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PRELIMINARY STATEMENTS BY:

(Re: Northern's submission being contingent upon completion of the DOE's Final Audit regarding the winter and summer periods)

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* * *

WITNESS PANEL:

**CHRISTOPHER A. KAHL
FRANCIS X. WELLS
S. ELENA DEMERIS
DANIEL T. NAWAZELSKI**

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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	2023-2024 Winter and Summer 2004 Cost of Gas Filing (09-15-23) CONFIDENTIAL & PROPRIETARY	<i>premarked</i>
2	2023-2024 Winter and Summer 2024 Cost of Gas Filing (09-15-23) <i>REDACTED - For PUBLIC Use</i>	<i>premarked</i>
3	Environmental Response Cost Report (09-15-23)	<i>premarked</i>
4	Revised Proposed Tariff (10-06-23)	<i>premarked</i>
5	NH Department of Energy's Technical Statement of Faisal Deen Arif and Ashraful Alam, with attachments (10-20-23)	<i>premarked</i>

P R O C E E D I N G

1
2 CHAIRMAN GOLDNER: Okay. Good
3 afternoon. This is the hearing for the Northern
4 Utilities' Cost of Gas proposal for the Winter
5 2023-2024 and Summer 2024. This hearing is being
6 held pursuant to the Commencement of Adjudicative
7 Proceeding and Notice of Hearing Order issued by
8 the Commission on October 4th, 2023. I'm here
9 with Commissioners Simpson and Chattopadhyay.

10 We see that the Company and the
11 Department of Energy have proposed, with the
12 evident concurrence of the Office of the Consumer
13 Advocate, a witness panel and proposed Exhibit
14 List. We see that there is a proposed
15 confidential Exhibit 1, the unredacted version of
16 the Company's Cost of Gas filing, made pursuant
17 to the provisions of Puc Rule 201.06.

18 If there will be confidential
19 information discussed at this hearing, we would
20 appreciate that this be signaled to the court
21 reporter and the Commission can be alerted to
22 this.

23 And we also see no petitions to
24 intervene.

1 Let's begin by taking appearances,
2 beginning with Northern.

3 MR. TAYLOR: Good afternoon,
4 Commissioners. Patrick Taylor, on behalf of
5 Northern Utilities, Inc.

6 CHAIRMAN GOLDNER: Very good. And I
7 don't see the Office of the Consumer Advocate
8 today. I believe we got a notice on that.

9 And we'll now move to the New Hampshire
10 Department of Energy.

11 MS. SCHWARZER: Good morning,
12 Commissioners. Mary Schwarzer, Staff Attorney
13 with the Department of Energy. And with me is
14 Gas Director Deen Arif; co-counsel Molly Lynch;
15 and Utility Analyst Ashraful Alam.

16 CHAIRMAN GOLDNER: All right. Very
17 good. Welcome.

18 Okay. We see through a notice of this
19 hearing and proceeding has been posted on the
20 Company's website, but no affidavit of
21 publication has been filed with the Commission
22 before or after the October 11th deadline
23 regarding publication.

24 So, addressing the Company, how does

1 Northern plan to rectify the affidavit of
2 publication?

3 You probably -- you might be surprised,
4 but -- you look surprised, sir.

5 MR. TAYLOR: I am indeed surprised to
6 hear that the affidavit has not been submitted.
7 We will have it submitted forthwith.

8 CHAIRMAN GOLDNER: Very good. And does
9 the Department have any objections with admitting
10 the affidavit this afternoon, or whenever it's
11 published?

12 MS. SCHWARZER: Absolutely not.

13 CHAIRMAN GOLDNER: Okay. Very good.

14 So, I can issue a waiver from the
15 Bench. And, Mr. Taylor, any concerns with
16 getting that posted this afternoon? Would that
17 be okay?

18 MR. TAYLOR: I will have to just
19 determine that the person who usually does these
20 affidavits is available and can make them. But I
21 will track this down as soon as possible.

22 CHAIRMAN GOLDNER: Okay. As soon as
23 possible?

24 MR. TAYLOR: Yes.

1 CHAIRMAN GOLDNER: Okay. Very good.

2 Okay. So, again, we'll grant the
3 request as just and reasonable and in the public
4 interest, and move along.

5 So, I think -- I think the proposal is
6 a witness panel, is that -- did I understand that
7 correctly? So, the Company and the DOE will
8 present witnesses together?

9 MR. TAYLOR: No, that was not our plan.
10 We had planned to put our witnesses up first.

11 CHAIRMAN GOLDNER: Okay.

12 MS. SCHWARZER: That's acceptable.

13 CHAIRMAN GOLDNER: Okay. Okay. So,
14 we'll go in that sequence, that's fine. Okay.
15 Very good, then, we'll do it in that sequence in
16 the normal way.

17 And we'll invite the parties to make
18 any opening statements, if they wish? Does the
19 Company wish to make an opening statement or the
20 Department?

21 MR. TAYLOR: I have no opening
22 statement at this time. We're happy to move
23 forward with getting the witnesses qualified.

24 CHAIRMAN GOLDNER: Okay.

1 MS. SCHWARZER: I would just like to
2 highlight one legal issue, and certainly I'm
3 happy for Northern's counsel to comment as well.

4 We've attached as an exhibit to -- as
5 an attachment to Exhibit 3, Dr. Arif's technical
6 statement, Northern's responses to the
7 Department's data requests. And, in response to
8 1-3 and 1-4, Northern objected to the Department
9 making its submission contingent upon completion
10 of the Department's final audits for the Winter
11 and the Summer Period. Neither of those
12 documents is available at this -- at that time.

13 And, while there are certainly comments
14 that both witness groups might make with regard
15 to the audits, I don't know if the Commission
16 considers that a legal issue, or how we want to
17 address that. But, as stated in Dr. Arif's and
18 Mr. Alam's technical statement, we have not had
19 the benefit of those Department audits, and they
20 are important to us.

21 And, so, any position taken here is
22 subject to those audits. And were there to be an
23 unexpected outcome from an audit, we would feel
24 entitled to come back, perhaps in this docket, to

1 ask the Commission to review whatever concerns
2 that had been discovered or raised and not
3 resolved.

4 CHAIRMAN GOLDNER: Okay. Attorney
5 Taylor, any comments?

6 MR. TAYLOR: Well, I just -- I do want
7 to clarify. The Company's position was not -- we
8 did not object to the Department taking any kind
9 of position in this case.

10 The question we were asked was:
11 "Hypothetically would Northern assent to a DOE
12 proposal that the proposed COG rates are approved
13 subject to audit?" And that was for DOE 1-3.

14 For DOE 1-4, it asked the same
15 questions relative to the summer rates.

16 And, so, really, I think my objection
17 to what's being proposed by the Department, which
18 I understand to be that, really, effectively, the
19 Commission's final order would be subject to an
20 audit by the Department, raises, I think,
21 probably fairly obvious procedural concerns. We
22 need and expect a final order from the Commission
23 in this case, and in any other case. I think
24 there would be a very dangerous precedent set if

1 any order of the Commission is subject to some
2 audit from the Department of Energy.

3 Those audits typically aren't even
4 entered into the evidence in cases. I've seen it
5 happen, but it doesn't happen as a matter of
6 course.

7 There is nothing in the rules or in the
8 RSAs that I'm aware of that would preclude the
9 Commission from issuing a final order in a case
10 if the Department of Energy hasn't issued an
11 audit. Typically, the audits are not submitted.
12 To the extent they are submitted, a witness is
13 not supporting them. So, there are, I think,
14 issues related to the voracity of what's in the
15 audit itself.

16 So, I do have concerns about any kind
17 of process where the Commission's orders are
18 conditional or provisional, subject to the
19 Department of Energy issuing an audit. We have
20 no control over when the Department of Energy
21 issues its audits.

22 So, those are my concerns. I think
23 they're pretty valid.

24 CHAIRMAN GOLDNER: Just a moment.

1 MS. SCHWARZER: Mr. Chairman, if I
2 could speak?

3 CHAIRMAN GOLDNER: Just a moment.

4 MS. SCHWARZER: Of course. Sure.

5 *[Chairman Goldner and Atty. Speidel*
6 *conferring.]*

7 CHAIRMAN GOLDNER: Yes, Attorney
8 Schwarzer, you had something?

9 MS. SCHWARZER: Yes. Thank you, Mr.
10 Chairman.

11 With due respect to Northern's
12 counsel's position, since the PUC and the DOE
13 have become separate entities, in my experience,
14 Department audits have been marked as exhibits
15 and have been submitted to the Commission.

16 To the best of my knowledge, it was
17 standard for cost of gas hearings to include a
18 comment from the Gas Director with regard to
19 whether audit issues had been identified and/or
20 resolved. And, if they weren't resolved, that
21 was brought up at hearing, or the opinion was
22 submitted subject to audit. And, unless the
23 Commission's final order is amenable to change
24 pursuant to that audit, it's meaningless to make

1 it subject to audit. I mean, in order for that
2 to be meaningful, there must be some avenue to
3 keep the issue alive and to review it.

4 In addition, there is a witness to
5 support the audit. Dr. Arif works closely with
6 Karen Moran in our Office, and reviews the
7 audits, and comments on the audits once final.
8 Certainly, he would be available as a witness.
9 And, if necessary, the Department could consider
10 making Karen Moran available. Although,
11 generally, it is the Gas Director that speaks to
12 those issues.

13 So, in terms of timing, the Company --
14 each New Hampshire gas utility has twelve months
15 to prepare and review and submit what it files in
16 September, and the Department is left with a very
17 short period of time to review it. Sometimes
18 those reconciliation reports for winter are filed
19 in January, sometimes the summer reconciliation
20 reports are filed and an audit issued in March.

21 But, inasmuch as the Company has time
22 to review and prepare, in order to issue an
23 opinion finding rates just and reasonable and in
24 the public interest, even though that decision

1 ultimately, obviously, is up to the Commission,
2 the Department does need an opportunity for an
3 audit.

4 CHAIRMAN GOLDNER: Okay. Any final
5 comments, Attorney Taylor, before we move on?

6 MR. TAYLOR: I would note that we
7 certainly don't have twelve months to prepare our
8 filing. We don't know the next year's rates a
9 full year in advance.

10 And, as for the process and the time
11 the Department has to review the Company's
12 filing, this is the framework that has been in
13 place for many years. In 2016, the Commission
14 adjudicated a docket wherein we separated -- or,
15 we consolidated, I should say, the biannual
16 filings into one filing, and the Commission was
17 very clear, and the parties all agreed in that
18 case, that that was the more efficient way to
19 approach setting cost of gas rates.

20 The timing of 45 days in advance of the
21 rates taking effect was not changed at that time.
22 And, so, I think, if there is, perhaps going
23 forward, the Department feels that it needs a
24 different type of process, then that needs to be

1 subject to some sort of separate proceeding.

2 At this time last year, there was an
3 investigation going on before the Commission.
4 The Department inherited that, although my
5 understanding is it's largely related to the
6 setting of default service rates at this time,
7 not so much cost of gas.

8 But, you know, again, I just want to
9 reiterate that any kind of practice whereby the
10 Commission's final orders are subject to the
11 Department's Audit group issuing their audit,
12 it's not just the cost of gas dockets that this
13 would be a problem in, it's all dockets.
14 Utilities have to have certainty in the
15 Commission's final orders. And I understand
16 final orders are subject to a rehearing period.

17 But, absent a final order, it's going
18 to be very difficult for us to conduct business.
19 There are reporting requirements that we have to
20 make. It would be very difficult for our
21 customers, for, you know, the market that watches
22 us, if Commission orders are not truly final
23 orders, and they're just simply subject to
24 Department audits, which we don't know when

1 they're coming. So, that would introduce a
2 degree of uncertainty into not just this process,
3 but any process, that I think we have a lot of
4 concerns about.

5 I think, in this process, you know, the
6 Company is subject to the ability, and you might
7 say "the obligation", to change its rates during
8 the period if there are variances that exceed
9 certain bands, and the Company does make those.
10 And, then, we also continually report throughout
11 the process. And, so, I think there's a
12 continual flow of information.

13 I think, you know, we're certainly --
14 we're certainly always willing and available to
15 speak with the Department. And I understand
16 they're still going to issue their audit, and
17 there may be -- it may be the case that, you
18 know, that perhaps the audit finds some sort of
19 calculation error or something like that. You
20 know, these are reconciling rates. They're rates
21 that we do have the ability to change throughout
22 the period, and we can address it in that way.

23 So, you know, I don't mean to sound
24 overly contentious. You know, I appreciate where

1 the Department is coming from. I appreciate that
2 they work very hard to do their audits and to
3 review our filing in a short period of time. I
4 am sympathetic to that, and I do understand that.
5 My concerns are largely procedural, and are not
6 confined in this case.

7 CHAIRMAN GOLDNER: Okay. Thank you,
8 Attorney Taylor.

9 So, I'll just mention that the parties
10 have been heard, and the comments are duly noted.
11 If there's anything you'd like to add, please go
12 ahead and add it in closing. I'll note that the
13 rates are reconcilable, as Attorney Taylor
14 mentioned, and, Attorney Schwarzer, you may have
15 said the same thing. So, I'm confident that --
16 you're not saying that?

17 MS. SCHWARZER: I'm not --

18 CHAIRMAN GOLDNER: You're not saying
19 the rates -- the rates are not reconcilable?

20 MS. SCHWARZER: I'm not saying that in
21 this instance, if I might be more specific.

22 I believe Attorney Taylor has brought
23 up a second issue that I didn't have an
24 opportunity to address with regard to a

1 mid-season hearing.

2 But, going back to the idea of "the
3 rates being reconcilable", it's the Department's
4 position, as we have argued in a different docket
5 before -- that's before the Commission, that
6 there's a 12-month period of reconciliation.
7 And, so, the issue raised with taking the '22-23
8 over/under calculations that have been based
9 in -- excuse me -- that have been used to
10 establish these rates, is that there's a
11 Commission opinion that says "Once the Commission
12 approves an over/under reconciliation, it becomes
13 prudent and permanent." And that was in a
14 Liberty-Keene docket where historic demand
15 charges were disallowed.

16 And, so, unless we bring this forward,
17 the Department's concern is that the over-/under
18 calculation that has been forecasted and
19 projected here, and used as the basis for the
20 forecasted rates, under that order would be
21 deemed "prudent and final". And, so, then, any
22 significant problem or issue, or any specific
23 issue, that came up in an audit might be
24 presented as unresolvable, since a rate that is

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 "prudent and final" is explicitly "prudent and
2 final".

3 Certainly, that issue is before the
4 Commission. The Commission might decide there's
5 a 24-month period, instead of a 12-month period,
6 or I guess it might decide there's an infinite
7 period, although certainly the Department does
8 not wish to go there. But there needs to be a
9 remedy were Department audits to disclose or
10 discover a problem, because otherwise there's
11 really no point in doing them.

12 CHAIRMAN GOLDNER: Okay. Thank you.
13 Noted. And we'll take the issue under
14 advisement.

15 Okay. Let's move along to the Company
16 witnesses. And we would invite the witnesses to
17 come to the stand at this time.

18 *(Whereupon **CHRISTOPHER A. KAHL,***
19 ***FRANCIS X. WELLS, S. ELENA DEMERIS, and***
20 ***DANIEL T. NAWAZELSKI** were duly sworn by*
21 *the Court Reporter.)*

22 CHAIRMAN GOLDNER: Thank you. Please
23 proceed, Attorney Taylor.

24 MR. TAYLOR: Thank you.

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 I'm going to go through the I know
2 sometimes onerous process of going through each
3 witness and asking them the same questions. So,
4 I appreciate the Commission's patience.

5 I'm going to start with Mr. Kahl.

6 **CHRISTOPHER A. KAHL, SWORN**

7 **FRANCIS X. WELLS, SWORN**

8 **S. ELENA DEMERIS, SWORN**

9 **DANIEL T. NAWAZELSKI, SWORN**

10 **DIRECT EXAMINATION**

11 BY MR. TAYLOR:

12 Q Mr. Kahl, can you please state your name and
13 position with the Company?

14 A (Kahl) Christopher Kahl, Senior Regulatory
15 Analyst with Unitil.

16 Q Have you previously testified before the
17 Commission?

18 A (Kahl) Yes, I have.

19 Q I'm going to ask you to refer to Hearing
20 Exhibit 1, which is the confidential version of
21 the Company's initial filing from September 15th,
22 2023. The Company's initial filing includes
23 testimony and schedules that you sponsored,
24 correct?

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 A (Kahl) That's correct.

2 Q Was the testimony prepared by you or under your
3 direction?

4 A (Kahl) Yes, it was.

5 Q Were the schedules that accompany your testimony
6 prepared by you or under your direction?

7 A (Kahl) Yes.

8 Q Do you have any changes or corrections to your
9 testimony or schedules that you wish to note on
10 the record today?

11 A (Kahl) No.

12 Q Do you adopt the testimony and schedules as your
13 sworn testimony today, subject to changes made in
14 -- actually, do you adopt the testimony and
15 schedules as your sworn testimony today?

16 A (Kahl) Yes.

17 Q In your opinion, are the Company's proposed
18 Winter 2023 and 2024 and Summer 2024 Cost of Gas
19 rates just and reasonable and in the public
20 interest?

21 A (Kahl) Yes.

22 Q I'll move on to Mr. Wells. Mr. Wells, can you
23 please give your name and position with the
24 Company?

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 A (Wells) My name is Francis Wells. I am the
2 Manager of Energy Planning at Unitil Service
3 Corp.

4 Q Mr. Wells, have you previously testified before
5 the Commission?

6 A (Wells) Yes.

7 Q Were the schedules that accompany your testimony
8 prepared by you or under your direction?

9 A (Wells) They were.

10 Q Do you have any changes or corrections to your
11 testimony or schedules that you wish to note on
12 the record today?

13 A (Wells) No.

14 Q Do you adopt the testimony and schedules as your
15 sworn testimony today?

16 A (Wells) Yes.

17 Q In your opinion, are the Company's proposed
18 Winter 2023-2024 and Summer 2024 Cost of Gas
19 rates just and reasonable and in the public
20 interest?

21 A (Wells) They are.

22 Q I'll move on to Ms. Demeris. Ms. Demeris, can
23 you please give your name and position with the
24 Company?

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 A (Demeris) My name is Elena Demeris. I'm a Senior
2 Regulatory Analyst with Unitil.

3 Q Have you testified previously before the
4 Commission?

5 A (Demeris) Yes.

6 Q The Company's initial filing includes testimony
7 and schedules that you sponsored, correct?

8 A (Demeris) Yes.

9 Q And was that testimony prepared by you or under
10 your direction?

11 A (Demeris) It was.

12 Q Were the schedules that accompany your testimony
13 prepared by you or under your direction?

14 A (Demeris) Yes, they were.

15 Q And do you have any change or corrections to your
16 testimony or schedules that you'd like to make on
17 the record today?

18 A (Demeris) No.

19 Q Do you adopt this testimony and the accompanying
20 schedules as your sworn testimony today?

21 A (Demeris) Yes.

22 Q In your opinion, are the Company's proposed
23 Winter 2023 to '24 and Summer '24 Cost of Gas
24 rates just and reasonable and in the public

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 interest?

2 A (Demeris) They are. Yes.

3 Q Thank you. Mr. Nawazelski, can you please give
4 your name and position with the Company?

5 A (Nawazelski) Good afternoon. My name is Daniel
6 Nawazelski. I am the Manager of Revenue
7 Requirements at Unitil.

8 Q Have you previously testified before the
9 Commission?

10 A (Nawazelski) Yes, I have.

11 Q Again, referring to Hearing Exhibit 1, the
12 Company's initial filing from September 15th,
13 this initial filing includes testimony and
14 schedules that you sponsored, correct?

15 A (Nawazelski) That is correct.

16 Q Was the testimony prepared by you or under your
17 direction?

18 A (Nawazelski) Yes, it was.

19 Q Were the schedules that accompany your testimony
20 prepared by you or under your direction?

21 A (Nawazelski) Yes, they were.

22 Q Do you have any changes or corrections to your
23 testimony or schedules that you'd like to note on
24 the record today?

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 A (Nawazelski) No, I do not.

2 Q And do you adopt this testimony and your
3 schedules as your sworn testimony today?

4 A (Nawazelski) Yes, I do.

5 Q In your opinion, are the rates proposed in this
6 filing just and reasonable and in the public
7 interest?

8 A (Nawazelski) Yes, they are.

9 MR. TAYLOR: Thank you. I have some
10 additional questions for Mr. Kahl and Ms.
11 Demeris. I'll start with Ms. Demeris.

12 BY MR. TAYLOR:

13 Q Ms. Demeris, could you please refer to Hearing
14 Exhibit 3, which is the Company's September 15th,
15 2023, Environmental Cost Report -- or,
16 Environmental Response Cost Report?

17 A (Demeris) Okay.

18 Q And I'm just going to, for the purposes of these
19 questions, refer to that as the "ERC Report".

20 CMSR. SIMPSON: Which exhibit?

21 MR. TAYLOR: I'm sorry. Hearing
22 Exhibit 3.

23 CMSR. SIMPSON: Thank you.

24 BY MR. TAYLOR:

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 Q Ms. Demeris, can you please explain the purpose
2 of the ERC Report?

3 A (Demeris) Yes. The ERC Report provides the costs
4 and supporting information for remediation
5 activity at the Company's former manufactured gas
6 sites over the July '22 to June '23 period.
7 These costs are amortized over a seven-year
8 period, and provides the basis for the ERC rate
9 proposed for effect November 1 and included in
10 the LDAC.

11 Q Was the ERC Report prepared by you or under your
12 direction?

13 A (Demeris) Yes.

14 Q And do you have any changes or corrections to the
15 ERC Report that you want to note on the record
16 today?

17 A (Demeris) No, I do not.

18 Q Do you adopt the ERC Report as part of your sworn
19 testimony today?

20 A (Demeris) Yes.

21 MS. SCHWARZER: I apologize, but I'm
22 trying to follow where we are in the exhibits.
23 And the filing was separated in a format that I'm
24 not accustomed to using. So, I'm actually

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 looking on what was filed into the docket.

2 MR. TAYLOR: Uh-huh.

3 MS. SCHWARZER: Are we in the
4 Attachments NUI-SED?

5 MR. TAYLOR: No. There was a separate
6 filing. If you're looking at the docket page,
7 there was a separate filing made on
8 September 15th. I believe Mr. Nawazelski is
9 probably listed as the person who filed that.

10 MS. SCHWARZER: Oh, yes. Thank you
11 very much.

12 MR. TAYLOR: Yes. That's Hearing --
13 that was offered as Hearing "Exhibit 3".

14 MS. SCHWARZER: Thank you.

15 BY MR. TAYLOR:

16 Q Mr. Kahl, can you please refer to Hearing
17 Exhibit 4, which is the Company's October 6, 2023
18 revised proposed tariff?

19 A (Kahl) Yes.

20 Q Can you please explain the purpose of the
21 Company's revised proposed tariff?

22 MS. SCHWARZER: Again, I apologize.
23 "October 26th?

24 MR. TAYLOR: October 6.

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 MS. SCHWARZER: Thank you.

2 **BY THE WITNESS:**

3 A (Kahl) Yes. This was to update two tariff pages
4 to reflect -- these are summary tariff pages, and
5 these are to reflect the inclusion of the RDAF
6 component. So, the summary has all components
7 provided.

8 BY MR. TAYLOR:

9 Q And is your understanding that the RDAF will take
10 effect on November 1st, 2023, as proposed,
11 subject to reconciliation?

12 A (Kahl) Yes.

13 Q Was the revised proposed tariff prepared by you
14 or under your direction?

15 A (Kahl) Yes.

16 Q Do you have any changes or corrections to the
17 revised proposed tariff that you'd like to note
18 on the record today?

19 A (Kahl) No.

20 Q Do you adopt the revised proposed tariff as part
21 of your sworn testimony today?

22 A (Kahl) Yes.

23 Q And, finally, Mr. Kahl, if you could refer to
24 Exhibit 5, which is the Department of Energy's

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 position statements, specifically, at Page 3,
2 Tables 1 and 2. These tables, in combination,
3 appear to illustrate an increase in cost of gas
4 rates proposed for the 2023 to '24 Winter Period,
5 relative to cost of gas rates that took effect on
6 April 1st, 2023.

7 In your opinion, do these tables
8 provide an accurate comparison to the proposed
9 2023 to 2024 rates, relative to the prior winter
10 period rates?

11 A (Kahl) No, they do not. These rates for '22-23,
12 as shown on Page 3, those reflect the rates that
13 went into effect on April 1st. So, that was the
14 last adjustment to the cost of gas rates.

15 Now, if the Commission remembers, as we
16 went into the '22-23 Winter Period, prices were
17 very high. And, throughout the winter, we would
18 be adjusting rates downward, because we were
19 seeing an impact on our variances.

20 So, they were adjusted, I believe,
21 December, January, and March. And, so, the
22 March one -- the adjustment we made in March,
23 that was effective April 1st, is listed here.

24 So, I think it would be a better

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 representation if we looked at an average rate
2 for the winter, or even looked at what that
3 initial rate, effective November 1st of 2022,
4 was. That would give you a better comparison.

5 In both my testimony and in my
6 Attachment NUI-CAK-14, I do show an average rate
7 for comparison purposes. And when I do that, it
8 shows that the rates are projected to be lower
9 than the average rate was last year. Whereas, in
10 the DOE's report, they're showing an increase.

11 So, I think the average rate is a
12 better indicator for comparison purposes.

13 MR. TAYLOR: And I'll just note, for
14 the Commission's reference, if you're looking at
15 the hearing exhibit, it's hearing exhibit
16 Page 177, that's where you'll see NUI-CAK-14.

17 BY MR. TAYLOR:

18 Q And, Mr. Kahl, you mentioned that this attachment
19 shows the average winter rate for the last
20 period. I guess two questions. One, it's for
21 residential rate classes, correct?

22 A (Kahl) Yes. This is for residential rate
23 classes.

24 Q And the other question is, going to something you

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 had said previously about the November '22 rate,
2 NUI-CAK-14 also shows the rate that would have
3 been in effect November 1st, 2022, if the
4 Commission wanted to do a comparison between the
5 rate that we propose to take effect this November
6 and the rate that took effect last November?

7 A (Kahl) That is correct.

8 MR. TAYLOR: Those are all the
9 questions that I have for our witnesses.

10 CHAIRMAN GOLDNER: Thank you. We'll
11 move now to cross, and Attorney Schwarzer.

12 MS. SCHWARZER: Thank you, Mr.
13 Chairman.

14 **CROSS-EXAMINATION**

15 BY MS. SCHWARZER:

16 Q Just a general question for the witness panel.
17 And referring you to the Company's -- excuse
18 me -- the Department's technical statement,
19 marked as "Exhibit 5", which includes, as
20 "Attachment 1", Northern's response to DOE 1-7.

21 CHAIRMAN GOLDNER: Do you have the
22 Bates Page, Attorney Schwarzer?

23 MS. SCHWARZER: I'm sorry, I do not.

24 CHAIRMAN GOLDNER: I'll buy a vowel,

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 then. Where do I look to find this?

2 MS. SCHWARZER: If you go to Dr. Arif's
3 technical statement, Exhibit 5, --

4 CHAIRMAN GOLDNER: Uh-huh.

5 MS. SCHWARZER: -- Attachment 1 is
6 Northern's responses to data requests.

7 CHAIRMAN GOLDNER: Okay.

8 MS. SCHWARZER: And I'm looking at
9 Northern's response to DOE 1-7. So, it's in
10 numerical order, 1-1, 1-2, 1-3.

11 MR. TAYLOR: It's Bates Page 020.

12 CHAIRMAN GOLDNER: Thank you.

13 MS. SCHWARZER: Bates Page 020, yes.
14 Thank you very much.

15 CHAIRMAN GOLDNER: Okay.

16 BY MS. SCHWARZER:

17 Q So, it's my understanding that Northern has not
18 contracted for any RNG in the current season, is
19 that correct?

20 A (Wells) Yes. That is correct.

21 Q And Northern has no plans to serve or contract
22 for RNG in the next twelve months?

23 A (Wells) No. We do not.

24 Q Okay. And were that to change, you would let

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 the Department know, consistent with RSA, I think
2 it's 359 [362-I:2, V?], that requires the
3 Department to report on contracts and understand
4 certain data about how contracts would affect
5 consumers and costs?

6 MR. TAYLOR: I'm going to object to the
7 question, to the extent that it calls for a legal
8 conclusion from the witnesses.

9 MS. SCHWARZER: Okay.

10 BY MS. SCHWARZER:

11 Q Well, do you -- what would you do -- are there
12 any steps that you would take with regard to
13 notifying the Department were Northern to decide
14 to contract for RNG?

15 A (Wells) We would certainly notify the Department
16 and the PUC --

17 *[Court reporter interruption to get*
18 *closer to the microphone.]*

19 WITNESS WELLS: Certainly. Apologies.

20 **CONTINUED BY THE WITNESS:**

21 A (Wells) We would certainly contact all necessary
22 stakeholders, if the Company were to determine,
23 in the next twelve months, or at any time, to
24 contract for RNG.

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 MS. SCHWARZER: Thank you.

2 WITNESS WELLS: You're welcome.

3 BY MS. SCHWARZER:

4 Q A question, and I'm not sure who is best suited
5 to answer this, perhaps Mr. Kahl. You commented
6 on RDAF rates that have been included in the
7 current cost of gas filing?

8 A (Kahl) Yes.

9 Q And those RDAF rates were included in the bill
10 impact statements that the Company has filed with
11 the Commission?

12 A (Kahl) That would be, if we're talking "bill
13 impact statements", we would -- that question
14 should be directed to Ms. Demeris.

15 Q Okay. Ms. Demeris, would you agree that Northern
16 has included certain RDAF charges up to the soft
17 cap in its bill comparison analysis for this cost
18 of gas hearing?

19 A (Demeris) Yes. The proposed RDAF rates were
20 included in the bill impacts.

21 Q And I guess I would like maybe responses from
22 Mr. Kahl and Ms. Demeris, and anyone else who is
23 relevant, with regard to the status of those RDAF
24 charges. Does the Company agree that, pursuant

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 to filings and orders in Docket Number DG 23-086,
2 which is the Company's first application of the
3 RDAF formula, that those figures are not final,
4 they're subject to further review, as agreed in
5 that docket?

6 A (Kahl) Yes.

7 A (Demeris) That is correct.

8 Q Okay. And there's a process in place to resolve
9 what the final RDAF charges for this cost of gas
10 would be?

11 A (Nawazelski) Yes. I believe it was stated in the
12 Department's [sic] order in that docket.

13 MR. TAYLOR: And I'll just -- I'll just
14 object, and note that the Commission's orders and
15 the Commission's dockets speak for themselves and
16 are part of the public record.

17 CHAIRMAN GOLDNER: Attorney Schwarzer?

18 MS. SCHWARZER: Thank you. I think I
19 will make a legal argument, but not with the
20 witnesses.

21 CHAIRMAN GOLDNER: Okay.

22 MS. SCHWARZER: Thank you. If I could
23 have a brief moment?

24 *[Atty. Schwarzer and Dir. Arif*

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 *conferring.]*

2 MS. SCHWARZER: No further questions.

3 Thank you, Mr. Chairman.

4 CHAIRMAN GOLDNER: Okay. Thank you,
5 Attorney Schwarzer.

6 We'll now to Commissioner questions,
7 beginning with Commissioner Simpson.

8 CMSR. CHATTOPADHYAY: Thank you, Mr.
9 Chairman. Thank you for being here.

10 BY CMSR. SIMPSON:

11 Q Just a question with respect to the status of the
12 WXP Dawn Hub capacity path that was expected to
13 commence -- is expected to commence November 1st.
14 Would you be able to offer any update on that?

15 A (Wells) So, the WXP capacity path actually
16 commenced on November 1st, '22, and that did
17 happen as planned. The PXP's had previously
18 started November 1st of 2020. So, those two
19 capacity paths have been part of our portfolio
20 since those dates.

21 For reference purposes and contracting
22 purposes, we've combined those pipeline capacity
23 contracts into the Dawn Hub storage capacity
24 path, when we expanded the amount of storage that

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 we purchase from the Dawn Hub, to be able to fill
2 all of our downstream capacity to the Company
3 system with the stored gas, rather than a mix of
4 stored and purchased gas.

5 Q Okay. And there was a table I wanted to direct
6 your attention to. It's in Exhibit 1, Bates
7 Page 070.

8 A (Wells) Okay. I'm there.

9 Q Table 3. I guess it's not 070. Hang on just a
10 moment. Yes. Bates Page 076, Page 70 of the
11 document, excuse me. I'll give you a moment.
12 Noted as "Table 3. Northern Capacity Summary"?

13 A (Wells) Yes, I'm there. Thank you.

14 Q Would you be able to direct us to where that
15 capacity is noted here, if it's been rolled in to
16 another line?

17 A (Wells) Absolutely. The "Dawn Hub Storage",
18 which is under the "Storage Capacity Paths". It
19 is embedded in there.

20 Q Uh-huh.

21 A (Wells) And you can see those relevant
22 contracts actually in FXW-4, which, on Bates
23 Page 192 [Bates 198?] of Exhibit 1, the
24 relevant capacity contracts that are part of what

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 had previously been labeled "WXP" and "PXP Dawn
2 Hub", --

3 Q Uh-huh.

4 A (Wells) -- are included in the Union Dawn
5 storage, along with a new storage contract,
6 LST 155. And you can see that in Segment 1 of
7 that path.

8 Q Okay. Thank you. That's helpful. And, then,
9 you also explain the "Price Risk Mitigation
10 Plan", are you familiar with that?

11 A (Wells) I am.

12 Q Would you just be able to explain how that Plan
13 operated in prior years, and how you intend to
14 implement it for this season?

15 A (Wells) Absolutely. So, this is actually the
16 second winter that the Plan has been in effect.
17 In the prior winter, we had used -- it was a mix
18 of underground storage, fixed price peaking
19 supply contracts, and fixed price flowing
20 pipeline gas contracts. With the -- the increase
21 of available storage in this winter, the Plan
22 works the same, as far as the percentage that we
23 target to hedge, but the mix of stored gas versus
24 pipeline flowing gas is higher. And it allows

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 the Company to have more flexibility to be able
2 to, you know, use that gas on a weather-dependent
3 basis, rather than a fixed amount of gas per
4 month that is fixed price, and provides the
5 Company that flexibility.

6 So, we had been planning on going to
7 underground storage to provide better flexibility
8 on a day-to-day basis for meeting winter demand
9 needs, and this kind of gave us an additional
10 benefit of also being a natural hedge against
11 changing price gases throughout the season.

12 Q Okay. Thank you. That's helpful. And, then,
13 would you be able to touch on, in a similar
14 manner, the way that the asset management
15 agreements work? And, in your testimony, you
16 noted an increase in the asset management
17 revenue.

18 A (Wells) Yes.

19 Q Just explain that for us please?

20 A (Wells) Certainly. An asset management agreement
21 is a type of supply arrangement, whereby the
22 buyer, in this case, Northern, releases to the
23 supplier its assets, in particular, the
24 transportation contracts and storage contracts

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 that are covered by the asset management
2 agreement. In return, the supplier provides a
3 fixed payment to the Company, as -- in order to
4 be able to manage those assets, allowing them to
5 use whatever residual capacity is, after the
6 Company's supply requirement is satisfied, for
7 their own marketing purposes.

8 As to the increase in asset management
9 agreement revenue that this filing reflects,
10 those are based on the results of our most recent
11 request for proposals, where the amount that
12 suppliers were willing to pay for the right to
13 manage Northern's assets increased, as I had
14 indicated in my testimony.

15 Q And would you expect a trend in the future or is
16 that too difficult to predict?

17 A (Wells) I would say that there is sort of a
18 natural hedge in having capacity, whereby the
19 Company, as I note in my testimony, does have
20 exposure to needing to buy New England-based
21 supplies. To the extent that those prices are
22 going up, one would think that, generally
23 speaking, the values that we would receive under
24 asset management agreements would also increase.

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 So, as, you know, our peaking supply costs may
2 increase, there may be some benefit from higher
3 asset management revenues that sort of offset
4 that.

5 Now, that would be over time. Any
6 given year, you know, the results could,
7 obviously, diverge from that general statement.
8 But we believe that, you know, the capacity
9 provides some natural hedge to our consumers for
10 exposure to higher natural gas prices in the
11 region.

12 Q Thank you. That's very helpful. And, then, one
13 last thing, for Ms. Demeris. Not really a
14 question, but, in reading your testimony, I saw
15 that you have an engineering degree, and I never
16 knew that. So, --

17 A (Demeris) Oh, yes. Civil Engineering.

18 Q Make you sure you remind the Engineering
19 Department of that.

20 A (Demeris) Thanks.

21 CMSR. SIMPSON: That's all I have.
22 Thank you.

23 CHAIRMAN GOLDNER: Thank you. Let's
24 move to Commissioner Chattopadhyay.

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 CMSR. CHATTOPADHYAY: Yes. It wasn't
2 Mechanical Engineering, was it?

3 *[Witness Demeris indicating in the*
4 *negative.]*

5 CMSR. CHATTOPADHYAY: No? Okay.

6 CHAIRMAN GOLDNER: That was our star
7 witness panel from yesterday.

8 CMSR. SIMPSON: I have a bias to
9 Electrical. So, I guess we've got most of the
10 Engineering disciplines represented well.

11 CHAIRMAN GOLDNER: We're all here, yes.

12 CMSR. CHATTOPADHYAY: So, good
13 afternoon.

14 BY CMSR. CHATTOPADHYAY:

15 Q Before I forget, and could probably go back to
16 your testimony and check this, but I just want to
17 make sure. You mentioned, for the increase in
18 asset management revenue, that is "they're
19 willing to pay". Is that already contracted or
20 it's just at the RFP stage?

21 A (Wells) So, we contract -- our contracts
22 typically run from April through March each year.
23 So, we are currently in the middle of our -- you
24 know, the basis for my forecast is the April

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 through March, presuming that April through March
2 revenue goes November through October. So, I'm
3 just sort of running those current values through
4 October.

5 So, there is an opportunity or a
6 possibility of variance in asset management
7 revenue, that would pertain to the period from
8 April through October, insofar as the annual cost
9 of gas projections that I provide in my testimony
10 would be concerned.

11 Q So, again, I may be missing the whole picture.
12 So, when does the RFP happen?

13 A (Wells) We issue the RFP each February, and with
14 the contract date it would start on the
15 subsequent April 1st.

16 Q Okay. So, if you go to the Department of
17 Energy's technical statement, and this you may
18 have already touched upon, but, again, I'm just
19 trying to make sure I'm following everything.

20 So, if you go to Bates Page 002 of
21 that, and where you have "Therm Sales
22 Projection", look at the third bullet, and it
23 says "Overall, for the COG season, including both
24 the Winter and Summer Periods, the 2023/24 the

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 total projected therm sales is", whatever the
2 number is, and then it talks about the "split",
3 and it says it's -- says it's "down by [a
4 percentage] as compared to the last season."

5 And, if I go to Bates Page 071 of
6 Exhibit 1, let me go there. Too many things open
7 here. Let me know when you're there.

8 And it's "Page 65 of 410", Bates
9 Page 071. In case there is a mismatch, I'm just
10 making sure.

11 A (Wells) I'm there.

12 Q Okay. And, so, Line 4 says "Forecast
13 distribution deliveries are projected to increase
14 3.1 percent compared to the 2022-2023
15 weather-normalized actual sales." And, then,
16 "Page 1 of [the cited attachment] shows that the
17 increase in sales is explained by a 3.4 percent
18 projected increase in meter counts and a 1.0
19 percent increase in projected average use per
20 meter."

21 You may have touched upon it. Just can
22 you recap again why those two things --

23 A (Wells) Sure. Absolutely.

24 Q Yes.

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 A (Wells) So, the DOE's analysis is looking at the
2 sales forecast for this year, comparing it to the
3 sales forecast that we used in the prior year.
4 And, so, my Table 1 that you reference on -- in
5 my testimony --

6 Q Yes.

7 A (Wells) -- refers to prior year weather-
8 normalized actuals, --

9 Q Okay.

10 A (Wells) -- as opposed to the forecast.

11 Q Okay. So, that is a full -- I think there was,
12 at the beginning, discussion about the audit and
13 all of that. So, I'm just, again, trying to
14 understand. So, if there is a final order
15 without the audit being done, and later the audit
16 comes out and says "some of the calculations are
17 not correct", I'm not sure whether they are --
18 the witnesses are able to answer this, but I'm
19 just curious. What happens when -- so, when you
20 said "reconcilable", how do you -- what is the
21 process?

22 MR. TAYLOR: So, to answer your
23 question, I think that the witnesses can
24 certainly answer your question --

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 CMSR. CHATTOPADHYAY: Okay.

2 MR. TAYLOR: -- on how that process
3 works.

4 As to the conversation that Attorney
5 Schwarzer and I were having before on the
6 procedural aspect of it, that's not something
7 they would be able to answer. But, certainly, as
8 to how the process works, they would be.

9 CMSR. CHATTOPADHYAY: Okay. Yes. So,
10 I wasn't sure.

11 BY CMSR. CHATTOPADHYAY:

12 Q So, please feel free to answer.

13 A (Kahl) When we look at the -- for instance, the
14 summer period reconciliation, you know, it is
15 based on an estimate, because we're going through
16 the summer period, and, at the time we make the
17 filing, we don't have information for August,
18 September, and October.

19 When we get that finalized, we -- or,
20 basically, I go back in and we'll adjust the
21 ending balance. Now, the rates have already been
22 set, and to understand the procedure, approved.
23 So, when you change that balance, it's going to
24 have an impact on your ending variance. And that

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 can influence, if you're going to increase or
2 decrease your rate.

3 Q And does that somehow consider the audit
4 variances?

5 A (Kahl) So, if we discovered that our ending
6 balance is not accurate, and needed an
7 adjustment, that adjustment would be put in, into
8 the cost of gas model, to help us get the best
9 ending balance projection we could get. And,
10 again, if that impacts the variance at the end of
11 the season, we'll be adjusting rates, if that
12 variance is significant.

13 Q And, of course, this is all under the assumption
14 that you -- you actually identify there is --

15 A (Kahl) Yes.

16 Q -- a mistake or error --

17 A (Kahl) Yes.

18 Q -- you want to address. And, so, we can go back
19 to it next time around?

20 A (Kahl) Uh-huh. Yes.

21 Q Okay. I just wanted to confirm it.

22 MS. SCHWARZER: Just, I guess,
23 objection. Just to be clear, Mr. Kahl is not
24 offering a legal conclusion. He's talking about

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 an accounting process, and he has no knowledge of
2 what legal steps his Company might take.

3 I just wanted to clarify or --

4 MR. TAYLOR: Maybe I misunderstood. I
5 don't know that he -- that that's what he was
6 saying.

7 MS. SCHWARZER: I believe he was saying
8 "the correction would be made", and -- excuse me.
9 Thank you. I believe he was saying "the
10 correction would be made". And I believe he was
11 describing an accounting process where, from his
12 perspective, for accuracy, were a past problem
13 discovered, he would raise it and incorporate it.

14 But that is not the same thing as his
15 Company's legal position as to whether or not a
16 formally prudent rate would be adjusted.

17 Agreed?

18 MR. TAYLOR: No. My understanding is,
19 is that when we, and maybe I'm misunderstanding,
20 but, when the Company makes a submission, because
21 the variance requires a change in the rate,
22 that's made with the Commission, it's not subject
23 to any sort of further adjudication, it changes
24 the rate. And that's a filing actually that

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 Mr. Kahl typically makes, not me.

2 MS. SCHWARZER: In the context of a
3 correction?

4 MR. TAYLOR: I can address the question
5 of whether we've ever had to correct anything on
6 redirect, but --

7 MS. SCHWARZER: Well, I'm just not -- I
8 understood Commissioner Chattopadhyay's question
9 to be "In the event that an audit that had yet to
10 be completed by the Department was completed, and
11 revealed an error requiring a correction, what
12 the process would be?" And Mr. Kahl's answer
13 seemed to be that "the process would be a
14 mathematical one, an accounting one", which makes
15 sense to me. But that does not -- that doesn't
16 answer the question as to "whether a formally
17 prudent rate could be adjusted?"

18 CHAIRMAN GOLDNER: So, what we'll do at
19 this point is we'll take a quick break, and we'll
20 return at 2:00. And, so, just take a quick
21 break, and back in five minutes. Thank you.

22 MS. SCHWARZER: Thank you, Mr.
23 Chairman.

24 *(Recess taken at 1:56 p.m., and the*

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 *hearing resumed at 2:06 p.m.)*

2 CHAIRMAN GOLDNER: Okay. We're going
3 to finish now with Commissioner questions. And
4 I'll ask the parties for any comments they have
5 on reconciliation to wait until closing please,
6 and you can -- you can comment then. But we
7 won't talk about it anymore in the hearing, until
8 closings.

9 So, Commissioner Chattopadhyay, please
10 proceed.

11 CMSR. CHATTOPADHYAY: So, I will talk
12 about it a little bit.

13 BY CMSR. CHATTOPADHYAY:

14 Q Has anything like this, what is being described,
15 happened previously? Where the audit was done
16 later, and the rates went into effect, and there
17 was some sort of an error that was found?

18 And this is really questions only for
19 the witnesses here. How did you proceed then, if
20 it happened, if you remember?

21 A (Kahl) I am not familiar with any audits that
22 resulted in a change we had to make to our
23 reconciliation from that audit.

24 Q And that holds for everyone, that you don't

[WITNESS PANEL: Kahl|Wells|Demeris|Nawazelski]

1 recall anything like that?

2 A (Wells) I don't recall any audit changes
3 requiring a change in our reconciliation.

4 CMSR. CHATTOPADHYAY: Okay. Thank you.
5 That's all I have.

6 CHAIRMAN GOLDNER: Okay. Thank you,
7 Commissioner Chattopadhyay. The Chair has no
8 further questions. We can move to redirect.

9 *[Short pause.]*

10 CHAIRMAN GOLDNER: Attorney Taylor?

11 MR. TAYLOR: I'm just --

12 CHAIRMAN GOLDNER: I just want to make
13 sure you -- you were either concentrating really
14 hard or you were taking a quick nap.

15 MR. TAYLOR: I was not nodding off.
16 I'm mindful of the Chair's direction not to
17 address reconciliation any further.

18 CHAIRMAN GOLDNER: No. We can wait
19 until closing. Thank you.

20 MR. TAYLOR: I'm contemplating my
21 redirect, and I'm going to say that I have no
22 further questions.

23 CHAIRMAN GOLDNER: Okay. Thank you,
24 sir.

[WITNESS: Arif]

1 Okay. Well, thank you to the witnesses
2 today. The witnesses are excused. And you may
3 return to your seats.

4 And we'll invite Dr. Arif to the
5 witness box. Thank you.

6 As Dr. Arif gets settled in, as soon as
7 he gets settled in, if you could swear him in,
8 Mr. Patnaude. Thank you.

9 *(Whereupon **FAISAL DEEN ARIF** was duly*
10 *sworn by the Court Reporter.)*

11 CHAIRMAN GOLDNER: Thank you. Attorney
12 Schwarzer.

13 MS. SCHWARZER: Thank you, Mr.
14 Chairman. I'm being told my password is
15 incorrect. So, if I might have a moment?

16 CHAIRMAN GOLDNER: See what happens if
17 you use 1-2-3-4. Hopefully, that wasn't it.

18 *[Laughter.]*

19 MS. SCHWARZER: Thank you.

20 CHAIRMAN GOLDNER: Okay. Very good.

21 **FAISAL DEEN ARIF, SWORN**

22 **DIRECT EXAMINATION**

23 BY MS. SCHWARZER:

24 Q Dr. Arif, would you please state your name for

[WITNESS: Arif]

1 the record?

2 A My name is Faisal Deen Arif.

3 Q And what is your position?

4 A I am the Director for the Gas Division in the New
5 Hampshire Department of Energy.

6 Q And have you prepared a technical statement for
7 this docket?

8 A I have, along -- along with my colleague,
9 Ashraful Alam, yes.

10 Q And has that been marked as "Exhibit 5"?

11 A It is.

12 Q And do you have any corrections you would like to
13 make to this statement?

14 A One small correction. That is on -- I'm looking
15 at the Bates Page 006. And towards the bottom of
16 the page, --

17 Q I'm also there. Let me catch up with you, if you
18 don't mind. Page 6 of Exhibit 5.

19 A Exhibit 5.

20 Q I'm there.

21 A At Table 9, just the paragraph before Table 9,
22 where it erroneously identifies 15,506,000, that
23 should be replaced with what is in the table
24 under second column, "3,610,279" please.

[WITNESS: Arif]

1 Q Do you have any other corrections.

2 A No, I don't.

3 Q And, so, with that correction, do you adopt the
4 technical statement as your testimony here today?

5 A I do.

6 Q Dr. Arif, in your opinion, as prepared by you,
7 are the contents of your technical statement
8 subject to the Department's Final Audit Report
9 for the Winter '22-23 reconciliation as filed by
10 Northern, and Northern's future Summer 2023
11 reconciliation to be audited by the Department as
12 well?

13 A Yes.

14 Q And can you explain why?

15 A This is because, in an attempt -- it's in
16 recognition of two separate things, if I may put
17 it this way. We -- the process that is in place
18 does not allow for numbers to be "settled", as I
19 call it, through a verification process, which is
20 done by the Audit Department. And I am referring
21 specifically to over-/under-collection that gets
22 into the ratemaking process as prior period
23 balance. That number gets audited in due time,
24 when the Company submits its reconciliation

[WITNESS: Arif]

1 report for winter and for summer.

2 I do recognize that this is a process
3 of what I call "forecasting, and then
4 reconciliation", that is inherent into the
5 ratemaking process. However, the Department, in
6 its opinion, wants to minimize the use of
7 forecasted numbers, as opposed to actual numbers,
8 and an audit process allows for this to happen.

9 To the extent we need to prepare a rate
10 based on forecast, if Audit -- the reconciliation
11 models for both winter period and summer periods
12 are submitted by the Company, and Audit gets
13 opportunity to look through the prior period
14 under-/over-collection, and, then, in discussion
15 with the Company, issues a final audit report,
16 then that number becomes settled, and it does not
17 need relooking, in a way, into the ratemaking
18 process.

19 If I may elaborate one little point, as
20 to the process that I think Mr. Kahl was
21 identifying, in terms of the accounting process,
22 as opposed to the legal process, in terms of the
23 ratemaking, there are a lot more that goes into
24 the ratemaking. It inherently incorporates all

[WITNESS: Arif]

1 the figures that we are supposed to be reviewing,
2 and we review, and we have reviewed in this
3 particular docket as well. But, also, it depends
4 on the actual rate, which the cost of gas rate,
5 which gets -- which gets adjusted through the
6 trigger filing process, it also takes into
7 account a forecasted therm sales, and all of that
8 is a part of the inherent process.

9 But what Department is trying to do is
10 to make use of actual numbers, as they are
11 verified, identified, settled by all parties, and
12 make use of those numbers in time for a proposed
13 rate that uses as less forecasted numbers as
14 possible.

15 Q Thank you, Dr. Arif. And do you have any -- do
16 you have an opinion as to whether the cost of gas
17 review process could be improved?

18 A I do.

19 Q And what is that?

20 A The current process that we have, it calls for
21 rates to be effective -- rates to be reviewed,
22 and effective, for both winter and summer period.
23 The current process that we have now, as I have
24 indicated in the past to the Commission, the

[WITNESS: Arif]

1 Commission, and the Department as well, may be
2 very fortunate to have the winter reconciliation
3 report and the audit report and everything, so
4 long as the Company files it, Audit gets the
5 opportunity to review it, and finally issues an
6 audit report that is in discussion with the
7 Company. And, then, it makes its way in time for
8 the winter rate to be judged and evaluated by the
9 Commission.

10 I said the word is "lucky" if it is --
11 all the processes and the dates align, then we
12 may be able to have that benefit for the current
13 proceeding, similar to current proceeding.

14 But it is never possible, at this point
15 in time, with the summer, because summer simply
16 has not ended, and, therefore, there is no
17 submission by the Company, it's not possible at
18 all, and, therefore, no audit -- summer
19 reconciliation audit report.

20 That, despite those current processes
21 that is in place, we are required to opine on the
22 summer rate six months ahead of the rate. And a
23 lot of factors, the numbers, sales projections, a
24 lot of those numbers are, and potentially could,

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1 and probably, in most other cases, change during
2 the time passage. It is in the opinion of the
3 Department, that is why Department comes back to
4 this, with a process improvement that could
5 potentially be respectfully reviewed by the
6 Commission. And, hopefully, there's process
7 improvements therein that can be attained, which
8 minimizes the use of forecasted numbers, and
9 maximize the use of actual numbers.

10 Q Dr. Arif, what would that process be?

11 MR. TAYLOR: Hold on, just before we go
12 forward. I'm going to object to the prior
13 question and answer. I wasn't able to get my
14 objection in before Mr. Arif gave his answer.
15 And, in the interest of being polite, I did not
16 interrupt him while he was giving his answer.

17 However, my objection is based on the
18 fact that the Department of Energy is proposing a
19 change to the cost of gas process, which was
20 established in 2016, in a Department [sic] order,
21 and a fully adjudicated docket. The Department
22 of Energy needs to make that proposal in a
23 separate filing before the Commission, and not
24 from the stand.

[WITNESS: Arif]

1 CHAIRMAN GOLDNER: Attorney Schwarzer,
2 comment?

3 MS. SCHWARZER: Thank you, Mr.
4 Chairman.

5 Exhibit 5, the Technical Statement of
6 Dr. Arif, has a statement on Page 1 that says:
7 "In the opinion of the Department, for greater
8 accuracy, recency, and to benefit from the
9 Department's Final Audit of Northern's Summer
10 2023 Reconciliation, it would be useful were
11 Northern to make an updated filing in March 2023,
12 commenting on its forecasted rates, for the
13 Department's comment and potentially a Commission
14 hearing, if required."

15 That is before the Commission for its
16 consideration. Had Northern a concern or
17 objection, I believe they could have raised it
18 sooner. I recognize that this is not as detailed
19 as it might be. There is a separate open docket
20 about cost of gas process.

21 So, I'll leave it up to the
22 Commission.

23 CHAIRMAN GOLDNER: Okay. Thank you.
24 Attorney Taylor, any final comments on the topic?

[WITNESS: Arif]

1 MR. TAYLOR: My objection was based on
2 the fact that the process that -- the process
3 improvement that Mr. Arif seemed to be -- or, Dr.
4 Arif, my apologies, that Dr. Arif appeared to be
5 proposing seemed to go beyond what was in his
6 position statement, which is confined to a
7 sentence or two, and was provided to us on
8 Friday.

9 CHAIRMAN GOLDNER: Okay. Thank you.
10 Okay. We'll take it under advisement. Thank
11 you.

12 Attorney Schwarzer.

13 MS. SCHWARZER: Thank you.

14 BY MS. SCHWARZER:

15 Q Dr. Arif, if I could direct your attention to
16 your Table -- to your Exhibit 5, Table 2.4 [sic]?
17 Why did you prepare Table 2.4?

18 A Just for a quick clarification. You're referring
19 to Table 2 and 4?

20 Q I'm referring to Table 2.4, which talks about
21 "Proposed Overall Rate Comparison" on Page 4.
22 And let me just check.

23 To the extent 2. -- Table 4 is related
24 to that, I'll expand my question to include that

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1 as well.

2 A Okay. The reason it was put in this way was to
3 demonstrate what was the last approved rate that
4 would have come by through a trigger filing
5 process, and what is being proposed in the
6 current November 1 proposed rate. And the idea
7 behind this was to rationalize and demonstrate
8 the cost of gas -- the price of the cost of gas
9 in the future market.

10 I think the Commission recognizes, I
11 believe that the Commission recognizes that a
12 cost of gas -- what we call "cost of gas rate" is
13 a composition of different components, which are
14 also identified in the technical statement in
15 Table 8 and 9.

16 What Department, through the cost of
17 gas, that that comparison both presented in
18 Table 2 for Winter and Table 4 for Summer,
19 Department is attempting to see if it could
20 analytically rationalize the changes in the cost
21 of gas that's been proposed, which is just the
22 commodity rate of it. And, to that extent, in
23 the technical statement, the Department makes an
24 observation, which is on Bates Page 003,

[WITNESS: Arif]

1 underneath Table 2, the very last paragraph --
2 sorry -- very last sentence says: "By and large,
3 the observed increase in the proposed rates
4 appears to be reflective of future gas market
5 prices between April 2023 and now."

6 So, it is -- it was an analytical
7 attempt to identify what is being proposed is
8 the -- is just, reasonable, and in the public
9 interest. And Department stands by that.

10 CMSR. CHATTOPADHYAY: Can I just -- I'm
11 a little confused. You mentioned "Table 2.4" or
12 "Table 6"?

13 MS. SCHWARZER: I thought we were -- I
14 was looking at --

15 CMSR. CHATTOPADHYAY: Is it Exhibit 5?

16 MS. SCHWARZER: Yes. In Exhibit 5
17 there's a heading that says "2.4". So, I
18 apologize for that reference.

19 CMSR. CHATTOPADHYAY: So, it's
20 "Table 6"?

21 MS. SCHWARZER: Yes.

22 CMSR. CHATTOPADHYAY: Okay. Thank you.

23 MS. SCHWARZER: But I think Dr. Arif is
24 answering the question about Table 2 and

[WITNESS: Arif]

1 Table 4 --

2 [Court reporter interruption - multiple
3 speakers at the same time.]

4 MS. SCHWARZER: Thank you, Commissioner
5 Chattopadhyay. And let me clarify that the
6 question I believe Dr. Arif was answering has to
7 do with Table 2 and 4. And Dr. Arif is nodding.
8 So, perhaps just "yes"?

9 WITNESS ARIF: Yes.

10 MS. SCHWARZER: Yes. Had you concluded
11 your comment?

12 WITNESS ARIF: I believe so, but I
13 would --

14 MS. SCHWARZER: And, certainly, the
15 Commission will have time for questions.

16 BY MS. SCHWARZER:

17 Q Do you have any comments on Table 6? Which is
18 under a heading which is "2.4", and that led to
19 my -- the confusion of this section I was
20 commenting on.

21 A This, I believe, is talking about the rate
22 comparison between the proposed ones and the last
23 effective rates, both in Summer Period and Winter
24 Period.

[WITNESS: Arif]

1 Q And the last effective rates would have been
2 April for Winter and --

3 A That is correct.

4 Q -- October for Summer. Thank you. And, with
5 regard to the RDAF charges in this Cost of Gas,
6 is it your understanding that the RDAF charges
7 have been included in the bill comparisons here?

8 A Yes.

9 Q But the RDAF component is part of distribution
10 rates, is that correct?

11 A That is my understanding.

12 Q So, it is not subject to approval in this docket?

13 A No.

14 Q And there's a related docket, DG 23-086, to
15 address the RDAF rate, is that correct?

16 A That is correct.

17 Q And the parties filed an assented-to motion
18 asking that the Commission grant additional time
19 to investigate the proposed RDAF rates, and that
20 the rates be contingent, is that correct?

21 A That is correct.

22 Q Thank you. And, with that understanding,
23 Dr. Arif, in your opinion, are the rates that
24 Northern proposes for the Winter

[WITNESS: Arif]

1 2022-2023 [2023-2024?] Period and the Summer
2 2023 [2024?] Period just and reasonable and in
3 the public interest?

4 A Yes, they are.

5 MS. SCHWARZER: Thank you. No further
6 questions at this time.

7 CHAIRMAN GOLDNER: Thank you. We'll
8 turn now to the Company for cross.

9 MR. TAYLOR: I don't have any questions
10 for the witness. Thank you.

11 CHAIRMAN GOLDNER: Thank you. We'll
12 turn now to Commissioner questions, beginning
13 with Commissioner Simpson?

14 CMSR. SIMPSON: Nothing from me. Thank
15 you for your testimony, Dr. Arif.

16 WITNESS ARIF: Thank you.

17 CHAIRMAN GOLDNER: Commissioner
18 Chattopadhyay?

19 BY CMSR. CHATTOPADHYAY:

20 Q So, if you remember, I was trying to get a
21 understanding, you know, the difference in how
22 you looked at the changes in the forecast
23 volumes. And there was -- the Company did it
24 differently, they looked at actual numbers, and

[WITNESS: Arif]

1 you used what was forecasted at that time.

2 You're completely -- you don't have any
3 issues now, right? I mean, they are -- you are
4 okay -- you understand those two are different
5 ways of looking at it, and that's fine?

6 A That is precisely my understanding.

7 Q Okay. Okay.

8 A And, Commissioner Chattopadhyay, if I may just
9 elaborate a little bit, if you allow me?

10 Q Yes.

11 A This is -- analysis can be done many different
12 ways. And it's the -- it has to be understood
13 within the right context. And I just wanted to
14 make a statement that I believe what the Company
15 has presented is correct, and so it is the
16 same -- that's the same case with what Department
17 of Energy has proposed and presented, that is
18 also correct. It's just two different ways of
19 looking at the same set of numbers, and provided
20 different analytical views.

21 CMSR. CHATTOPADHYAY: Thank you.

22 That's all I have.

23 CHAIRMAN GOLDNER: Okay. I'll just add
24 that the Commission appreciates your thoughtful

[WITNESS: Arif]

1 and thorough technical statement. I have no
2 further comments.

3 And I'll move now to redirect.

4 MS. SCHWARZER: No redirect, Mr.
5 Chairman. Thank you.

6 CHAIRMAN GOLDNER: All right. Thank
7 you, Dr. Arif. You're excused. Thank you.

8 WITNESS ARIF: Thank you.

9 CHAIRMAN GOLDNER: Okay. So, having
10 heard no objections, we'll strike the markings on
11 Hearing Exhibits 1 through 5 and enter them into
12 evidence.

13 We'll now offer the parties the
14 opportunity to make brief closing statements,
15 beginning with the Department.

16 MS. SCHWARZER: Thank you, Mr.
17 Chairman.

18 In the Department's opinion, the rates,
19 as proposed by Northern, subject to ongoing
20 adjudication in 23-086, are just and reasonable
21 and in the public interest. Although, as our
22 witness has stated, our opinion is with the
23 understanding that the conclusions reached and
24 expressed today are subject to final audit from

1 the Department for winter and summer,
2 respectively.

3 In terms of reconciliation, I believe
4 there's a distinction between rates being subject
5 to correction and contingent, and what might be
6 reconciled, and the period of time has certainly
7 been brought to the Commission in which rates can
8 be reconciled, but I don't believe we have an
9 answer there.

10 So, as the Department has ordered in --
11 excuse me -- argued in I believe it was 22-041,
12 in a brief, with regard to Concord -- a Concord
13 Gas line of cases, it is our understanding that
14 issues that have not been resolved within the
15 past twelve months must be preserved and cited on
16 the record, in order to allow that corrective
17 process to continue. And that's also consistent
18 with a Commission -- a more recent Commission
19 order in an historic demand charge order
20 disallowing those charges for Liberty-Keene, I
21 believe in 2020, although that date may be wrong.

22 So, in the Department's view, it is
23 appropriate to ask the Commission to take notice
24 of our request that the rates be subject to audit

1 and outcomes of those audits.

2 Thank you.

3 CHAIRMAN GOLDNER: Okay. We'll make a
4 rulemaking on that in the order.

5 I do have a couple of questions before
6 we turn to Attorney Taylor.

7 Do you have a citation or an order
8 number for that Keene Gas order you're referring
9 to?

10 MS. SCHWARZER: I would be happy to
11 provide one. I don't have one at this time.
12 However, I don't want -- I don't believe the
13 Commission should address that issue in this
14 docket. It has been well prepared for review in
15 22-041, which is a Liberty Utilities (Northern)
16 -- (EnergyNorth) RDAF question with regard to
17 \$4 million that was not brought forward for --
18 from the Company's perspective, reconciliation, I
19 think for two years, so -- or, maybe four years.

20 So, anyway, that docket really frames
21 the question. I don't think either party here
22 intends to brief it or bring it forward. I was
23 as surprised by Northern's response, as perhaps
24 they were surprised by the question. But, since

1 that is part of the data requests that were asked
2 and answered, it was important to me to bring it
3 forward for the Commission to notice.

4 CHAIRMAN GOLDNER: Okay. Thank you.
5 Yes. If you could just file something, so the
6 record is clear on your reference to the Keene
7 Gas --

8 MS. SCHWARZER: Sure.

9 CHAIRMAN GOLDNER: -- citation, that
10 would be helpful, I'm sure for the Company and
11 for the Commission.

12 MS. SCHWARZER: And may I also clarify
13 the Concord line of cases from a prior --

14 CHAIRMAN GOLDNER: Please.

15 MS. SCHWARZER: Thank you.

16 CHAIRMAN GOLDNER: Thank you. That
17 would be very helpful.

18 And, then, the second thing I'll
19 comment, before we move to Attorney Taylor to
20 give him process, is that the Commission would
21 invite the Department to file for any process
22 improvements. If you feel that that's warranted,
23 we would encourage and invite those, you know,
24 that filing.

1 Attorney Taylor?

2 MR. TAYLOR: Just so I understand, are
3 you -- in this docket or in a separate
4 proceeding?

5 CHAIRMAN GOLDNER: In a separate
6 proceeding.

7 MR. TAYLOR: Understood. Thank you.

8 Well, thank you, Commissioners, for
9 your time today.

10 I do want to state, notwithstanding
11 some of the disagreements that we've had with the
12 Department today on the issue of process, we do
13 very much appreciate the efforts of the
14 Department of Energy to review our filing, and to
15 provide its position statement.

16 You know, as always, in the time
17 between our filing and today's hearing, there has
18 been a very respectful and I think productive
19 exchange of information between the parties, and
20 we always appreciate that. We also appreciate
21 the Department's recommendation that the
22 Company's proposed Winter rates for '22 -- 2023
23 and 2024 and the Summer 2024 rates be approved.
24 It's the Company's belief, echoed by the

1 Department, that the proposed rates are just and
2 reasonable and in the public interest, and should
3 be approved by the Commission.

4 As the Commission has heard today, I
5 think where we depart from the Department is the
6 question of whether the rates that the Commission
7 puts into effect should be expressly subject to
8 audit. And I understand that to mean that the
9 rates would be conditional or temporary or
10 provisional, or however you might want to put it.
11 And, as I noted earlier in the process, that does
12 create a lot of concerns for the Company, I think
13 not only in this docket, I think it would set a
14 precedent that would be -- it would be somewhat
15 dangerous.

16 As I noted earlier, we don't have any
17 sort of control over the Department's audit
18 process. I didn't hear the Department say
19 today that it was impossible for them to get an
20 order *[sic]* into the Commission prior to this
21 hearing. And, so, that is a process that exists
22 really outside of our control, it exists outside
23 of the view of the Commission. And if in --
24 either in this proceeding, or in any proceeding,

1 really, after an order from the Commission
2 something were to be submitted to the Commission,
3 purporting to be a statement of the truth, I
4 think that would create a lot of serious process
5 concerns. It would be offered as a piece of
6 evidence that either would not --

7 *[Court reporter interruption.]*

8 MR. TAYLOR: It seems that it would be
9 offered as a piece of evidence that, you know, we
10 wouldn't have a chance to address or be able to
11 rebut through testimony. So, there are just a
12 lot of concerns that I have about it, not just in
13 this case, but in any case. And I think the
14 Commission should not adopt that practice.

15 As our witnesses noticed from the
16 stand, this is something that can be addressed in
17 reconciliation and through our process of
18 changing the rates throughout the year. And, so,
19 we would be able to address any correction,
20 which, again, I think this is somewhat academic,
21 because we haven't had to do this before, but, if
22 there were some sort of a correction that had to
23 made, it could be addressed during the period.
24 And, then, when we come in next year, the

1 reconciliation balance would be adjusted to show
2 the correct amount.

3 So, that's how -- that's our position
4 on the proposal that the Commission's order be
5 subject to the Department audit.

6 The Department has also, in its
7 position statement, recommended a process whereby
8 the Company would make a filing in March of next
9 year, for Commission review, and Department
10 review, and I think it says "possibly a hearing"
11 -- "a hearing, if necessary".

12 So, I think that this is -- the record
13 in this case does not support this change in
14 process. As I already noted, and I will try to
15 keep it brief, this is something that the parties
16 have already addressed in 2016, where we moved
17 away from a biannual process to an annual
18 process, which the Commission found to be a more
19 efficient way of approaching this. It has
20 actually worked, in our opinion, quite well, over
21 the past seven years that we've been doing this.
22 There's no need for a process change at this
23 point, and certainly not on the record that's
24 before the Commission at this time.

1 This is something that was proposed to
2 the Commission last year. The Commission did not
3 take up that recommendation at that time,
4 deferred it to the investigation docket that was
5 going on at the time. I think the same rationale
6 holds here. There's no reason to make a
7 substantial process change in this case.

8 I will say that, you know, we, much as
9 it was in the lead-up to this hearing, we are
10 always willing to have a conversation with the
11 Department of Energy, and that there may be ways
12 that we can address this in a way that won't
13 require this new filing that we would have to
14 make, which would essentially go back to the old
15 way of doing things, except now we're doing the
16 summer cost of gas twice, once for the annual
17 cost of gas and again in the middle of the
18 period. And, so, that's a lot of extra work that
19 we think is unnecessary. And really strips away
20 the efficiencies that the Commission recognized
21 were being achieved in the first place.

22 So, again, we appreciate the
23 Department's recommendations. We do have that
24 disagreement on some of those process issues.

1 But, otherwise, appreciate the Commission's time
2 today, the Department's time. We do recommend
3 that you propose the rates -- approve the rates
4 as proposed.

5 CHAIRMAN GOLDNER: Okay. Thank you,
6 Attorney Taylor.

7 So, we'll take the matter under
8 advisement, issue an order in advance of
9 November 1st. The hearing is adjourned. Thank
10 you.

11 ***(Whereupon the hearing was adjourned***
12 ***at 2:36 p.m.)***