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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 16, 2008 - 9:13 a.m.
Concord, New Hampshire

RE: DG-08-041
NORTHERN UTILITIES, INC.:
Proposed Cost of Gas Adjustment for the
Summer Period (May 2008 - October 2008).

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Graham J. Morrison
Commissioner Clifton C. Below

Sandy Deno, Clerk

APPEARANCES: Reptg. Northern Utilities, Inc.:
Patricia M. French, Esq.

Reptg. Residential Ratepayers:
Rorie Hollenberg, Esq.
Office of Consumer Advocate

Reptg. PUC Staff:
Edward N. Damon, Esq.

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

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I N D E X

3

PAGE NO.

4

WITNESS: RONALD D. GIBBONS
FRANCISCO C. DaFONTE (at Page 17)

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Direct examination by Mr. Gibbons 5

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Cross-examination by Mr. Damon 12, 18

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9

E X H I B I T S

10

EXHIBIT NO. DESCRIPTION PAGE NO.

11

1 Summer 2008 Cost of Gas Filing premarked
(03-14-08)

12

2 Revision to proposed Cost of Gas premarked
Adjustment for Summer 2008
(04-11-08)

14

3 Responses to Staff 1-1, 1-4, 1-5, premarked
1-7, 1-8, 1-10, 1-13 & 1-14

15

16

4 Responses to Staff 1-2, 1-3 & 1-12 premarked

17

5 Responses to Staff 1-6, 1-9 & 1-11 premarked

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CLOSING STATEMENTS BY:

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Ms. Hollenberg 25

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Mr. Damon 26

23

Ms. French 27

24

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

2 CHAIRMAN GETZ: Good morning, everyone.
3 We'll open the hearing in docket DG 08-041. On March 14,
4 2008, Northern Utilities filed with the Commission its
5 cost of gas rates for the period May 1 through October 31,
6 2008. Their proposed residential cost of gas rate is
7 \$1.1096 per therm, a 28.12 cents per therm increase from
8 last summer. The estimated impact of the proposed
9 increase, along with the current LDAC rate, on a typical
10 residential heating customer's summer bill is an increase
11 of approximately \$87, or 19 percent, compared to last
12 summer. The rate increase for the commercial and
13 industrial customers is commensurate with the residential
14 rate increase.

15 We issued an order of notice on March 19
16 setting the hearing for this morning. Can we take
17 appearances please.

18 MS. FRENCH: Good morning. Patricia
19 French, from NiSource Corporate Services, on behalf of
20 Northern Utilities.

21 CHAIRMAN GETZ: Good morning.

22 CMSR. MORRISON: Good morning.

23 CMSR. BELOW: Good morning.

24 MS. HOLLENBERG: Rorie Hollenberg and

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1 Ken Traum, here for the Office of Consumer Advocate.

2 CHAIRMAN GETZ: Good morning.

3 CMSR. MORRISON: Good morning.

4 CMSR. BELOW: Good morning.

5 MR. DAMON: Good morning, Commissioners.

6 Edward Damon, for the Staff, and with me this morning are

7 Stephen Frink and Robert Wyatt.

8 CHAIRMAN GETZ: Good morning.

9 CMSR. MORRISON: Good morning.

10 CMSR. BELOW: Good morning.

11 MR. EPLER: Mr. Chairman, I'm not sure

12 if an appearance is in order. We're just here as

13 observers. But, Gary Epler, on behalf of Unitil Energy

14 Systems, Inc.

15 CHAIRMAN GETZ: Good morning.

16 CMSR. MORRISON: Good morning.

17 CMSR. BELOW: Good morning.

18 CHAIRMAN GETZ: Is there anything we

19 need to address before we hear from the Company's

20 witnesses?

21 MS. FRENCH: I don't believe so, Mr.

22 Chairman.

23 CHAIRMAN GETZ: Then, please proceed,

24 Ms. French.

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[WITNESS: GIBBONS]

1 MS. FRENCH: Thank you, Mr. Chairman.

2 Northern would present Ron Gibbons.

3 (Whereupon Ronald D. Gibbons was duly

4 sworn and cautioned by the Court

5 Reporter.)

6 RONALD D. GIBBONS, SWORN

7 DIRECT EXAMINATION

8 BY MS. FRENCH:

9 Q. Good morning, Mr. Gibbons.

10 A. Good morning.

11 Q. Would you state your full name and business address for
12 the record please.

13 A. Yes. It's Ronald D. Gibbons. I'm Manager of Rate and
14 Regulatory Services for NiSource Corporate Services,
15 representing Northern Utilities. And, my place of
16 business is 200 Civic Center Drive, Columbus, Ohio
17 43215.

18 Q. Did you sponsor prefiled testimony in this proceeding
19 on March 14, 2008?

20 A. Yes, I did.

21 Q. Do you recognize this document?

22 A. Yes, that's the original cost of gas filing.

23 Q. This has been marked "Northern Exhibit 1" for
24 identification. Did you sponsor a revised filing?

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[WITNESS: GIBBONS]

- 1 A. Yes, I did.
- 2 Q. Do you recognize this document?
- 3 A. Yes, that's the revised cost of gas filing.
- 4 Q. And, that was filed on April 11th, 2008, and has been
5 premarked for identification as "Northern Exhibit 2".
6 Mr. Gibbons, would you summarize Northern's revised
7 filing for the Commission.
- 8 A. Yes. There was two main reasons we revised the
9 original cost of gas filing. The first was an upswing
10 in the NYMEX commodity price strip. And, secondly,
11 based on a discussion at the technical session on
12 April 3rd with the Staff and Consumer Advocate, we have
13 estimated \$74,192 of capacity reserve charge credits,
14 which have been worked in as a credit to the
15 residential rate.
- 16 Q. What is the difference between the currently proposed
17 factor and the last approved off peak factor for
18 Northern Utilities?
- 19 A. This summer's residential cost of gas factor is 1.1315
20 per therm, which is 0.3143 per therm higher than the
21 average Summer 2007 rate of 0.8172 per therm.
- 22 Q. Would you be able to identify in the Northern
23 Exhibit 2, the revised filing, where that analysis
24 appears?

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[WITNESS: GIBBONS]

- 1 A. Yes. This analysis is on Page 28 of the revised
2 filing, Northern Exhibit 2.
- 3 Q. Thank you. What are the bill impacts of the proposed
4 factor?
- 5 A. The revised typical bill impacts on a residential
6 customer is an increase of \$94.25 this summer over the
7 average from the Summer 2007. That's about \$16 per
8 month, or 20.86 percent.
- 9 Q. Would you identify in the revised filing, Exhibit
10 Northern 2, where that information can be found?
- 11 A. Yes, that's on Page 29 of Northern Exhibit 2.
- 12 Q. And, Mr. Gibbons, did Northern respond to information
13 requests in this proceeding?
- 14 A. Yes, we did.
- 15 Q. And, I'm showing you what's been premarked for
16 identification as "Northern Exhibit 3", "Northern
17 Exhibit 4", and "Northern Exhibit 5". Do you recognize
18 these documents?
- 19 A. Yes, I do.
- 20 Q. And, those are the responses to the Company's
21 information requests?
- 22 A. Yes, they are.
- 23 Q. Did the Company participate in a technical session with
24 Staff in this proceeding?

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[WITNESS: GIBBONS]

1 A. Yes, we did.

2 Q. Did Staff indicate additional areas of interest in that
3 April 3rd tech session that it would like to have
4 addressed with the Commission today?

5 A. Yes.

6 Q. With regard to the erroneous metering at the neutering
7 -- Newington Station, do you have any update to provide
8 to the Commission with regard to that issue?

9 A. Yes. On the Newington metering problem, negotiations
10 are ongoing. And, in Staff Request 1-12, responded to
11 by Mr. Ferro, there has been no update to the 758,709
12 decatherm estimate as to the amount of the erroneous
13 metering, but there has been no update since this data
14 request was filed on April 7.

15 Q. And, the source of your information for this is
16 Mr. DaFonte?

17 A. Yes, it is.

18 MS. FRENCH: I would just identify for
19 the record that the Company's response to Staff 1-12
20 appears in Exhibit Northern 4.

21 BY MS. FRENCH:

22 Q. With regard to the upcoming renegotiation of the
23 Granite transportation agreement, do you have any
24 update to provide to the Commission?

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[WITNESS: GIBBONS]

1 A. Mr. DaFonte responded to Staff Data Request 1-14, which
2 was filed on April 2nd, stating that Northern had
3 proposed a renewal of the current contract. However,
4 we are still awaiting a response from Granite.

5 MS. FRENCH: And, I'd just like to
6 identify for the record that Northern's response to Staff
7 1-14 appears in Exhibit Northern 3.

8 BY MS. FRENCH:

9 Q. And, with regard finally to the filing of a PNGTS rate
10 case at FERC this month, do you have any update to
11 provide to the Commission with regard to Northern's
12 participation in that proceeding?

13 A. Northern, as part of the customer group, has intervened
14 in the PNGTS proceeding. And, according to discussions
15 with Mr. DaFonte, we are the lead of the customer
16 group.

17 Q. Do you have anything further you'd like to add this
18 morning?

19 A. No. I'd just add -- nothing other than I'd ask that
20 the Commission approve the revised filing as filed.

21 MS. FRENCH: Thank you, Mr. Gibbons.

22 CHAIRMAN GETZ: Thank you. Ms.

23 Hollenberg.

24 MS. HOLLENBERG: Thank you. Good

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[WITNESS: GIBBONS]

1 morning.

2 WITNESS GIBBONS: Good morning.

3 CROSS-EXAMINATION

4 BY MS. HOLLENBERG:

5 Q. Just a quick -- Just to touch base with you, you
6 responded to a question on direct about a technical
7 session. And, just to confirm for the record that that
8 was something that the OCA participated in, it was not
9 just a technical session between Northern and Staff?

10 A. Yes, they did.

11 Q. Thank you. And, if I can have you turn to Exhibit 1
12 please, and Page 39.

13 A. Okay.

14 Q. And, it shows that the forecasted, for residential
15 heating customers, you would agree that it shows that
16 the forecasted gas for 2008, under the "Normal Average
17 Use" column, is slightly less than the actual use of
18 2007?

19 A. Yes, it is.

20 Q. That's "3.22" for a 2008 forecast and "3.24" for the
21 actual 2007?

22 A. Yes.

23 Q. And, if you could turn to Page 93 please.

24 A. Okay.

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[WITNESS: GIBBONS]

- 1 Q. This is the last page of the filing?
- 2 A. Yes.
- 3 Q. And, that shows, halfway down, shows the residential
4 heating customers' forecast for 2007, under "Normal
5 Average Use" column, as "2.79", and the actual use for
6 2007 is "3.24". Do you agree with that?
- 7 A. Yes, I agree.
- 8 Q. Could you explain why there was such a difference
9 between the forecast of 2007 and the actual of 2008 --
10 2007 please?
- 11 A. Yes. After our technical session, I discussed with the
12 forecasting expert. And, they have changed their
13 methodology from last summer to this summer. The
14 previous method was based on he said 60 heating degree
15 days. The new method is based on 65 degree days. The
16 result is, the new method puts more volume into the
17 summer, as compared to the winter. The annual volumes
18 are just about the same between the two methodologies,
19 it's just whether they lay in the summer season or the
20 winter season. Page 39 of the Northern Exhibit 1, the
21 original cost of gas filing, 3.22 versus the actual
22 3.24, the 3.24 for the 2007 actual is calculated using
23 the new methodology. We did not restate the 2007
24 forecast for the new methodology. That's why the

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[WITNESS: GIBBONS]

1 difference. So, we are actually still experiencing a
2 slight decrease in use per customer, and our
3 forecasting has that to continue for some time.

4 MS. HOLLENBERG: Thank you. Thank you.
5 I don't have any further questions.

6 CHAIRMAN GETZ: Mr. Damon.

7 MR. DAMON: Thank you.

8 BY MR. DAMON:

9 Q. Mr. Gibbons, some questions about the Simplified Market
10 Based Allocator Cost Allocation Methodology, the "SMBA"
11 I believe is what it's called for short. I take it the
12 Company has been working with the Staff to modify and
13 add SMBA schedules in its cost of gas filing, so that
14 the rate calculation will be more transparent and make
15 for a more efficient review of the filing, is that
16 true?

17 A. Yes, I have been working with Staff.

18 Q. And, now that the gas costs are being allocated using
19 the SMBA methodology, has the Company updated its
20 tariff to reflect the changes in cost allocation for
21 the commercial and industrial Low Winter and High
22 Winter Use rate classes?

23 A. Yes, I believe that was included as a response to a
24 data request in Staff -- Northern -- PUC Staff 1-2,

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1 which was filed on April 7th, 2008.

2 Q. And, have those tariff revisions been filed with the
3 Commission yet?

4 A. I am not sure. This response was prepared by Joseph
5 Ferro. They have responsibility for the tariff
6 revisions. I do not know if they have been filed with
7 the Commission yet or not.

8 Q. Well, I assume that the Commission's own records will
9 show whether they have been filed or not?

10 A. Yes, they would.

11 Q. I guess, if they haven't been filed, do you have an
12 idea when the Company would expect to file them?

13 A. Probably tomorrow.

14 MS. FRENCH: I think the Company was
15 actually thinking that we'd do it on compliance, we would
16 do it on compliance following the Commission's order.
17 That was our thinking. And, if Staff would like it to be
18 filed sooner, we could make it available. We're expecting
19 -- Northern was expecting it to be in the form that's
20 provided in the response to Staff 1-2 in Exhibit Northern
21 4.

22 MR. DAMON: Okay. Thank you.

23 BY MR. DAMON:

24 Q. Regarding the unaccounted for problem that you've

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1 referred to in your direct testimony, the factor is
2 believed to be incorrect due primarily to metering
3 problems between the PNGTS and Granite State pipeline
4 systems, is that correct?

5 A. Yes.

6 Q. In addition to the metering problem, has the Company
7 identified any other possible causes of an unaccounted
8 for gas increase?

9 A. I don't believe so.

10 Q. Has the Company taken steps in this filing to avoid
11 using erroneous unaccounted for data?

12 A. Yes, we have. The demand forecaster typically looks at
13 a four-year average of the unaccounted for factor when
14 developing his forecast, and that is -- and he's using
15 the same information that is filed with the Department
16 of Transportation unaccounted for report. However, he
17 has the luxury of looking at the result of the data and
18 making corrections to make it look reasonable for CGA
19 forecasting purposes only. So, he looks at the latest
20 four-year average, and then is able to adjust it
21 somewhat to make it seem reasonable. And, for the
22 purposes of this cost of gas filing, he used 1 percent
23 as the four-year average.

24 Q. One percent what?

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[WITNESS: GIBBONS]

1 A. One percent unaccounted for --

2 Q. Oh, I see.

3 A. -- is what is worked into the calculation on his demand
4 forecast.

5 Q. Has the Company completed it's internal investigation
6 into the cause and responsibility for the unaccounted
7 for gas problem?

8 A. In a discussion with Mr. DaFonte, they identified the
9 indexing problem with the Newington meter. However,
10 they are still working on the negotiations and how
11 that's all going to work out. But we do believe that
12 that is the problem, the source of the unaccounted for
13 problem.

14 Q. What parties are involved in the negotiations?

15 A. I'm not involved directly with the negotiations, so I'm
16 not sure exactly who, other than what's stated here in
17 the -- Mr. Ferro's response, you've got -- one would
18 suspect Granite, PNGTS, Spectra and Northern. But I'm
19 not involved, so I don't know for sure.

20 Q. And, was the manufacturer of the meter involved, do you
21 know?

22 A. I do not know.

23 MS. FRENCH: We can make Mr. DaFonte
24 available for that. I can also indicate for the record

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[WITNESS: GIBBONS]

1 that, at the current time, the manufacturer of the meter
2 is not involved.

3 MR. DAMON: Thank you. Appreciate that.

4 BY MR. DAMON:

5 Q. The Company has filed a letter with the Commission
6 dated February 15, 2008, from Stephen Bryant. And, it
7 attached a letter from Gregg McBride dated February 12,
8 2008. And, it says two things on the letterhead. It
9 says "Spectra Energy", and then it has "M&N Operating
10 Company, LLC". And, I'd just like to know for the
11 record, what is the relation between those two names?
12 Is Spectra Energy a trade name for M&N Operating
13 Company, LLC?

14 MS. FRENCH: I think these questions
15 might be, if I could ask, better posed to Mr. DaFonte.

16 MS. HOLLENBERG: And, if I might, does
17 anyone have a copy of that letter? I don't know if I have
18 a copy of that letter.

19 MS. FRENCH: I don't have it with me,
20 no.

21 CHAIRMAN GETZ: Well, Mr. Damon, how
22 much do you have along this line? Because we could either
23 go have Mr. DaFonte take the stand or, you know, Ms.
24 French can make an offer of proof, I think we can proceed

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[WITNESS PANEL: GIBBONS|DaFONTE]

1 either way, but it kind of depends on how --

2 MR. DAMON: Yes.

3 CHAIRMAN GETZ: -- much further are you
4 going to pursue this line?

5 MR. DAMON: Well, I don't have a lot,
6 but I have a few more questions, and probably would be
7 more efficient to have him testify about these points.

8 MS. FRENCH: We could ask Mr. DaFonte
9 just to join Mr. Gibbons?

10 CHAIRMAN GETZ: Please.

11 (Whereupon Francisco C. DaFonte was duly
12 sworn and cautioned by the Court
13 Reporter and testified as a panel with
14 Witness Gibbons.)

15 FRANCISCO C. DaFONTE, SWORN

16 DIRECT EXAMINATION

17 BY MS. FRENCH:

18 Q. Mr. DaFonte, would you just state your name and
19 business address for the record please.

20 A. (DaFonte) Yes. It's Francisco DaFonte, 300 Friberg
21 Parkway, Westborough, Massachusetts.

22 Q. And, you heard Mr. Damon just mention a letter from
23 Mr. Bryant to the Commission, dated February 15, 2008.
24 Are you familiar with the contents of that letter?

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[WITNESS PANEL: GIBBONS|DaFONTE]

1 A. (DaFonte) Yes, I am.

2 BY MR. DAMON:

3 Q. And, the question really was, "M&N Operating Company,
4 LLC" appears as a name on the top right of the letter,
5 and then "Spectra Energy" on the left. Is "Spectra
6 Energy" a trade name for M&N Operating Company?

7 A. (DaFonte) M&N Operating Company is a subsidiary of
8 Spectra Energy. Spectra Energy is essentially the
9 holding company.

10 Q. So, does M&N do business as Spectra Energy, it sounds
11 like?

12 A. (DaFonte) Each of the -- there are many pipelines that
13 are operated under the "Spectra" umbrella, if you will.
14 Including in that is Maritimes & Northeast Pipeline,
15 Maritimes & Northeast Operating Company, Algonquin Gas
16 Transmission, Texas Eastern Gas Transmission, and
17 others as well.

18 Q. Now, the problem with the meter at the Newington gate
19 station has been described generally, and it has to do
20 with the updating of a pulse factor back in May of
21 2005, and this is, I believe, reflected in the letters
22 that have gone to the Commission. Has that pulse
23 factor been changed or is the pulse factor still in
24 effect as it was changed in 2005?

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[WITNESS PANEL: GIBBONS|DaFONTE]

- 1 A. (DaFonte) No, that pulse factor was corrected in
2 December of 2007. So, from December 1st forward, that
3 meter is reading accurately.
- 4 Q. And, am I correct that Spectra Energy provides metering
5 services on behalf of PNGTS?
- 6 A. (DaFonte) Yes. The actual relationship is that
7 Maritimes & Northeast Operating Company is the service
8 provider for PNGTS on the -- what we call the "joint
9 facilities" that are co-owned by Maritimes & Northeast
10 Pipeline and PNGTS.
- 11 Q. And, in one of these letters to the Commission, the
12 pulse factor change is also referred to as a "routine
13 modular exchange", but what does that refer to?
- 14 A. (DaFonte) Well, I'm not the technical expert on it, but
15 I will offer my understanding of it. And, simply put,
16 there is a computer program that develops the meter
17 count, and that program transmits that meter count to
18 the pipeline, Granite State also gets a signal. And,
19 when installing the new software, the erroneous pulse
20 count was put in, thus the signal that was transmitted
21 was also erroneous.
- 22 Q. Does the problem you've described affect the costs that
23 are recovered in Maine or is this only a New Hampshire
24 problem?

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[WITNESS PANEL: GIBBONS|DaFONTE]

- 1 A. (Gibbons) Yes, it will affect Maine also.
- 2 Q. And, have you been keeping the Maine authorities
3 updated on your progress of your investigation and
4 negotiations as well?
- 5 A. (Gibbons) Yes, we have.
- 6 Q. Yes, and just one other question. The Company is only
7 looking at the problem with the meter as the cause of
8 the previously unexplained increase in the unaccounted
9 for gas, and there are no other causes that the Company
10 is aware of at this time, is that correct?
- 11 A. (Gibbons) That's correct.
- 12 Q. Okay. That's all the questions I have on that meter
13 problem at this point. I'd like to ask a couple
14 questions on the status of the Granite State Pipeline
15 contract renewal. Mr. Gibbons testified that Northern
16 is still awaiting a response from Granite, Granite
17 State on the renewal agreement. When does Northern
18 expect an answer from Granite State?
- 19 A. (DaFonte) We're not sure of when we would expect
20 something, but we certainly will follow up once again
21 with Granite no later than the end of this month, to
22 ensure that there is some progress being made on their
23 end.
- 24 Q. And, when you are contacting Granite, who do you

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[WITNESS PANEL: GIBBONS|DaFONTE]

1 contact about this?

2 A. (DaFonte) We contact their contracting group down in
3 Charleston, West Virginia.

4 Q. And, obviously, Granite State is an affiliate of
5 Northern, I assume it's a sister company?

6 A. (DaFonte) That's correct.

7 Q. And, does the Company expect to have an agreement with
8 Granite State in effect prior to November 1, 2008?

9 A. (DaFonte) Yes, we do.

10 Q. Some questions on the FERC proceedings involving PNGTS.
11 What is the rate increase that PNGTS is seeking at the
12 FERC?

13 A. (DaFonte) PNGTS filed for a 90 cent unit rate, it's a
14 unit demand rate, and that is 7 cents greater than the
15 existing rate of 83 cents. They also have an
16 alternative proposal, which is a 96 cent rate at the
17 FERC.

18 Q. And, when is that PNGTS rate increase expected to
19 become effective?

20 A. (DaFonte) It would be effective April 1st.

21 Q. Of 2008?

22 A. (DaFonte) Of 2008, yes.

23 Q. So, it's already gone into effect or, no, it's not gone
24 into effect, but it would be retroactive to that date?

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[WITNESS PANEL: GIBBONS|DaFONTE]

- 1 A. (DaFonte) It would go into effect subject to refund.
2 So, it's in effect as of April 1st, but subject to
3 refund, depending on what the outcome of the rate case
4 is.
- 5 Q. And, which rate has gone into effect, because you
6 mentioned two?
- 7 A. (DaFonte) I believe the 90 cent rate, subject to check.
8 But I believe the 90 cent rate has gone into effect.
- 9 Q. And, what is the rate impact of that increase on
10 Northern?
- 11 A. (DaFonte) At the 90 cent rate, it's about a \$700,000
12 increase to total Northern annually. And, it's
13 approximately a 0.0075 cent per therm increase to gas
14 costs. The impact on a typical residential heating
15 customer is approximately \$10 per year, or a
16 0.5 percent increase.
- 17 Q. Okay. And, are those numbers New Hampshire specific or
18 are they just general to both Maine and New Hampshire?
- 19 A. (DaFonte) The \$700,000 increase is total Northern, and
20 the per therm increase as well is total Northern. And,
21 then, obviously, the \$10 per typical residential
22 heating customer increase would be to, again, all
23 residential heating customers.
- 24 Q. Yes. Are those higher rates reflected in this cost of

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[WITNESS PANEL: GIBBONS|DaFONTE]

1 gas filing?

2 A. (Gibbons) The PNGTS rate, according to Page -- it's
3 listed on Page 44 of Northern Exhibit 1, is a
4 five-month charge. So, it would not affect the summer
5 period.

6 A. (DaFonte) If I could add to that, there is a -- we do
7 have an annual contract with PNGTS for 1,100
8 decatherms, and that would be impacted, as far as the
9 summer is concerned, but certainly to, you know, a
10 minimal extent. And, again, because the filing was
11 made April 1st, I don't believe that that would be
12 reflected in the rates here.

13 Q. And, is Northern contesting the proposed increase and
14 the effective date of the new rates at FERC?

15 A. (DaFonte) Northern is certainly contesting the proposed
16 increase. As far as the date of implementation, we
17 cannot contest that. That is a FERC standard.

18 Q. Has the filing in this docket been audited by the New
19 Hampshire PUC Audit Staff?

20 A. (Gibbons) The reconciliation in this filing has been
21 audited, yes.

22 Q. And, Mr. Gibbons, could you just describe what the
23 results of that audit were?

24 A. I have not seen the final report, but the draft report

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[WITNESS PANEL: GIBBONS|DaFONTE]

1 there were no exceptions noted.

2 Q. Has Unitil participated in the preparation of the cost
3 of gas filing, in this -- Did Unitil participate in the
4 preparation of this cost of gas filing?

5 A. (Gibbons) No, they have not.

6 Q. And, does Unitil currently have a role in any of
7 Northern's long-term capacity and supply planning?

8 A. (DaFonte) Not at this time.

9 MR. DAMON: I have no further questions.

10 Thank you.

11 CHAIRMAN GETZ: Okay. There's no
12 questions from the Bench. Any redirect, Ms. French?

13 MS. FRENCH: Just one question.

14 BY MS. FRENCH:

15 Q. With regard to the issue with regard to the Newington
16 station. Is everything that's been provided to the
17 Commission so far as an update based on what is known
18 by Northern at this time?

19 A. (DaFonte) Yes, it is.

20 CHAIRMAN GETZ: Anything further for
21 these witnesses?

22 (No verbal response)

23 CHAIRMAN GETZ: Hearing nothing, you're
24 excused. Thank you, gentlemen. Is there any objection to

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1 striking identifications and admitting the Northern
2 exhibits into evidence?

3 (No verbal response)

4 CHAIRMAN GETZ: Hearing no objection,
5 they will be admitted into evidence. Is there anything
6 that we need to address prior to providing the opportunity
7 for closings?

8 MS. FRENCH: Mr. Chairman, we do have
9 two motions for protective treatment, which are pending
10 before the Commission. Of course, none of those issues
11 came up in today's hearing.

12 CHAIRMAN GETZ: Okay. Thank you.
13 Ms. Hollenberg.

14 MS. HOLLENBERG: Thank you. The Office
15 of Consumer Advocate supports the Company's request for
16 approval of the revised cost of gas filing. We appreciate
17 the Staff's and the Company's efforts and cooperation in
18 working through this filing. And, we are very interested
19 in a speedy resolution of the unaccounted for gas issue,
20 as overcharges will be credited to Northern customers. We
21 encourage the Company to continue to act diligently in its
22 efforts toward a resolution of this issue with all
23 interested parties, and to seek a resolution that fairly
24 compensates its customers for their overpayments.

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1 The OCA also commends the Company's
2 efforts to dispute the PNGTS rate increase and appreciates
3 Northern keeping the OCA apprised of the developments in
4 that case. Thank you.

5 CHAIRMAN GETZ: Thank you. Mr. Damon.

6 MR. DAMON: Staff also supports the
7 proposed summer cost of gas rates as filed. The
8 Commission Audit Staff reviewed the 2007 Summer Period
9 Reconciliation and found no substantive exceptions. The
10 sales forecast is generally consistent with prior
11 forecasts and reflects market expectations. The
12 Simplified Market Based Allocation Method of assigning
13 costs does seem to match resources more closely with
14 actual load patterns, and the Company continues to work
15 with the Staff to make sure that these SMBA schedules that
16 are used to develop the cost of gas rates are as
17 transparent as possible, and appreciate the Company's
18 cooperation in that. And, residential customers continue
19 to be allocated gas costs based on the system average cost
20 of gas. Staff supports Northern's tariff updates which
21 relate to the SMBA methodology in the cost of gas rate
22 calculation.

23 Staff reserved judgment on Northern's
24 prior period unaccounted for discrepancies until the

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1 Company completes its internal investigation and files its
2 report with the Commission. And, again, Staff also
3 appreciates the Company's cooperation in keeping Staff
4 informed about the progress of the investigation, and now,
5 apparently, the negotiations over how this problem will be
6 solved -- or resolved. Staff encourages the Company to do
7 what's necessary to advance its negotiations with the
8 Granite State Pipeline Group to secure capacity prior to
9 next winter's cost of gas filing.

10 And, as always, actual 2008 Summer gas
11 costs and revenues will be reconciled prior to the next
12 summer cost of gas filing, and any concerns that may arise
13 will be addressed in that proceeding. Thank you.

14 CHAIRMAN GETZ: Thank you. Ms. French.

15 MS. FRENCH: Quite simply, Northern
16 seeks approval of its revised filing for the off peak
17 season. Thank you.

18 CHAIRMAN GETZ: All right. Thank you.
19 Then, we will close this hearing and take the matter under
20 advisement.

21 (Whereupon the hearing ended at 9:51
22 a.m.)

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24

