewhere?
2 Are they going to, you know, raise employment
3 elsewhere?

4 They're committed to try to, you know,
5 make investment decisions here, hire people here,
6 but that is driven, in large part, by energy
7 costs. And, so, the discount to the tariff rate
8 is a big factor in its decision-making. So, and
9 it's -- but I think I take your larger point, is
10 why it filed for the three-year contract was,
11 "let's get this in place while we figure out how
12 to do the electric backup, dual" -- "basically,
13 get back to dual capability again."

14 So, I guess, and if your question is,
15 "does it still make sense?" We believe it still
16 makes sense, and we would ask that you approve
17 this extension for the additional year -- two
18 years.

19 CHAIRMAN GOLDNER: Okay. Thank you.
20 Just a moment please.

21 *[Chairman Goldner and Commissioner*
22 *Chattopadhyay conferring.]*

23 CHAIRMAN GOLDNER: Thank you.

24 Commissioner Chattopadhyay was helping me with

1 the number I asked for earlier. So, I won't --
2 it's confidential. So, I won't use the number.
3 But that's an important number in the
4 consideration. If that number was, you know, 90
5 percent of the costs at Foss was energy costs,
6 then that would be one thing. If was 10 percent
7 or 50 percent, that would be another thing.

8 So, given what's in the confidential
9 filing, I won't comment on it. But I'll say that
10 that's, you know, even if you could reduce the
11 load by -- or, your costs, rather, by 20 percent,
12 I'll state this carefully, I would ask the
13 question "whether that would be a meaningful
14 difference in the financials of the Company?"

15 So, that's just maybe for further
16 discussion, not here today, because I don't want
17 to disclose the number. But that's the question
18 I would have, based on the number in the filing.

19 Because, if you're talking about moving
20 employment, you know, would you move the
21 employment if your operating costs changed by one
22 percent? Probably not. If it changed by 30
23 percent? You know, probably you would. So,
24 that's the question at hand. So, I just want to

1 maybe prime the pump with that question, you
2 know. So, I'll leave it at that, because the
3 number is confidential.

4 Commissioner Chattopadhyay, do you have
5 any additional questions?

6 CMSR. CHATTOPADHYAY: Yes, I do. Thank
7 you.

8 Just curious, when the original
9 contract was signed, was EnergyNorth [Northern?],
10 at that time, was it owned by a parent company
11 that also had the electric utility with it in
12 that region?

13 *[Atty. Geiger conferring with Northern*
14 *Utilities representatives.]*

15 MS. GEIGER: I believe that the answer
16 is that, at the time of the original Special
17 Contract, Northern was not owned by Unitil.

18 CMSR. CHATTOPADHYAY: Okay. But, if
19 anybody knows, was it owned by a parent company
20 that also had the electric utility in the same
21 region? Does anybody know the answer to that?
22 No, probably.

23 MS. GEIGER: Yes, I do. No, it
24 was NiSource -- NiSource was the parent, and

1 NiSource did not own electric, an electric
2 distribution company in New Hampshire at that
3 time.

4 CMSR. CHATTOPADHYAY: Okay. Thank you.

5 MR. DEXTER: Commissioner, that's --

6 CMSR. CHATTOPADHYAY: Yes.

7 MR. DEXTER: That's not exactly
8 correct. It was owned by Bay State Gas Company,
9 which was later acquired by NiSource.

10 MS. GEIGER: Oh, that's right.

11 MR. DEXTER: Bay State Gas Company did
12 not have any electric operations.

13 CMSR. CHATTOPADHYAY: Okay. Thank you.
14 I just wanted to know that. Thanks. That's all.

15 CHAIRMAN GOLDNER: Thank you. Okay.
16 So, let's circle around to the parties again, to
17 see if there's anything that you wish to add to
18 today's prehearing conference.

19 MS. GEIGER: We have nothing further.
20 We would just reiterate our request that the --
21 that we establish a procedural schedule that
22 allows everyone to conduct their discovery
23 expeditiously, and that we get a decision from
24 the Commission as soon as we can.

1 Thank you.

2 CHAIRMAN GOLDNER: And I'll just
3 comment then, Attorney Getz, before you go, is
4 that the Commission is prepared to move quickly
5 on this. So, if you were to ask for a hearing in
6 two weeks, we would, I know you won't, but, if
7 you did, or any time after, we would honor that
8 timeline. So, no problem there.

9 Attorney Getz.

10 MR. GETZ: Thank you, Mr. Chairman. I
11 think, among the parties, we had tried to lay out
12 what the steps would be, allowing for some
13 discovery by the DOE. And I think that may have
14 been preempted now, if you're going to do some
15 record requests fairly soon.

16 CHAIRMAN GOLDNER: We wouldn't preempt
17 the DOE. But we will issue a procedural order
18 with our questions in the next day or two.

19 MR. GETZ: So, then, I guess then that
20 would then inform DOE or OCA what types of
21 questions they need to ask.

22 CHAIRMAN GOLDNER: It may or may not.
23 But we'll try to be helpful in the process, yes.

24 MR. GETZ: No, I'm just trying to

1 figure out what, if anything, we can do. So that
2 maybe the thing is that -- well, I guess I'll let
3 Mr. Dexter and Mr. Kreis speak to that. But, you
4 know, and, of course, we're eager to get a
5 favorable decision as soon as possible, and would
6 respond, of course, to the extent we can, to any
7 of these questions.

8 So, maybe I think we should just wait
9 on any proposals for the procedural schedule,
10 until we see what questions you ask, and I assume
11 you're looking for a quick turnaround, seven to
12 ten days.

13 CHAIRMAN GOLDNER: I think so. I'm
14 looking at the calendar. We'll get the
15 procedural order out by the 15th, which is
16 Thursday. I don't think the questions are overly
17 detailed. So, maybe if the parties could get
18 back by the 23rd, and if more time is needed,
19 just file for additional time, that's eight
20 days -- or, I'm sorry, 11 -- sorry, I can't
21 add -- that's eight days, there we go. So, that
22 will, you know, get everyone the same information
23 at the same time. So, --

24 MR. GETZ: And there was one other

1 procedural question, and I think it's more
2 philosophical than practical. Foss did not
3 intervene formally to be a party. And
4 understand, as the counterparty to the contract,
5 you would likely consider us a necessary party to
6 the proceeding. To the extent that there's
7 questions, we'll obviously respond, even though
8 we're not technically a party.

9 But, if it's helpful to the process, I
10 can move now formally to intervene on behalf of
11 Foss. The Commission has authority, under
12 541-A:32, II, to grant intervention at any time,
13 so long as it's in the public interest and does
14 not impair the orderly and prompt proceeding.
15 And we think that would be the case.

16 So, however the Chair feels that should
17 proceed, whether as a necessary party or granting
18 our Motion for Intervention, I think it's to the
19 Chair's pleasure.

20 CHAIRMAN GOLDNER: Do any of the
21 parties object to Foss's Motion for Intervention?

22 MR. KREIS: No objection from the OCA.

23 MR. DEXTER: And no objection from the
24 Department.

1 MS. GEIGER: No objection from
2 Northern.

3 CHAIRMAN GOLDNER: Okay. That motion
4 is granted. Thank you, Attorney Getz. Anything
5 else?

6 MR. GETZ: No, sir. I think we just
7 need to hear, you know, what the thoughts of the
8 others are on the schedule.

9 CHAIRMAN GOLDNER: Okay. Very good.
10 We'll move to Attorney Kreis.

11 MR. KREIS: Thank you, Mr. Chairman. I
12 have relatively little to say by way of a closing
13 peroration.

14 I continue to believe that the Special
15 Contract extension is likely to warrant approval.
16 I do look forward to seeing what the Commission's
17 questions are.

18 To be perfectly candid, so that it's
19 clear to everybody in the room, I am here by
20 myself today. I don't have an analyst working
21 with me on the case. So, we are likely to be
22 dependent, to a significant degree, on what the
23 Department of Energy does by way of its analysts'
24 investigation, and, frankly, what the learned

1 folks up on the Bench are going to be doing and
2 thinking with respect to this case.

3 Nevertheless, we will do our best to
4 represent vigilantly the interests of the
5 residential customers, who are always concerned
6 that industrial and commercial customers of any
7 utility don't unfairly shift the costs of service
8 over to residential customers. It does not
9 appear that that's occurring here, but we want to
10 make sure of that, of course.

11 CHAIRMAN GOLDNER: Okay. Thank you,
12 Attorney Kreis. Attorney Dexter.

13 MR. DEXTER: Yes. Thank you. So,
14 we've been discussing a schedule that I got in
15 draft form from the attorney from Northern at
16 3:00 p.m. yesterday. But we're discussing it
17 sort of in the abstract, I guess, and I'm not
18 sure why.

19 Generally speaking, I think that the
20 schedule that the Commission adopts should allow
21 for your questions, which it sounds like are
22 going to be out in a week. It should allow for
23 the other parties, particularly the DOE and the
24 OCA, to review those responses, issue a round of

1 discovery themselves. Convene a tech session, if
2 warranted, which I think it probably will be to
3 go over the answers. And then, opportunity for
4 the DOE to update its recommendation from almost
5 a year ago, and then put it before the Commission
6 in that form. I assume the Company then would
7 probably want a chance to reply to our
8 recommendation.

9 According to the draft schedule that
10 was submitted, this could all be done in October
11 or early November, which would leave plenty of
12 time for a hearing, should the Commission decide
13 a hearing was necessary, in time for a decision
14 before the end of the year, which seems to be
15 what everyone is looking for. So, I guess we
16 would support a schedule like that.

17 So, you know, again, to recap, a chance
18 to look at the record responses; a chance to
19 issue a round of discovery ourselves; a chance to
20 update our prior recommendation; a chance for the
21 Company to comment on that; and then a hearing.

22 So, it seems like that all can be done
23 in about a 60-day timeframe.

24 CHAIRMAN GOLDNER: Okay. That

1 sounds -- that sounds good to the Commission.

2 MS. GEIGER: Mr. Chairman, the only
3 thing I might add to that is in the final step in
4 the process. And it seems to me that, given the
5 procedural history that's been associated with
6 these Special Contracts dated back to, you know,
7 2000, you know, we've never had a hearing on
8 these.

9 And, so, I think I would like to, you
10 know, float the idea with the Commission that
11 perhaps, after all the parties, including the
12 Commissioners, have had their opportunity to
13 review answers to record requests, and for the
14 OCA and Staff to file recommendations, or
15 prefiled testimony, if they think that's
16 necessary, that the Commission reserve to itself
17 the ability, if you will, to make a decision on
18 the papers, rather than holding a hearing. And
19 that it would let the parties know, well in
20 advance of any anticipated hearing date, whether
21 or not we would be required to come to Concord to
22 actually appear in person to have a hearing.

23 CHAIRMAN GOLDNER: Okay.

24 MS. GEIGER: Thank you.

1 CHAIRMAN GOLDNER: Very good. Anything
2 else?

3 I'll just note that the Commission will
4 issue a procedural order by Thursday. So, that's
5 the -- if I said that wrongly before, I meant the
6 15th, if I didn't say the 15th. And then, we'll
7 ask for a reply by the 23rd. So, that will --
8 just for purposes of your planning session,
9 that's what we'll put in the procedural order.

10 Okay. Is there anything else that the
11 parties wish to include in today's prehearing
12 conference?

13 MS. GEIGER: No. Thank you.

14 MR. GETZ: No. Thank you, Mr.
15 Chairman.

16 CHAIRMAN GOLDNER: Okay. Everybody is
17 good?

18 [No verbal response.]

19 CHAIRMAN GOLDNER: Okay. Very good.
20 Thank you. We are adjourned.

21 **(Whereupon the prehearing conference**
22 **was adjourned at 10:25 a.m., and a**
23 **technical session was held thereafter.)**

24