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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 20, 2009 - 9:15 a.m.  
Concord, New Hampshire

RE: DG 09-167  
UNITIL/NORTHERN UTILITIES, INC. N.H. DIV.:  
Winter 2009/2010 Cost of Gas.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. UNITIL/Northern Utilities, Inc.:  
Susan Geiger, Esq. (Orr & Reno)

Reptg. Residential Ratepayers:  
Kenneth E. Traum, Asst. Consumer Advocate  
Office of Consumer Advocate

Reptg. PUC Staff:  
Matthew J. Fossum, Esq.  
Stephen Frink, Asst. Dir. - Gas & Water Div.  
Robert Wyatt, Gas & Water Division

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

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## I N D E X

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WITNESS PANEL:        JAMES D. SIMPSON  
                             ROBERT S. FURINO  
                             TODD M. BOHAN

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Direct examination by Ms. Geiger

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Cross-examination by Mr. Traum

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Cross-examination by Mr. Fossum

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Mr. Traum

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## E X H I B I T S

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EXHIBIT NO.

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Northern Utilities, Inc.  
N.H. Division Cost of Gas Filing  
Winter 2009-2010 (09-15-09)

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Revised Winter 2009/2010 Cost of  
Gas and Associated Charges filing  
(10-15-09)

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Updated Prefiled Testimony of  
James D. Simpson (redline version)

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Pages 2 through 5 of the  
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Response to Staff Set 1, Request  
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RECORD REQUEST (re: Shareholder  
performance incentive amounts for  
the residential and C&I programs  
for program year 2008, into 2009,  
and whether that amount is included  
in the per therm energy efficiency  
surcharges...)

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1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in docket DG 09-167. On  
4 September 15, 2009, Northern Utilities filed its cost of  
5 gas rates for the Winter Period November 1, 2009 through  
6 April 30, 2010 and its Local Distribution Adjustment  
7 Clause charges for the period November 1, 2009 through  
8 October 31, 2010. The proposed residential cost of gas  
9 rate is \$1.0913 per therm, a 10.53 cent per therm decrease  
10 from last winter. The estimated impact of the proposed  
11 COG and revised LDAC rates is a decrease of approximately  
12 \$94, or 6 percent, compared to last winter. And, the  
13 proposed C&I low winter use rate is \$1.0549 per therm and  
14 the proposed Commercial/Industrial high winter use cost of  
15 gas rate is \$1.0993 per therm. The order of notice was  
16 issued on September 18 setting the hearing for this  
17 morning.

18 Can we take appearances please.

19 MS. GEIGER: Yes. Good morning, Mr.  
20 Chairman, Commissioner Below, Commissioner Ignatius. I'm  
21 Susan Geiger, from the law firm of Orr & Reno, and I  
22 represent Northern Utilities. Good morning.

23 CHAIRMAN GETZ: Good morning.

24 MR. TRAUM: Good morning, Mr. Chairman,

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1       Commissioners. Representing the Office of Consumer  
2       Advocate this morning, Kenneth Traum.

3                       CHAIRMAN GETZ: Good morning.

4                       MR. FOSSUM: And, good morning. From  
5       the Staff of the Commission, Matthew Fossum. And, with me  
6       today is Bob Wyatt and Stephen Frink from the Staff of the  
7       Commission.

8                       CHAIRMAN GETZ: Okay. Good morning. Is  
9       there anything we need to address before you proceed,  
10      Mr. Geiger?

11                      MS. GEIGER: Yes, Mr. Chairman. Thank  
12      you. I just wanted to let the Commission know that the  
13      affidavit of publication of the order of notice has been  
14      filed with the Commission, and the Clerk has indicated  
15      that it's in the docket.

16                      The other matter I want to bring to the  
17      Commission's attention before we impanel the witnesses is  
18      that Mr. Fran Wells, who prefiled testimony in this  
19      docket, is, unfortunately, very ill this morning and can't  
20      be here. So, with the Commission's permission, we intend  
21      to substitute Mr. Robert Furino, from Unitil/Northern  
22      Utilities, to take Mr. Wells' place and to adopt his  
23      prefiled testimony under oath and answer any questions on  
24      cross-examination.

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 CHAIRMAN GETZ: Is there any objection  
2 to that proposal?

3 MR. TRAUM: No, sir.

4 MR. FOSSUM: No.

5 CHAIRMAN GETZ: Okay. Hearing nothing,  
6 then please proceed.

7 MS. GEIGER: Thank you, Mr. Chairman.  
8 Northern would call a panel of witnesses comprised of  
9 Mr. James Simpson, Mr. Robert Furino, and Mr. Todd Bohan  
10 to the stand.

11 (Whereupon James D. Simpson,  
12 Robert S. Furino, and Todd M. Bohan were  
13 duly sworn and cautioned by the Court  
14 Reporter.)

15 JAMES D. SIMPSON, SWORN

16 ROBERT S. FURINO, SWORN

17 TODD M. BOHAN, SWORN

18 DIRECT EXAMINATION

19 BY MS. GEIGER:

20 Q. Okay. Good morning. Let's start with Mr. Simpson.

21 Could you please state your name for the record.

22 A. (Simpson) My name is James D. Simpson.

23 Q. And, where are you employed and what position do you  
24 hold?

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[WITNESS PANEL: Simpson|Furino|Bohan]

- 1 A. (Simpson) I'm employed with the consulting firm of  
2 Concentric Energy Advisors. I'm a Vice President  
3 there.
- 4 Q. And, what type of services does Concentric provide?
- 5 A. (Simpson) Concentric is a management consulting and  
6 economic advisory firm. And, we specialize in  
7 regulatory affairs, transaction-related financial  
8 advisory services, and capital market analysis and  
9 negotiations.
- 10 Q. Mr. Simpson, have you previously testified before this  
11 Commission?
- 12 A. (Simpson) Yes. I provided testimony at the hearings on  
13 Northern's Summer 2009 cost of gas filing. And, also,  
14 I was employed by Bay State Gas Company from 1982 to  
15 2000. And, during that time, Bay State Gas owned  
16 Northern Utilities, and I testified before this  
17 Commission on many occasions. Normally, on issues  
18 relating to rates, growth-related projects, and other  
19 economic and regulatory issues.
- 20 Q. And, Mr. Simpson, could you please explain to the  
21 Commission the role that you and/or Concentric played  
22 in developing the cost of gas filing that's before the  
23 Commission this morning.
- 24 A. (Simpson) Certainly. Concentric was responsible for

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 the calculation of cost of gas rates that New Hampshire  
2 Division of Northern Utilities proposes to bill its  
3 customers from November 1, 2009 to April 30, 2010.  
4 And, specifically, we reviewed the cost of gas  
5 spreadsheet files and made revisions, to make the  
6 filing easier to understand and to audit and to improve  
7 the accuracy of the cost of gas calculations. We  
8 reviewed the data analysis that was prepared for this  
9 filing, to ensure that the data was accurate and  
10 complete. And, we prepared the calculation and  
11 supporting documentation for the supplier balancing  
12 charge that New Hampshire Division of Northern  
13 Utilities will bill from -- proposes to bill from  
14 November 1, 2009 to October 31, 2010.

15 Q. Okay. Mr. Simpson, I'd like to show you a document  
16 that's entitled "Northern Utilities, Inc. New Hampshire  
17 Division Cost of Gas Adjustment Filing Winter 2009-2010  
18 September 15, 2009". Could you please identify this  
19 document.

20 A. (Simpson) This is the Northern Utilities' original  
21 winter cost of gas filing that was filed at the  
22 Commission September 15th, 2009.

23 MS. GEIGER: And, Mr. Chairman, I'd like  
24 to have this document marked for identification as

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 "Exhibit 1".

2 CHAIRMAN GETZ: So marked.

3 (The document, as described, was  
4 herewith marked as Exhibit 1 for  
5 identification.)

6 MS. GEIGER: And I assume that the Bench  
7 has copies, is that correct?

8 CHAIRMAN GETZ: Yes.

9 MS. GEIGER: Mr. Patnaude, do you need a  
10 copy?

11 MR. PATNAUDE: Yes, please.

12 BY MS. GEIGER:

13 Q. And, Mr. Simpson, did you prefile testimony in this  
14 docket?

15 A. (Simpson) I did.

16 Q. And, is that prefiled testimony in the tab marked  
17 "James D. Simpson" in what's been marked for  
18 identification as "Exhibit 1"?

19 A. (Simpson) It is.

20 Q. Okay. And, do you have any corrections to that  
21 prefiled testimony?

22 A. (Simpson) I do.

23 Q. Okay. Before we get to those corrections, first,  
24 though, did you assist in the preparation of a revised

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 or a supplemental filing to the cost of gas adjustment?

2 A. (Simpson) I did.

3 Q. Okay. And, I'd like to show you another document  
4 that's under a Unutil cover letter dated October 15,  
5 2009. Do you recognize that document?

6 A. (Simpson) I do.

7 Q. And, what is it please?

8 A. (Simpson) This is the Revised Winter Cost of Gas filing  
9 that we prepared to reflect several things. First of  
10 all, updated market cost of gas supplies, based on  
11 NYMEX futures gas prices as of October 6th, 2009. And,  
12 this filing also reflects other revisions, updates, and  
13 corrections, which are summarized in an attachment to  
14 the revised filing.

15 Q. And, what's the number of that attachment, just for the  
16 Commissioners' reference?

17 A. (Simpson) The number is Attachment Northern-1.

18 MS. GEIGER: Okay. Thank you. And, Mr.  
19 Chairman, I'd like to mark the revised filing for  
20 identification as "Exhibit 2".

21 CHAIRMAN GETZ: So marked.

22 (The document, as described, was  
23 herewith marked as Exhibit 2 for  
24 identification.)

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 MS. GEIGER: Thank you.

2 BY MS. GEIGER:

3 Q. And, Mr. Simpson, turning back your attention to what's  
4 been marked for identification as "Exhibit 1", you  
5 indicated that your prefiled testimony was submitted  
6 with that filing under the tab "James D. Simpson", is  
7 that correct?

8 A. (Simpson) That's correct.

9 Q. Do you have any corrections to that prefiled testimony  
10 that you'd like to make?

11 A. (Simpson) I do. There is a wording change that I'd  
12 like to make, and there are also changes to numbers  
13 throughout my testimony.

14 Q. Okay. Why don't we make, if you don't mind, explain  
15 for the Commissioners the wording change that you just  
16 referred to, and then we'll deal with the other more  
17 extensive changes later.

18 A. (Simpson) Certainly. If I could turn everybody's  
19 attention to Page 11 of 24. Attorney Geiger, could I  
20 please have a copy of the redlined?

21 Q. Sure.

22 (Atty. Geiger handing document to  
23 Witness Simpson.)

24 WITNESS SIMPSON: Thank you.

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 BY THE WITNESS:

2 A. (Simpson) The wording changes that I would like to make  
3 start on Line 12 of Page 11 of 24. But to -- I'm  
4 trying to find an opportune place in that long run-on  
5 sentence to start, and I think I've failed. So, let me  
6 just read the words as I want to revise them. I think  
7 the easiest way to consider is to delete all the words  
8 starting on Line 12 and Line 13 and replace it simply  
9 as follows with the words: "Design conditions from May  
10 2008 through April 2009."

11 BY MS. GEIGER:

12 Q. So, basically, Mr. Simpson, did you just delete the  
13 word "winter" and substitute the word "May" for  
14 "November"?

15 A. (Simpson) I believe so.

16 Q. Okay.

17 A. (Simpson) And, I deleted a lot of other stuff, too.

18 Q. Okay. Thank you.

19 CHAIRMAN GETZ: Let me make sure I  
20 understand. So, if you start on Line 11, the end of Line  
21 11, it says "subject to the capacity assignment  
22 requirements under design conditions from May 2008 through  
23 April 2009"?

24 WITNESS SIMPSON: Thank you, Chairman.

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 That is right.

2 CHAIRMAN GETZ: Okay.

3 MS. GEIGER: Thank you, Mr. Simpson.

4 BY MS. GEIGER:

5 Q. Now, you indicated earlier that there are other  
6 revisions or changes to your prefiled testimony that  
7 you'd like to make. Did you prepare a document that  
8 highlights in redline or strike-out manner the  
9 revisions that you'd like to make?

10 A. (Simpson) Yes, I did.

11 Q. And, is this, I'm showing you a document that is  
12 entitled "Updated Prefiled Testimony of James D.  
13 Simpson". Do you recognize that document?

14 A. (Simpson) I do.

15 Q. And, is that the strike-out or redline version of the  
16 changes to your prefiled testimony that you'd like to  
17 make?

18 A. (Simpson) It is.

19 MS. GEIGER: Mr. Chairman, I'd like to  
20 mark this document as the next exhibit for identification.  
21 Copies have been provided to Staff and to the Office of  
22 Consumer Advocate. And, rather than have the witness walk  
23 the Commission through each and every change that he'd  
24 like to make to his prefiled testimony, I'd merely like to

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 submit this document for the Commission's reference.

2 BY MS. GEIGER:

3 Q. But I'd also like to ask, Mr. Simpson, the reason for  
4 the changes that are being made in this document?

5 A. (Simpson) Throughout my original testimony I expressed  
6 specific numbers from the attachments to that original  
7 testimony. So, with the updated analysis, tariffs, and  
8 attachments that were filed October 15th, many of the  
9 numbers that I referred to in my original testimony  
10 changed. So, the redline version that you were just  
11 handed shows the numbers that were revised and the  
12 revised numbers.

13 CHAIRMAN GETZ: I want to make sure I  
14 understand. So, it's not errors or changes necessarily,  
15 it's just to reflect the updated numbers and revisions  
16 that are in the October 15 filing?

17 WITNESS SIMPSON: That's right, Mr.  
18 Chairman.

19 MS. GEIGER: Right. Mr. Chairman, --

20 WITNESS SIMPSON: And, it's only those  
21 pages for which there were changed numbers.

22 CHAIRMAN GETZ: Okay. We'll mark the  
23 redlined pages of the testimony as "Exhibit 3".

24 (The document, as described, was

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[WITNESS PANEL: Simpson|Furino|Bohan]

1                                   herewith marked as Exhibit 3 for  
2                                   identification.)

3                                   MS. GEIGER: Thank you, Mr. Chairman.

4 BY MS. GEIGER:

5 Q. Mr. Simpson, with the changes that you've made orally  
6 on the stand to your prefiled testimony, as well as the  
7 changes that are reflected in what's been marked for  
8 identification as "Exhibit 3", do you have any further  
9 changes that you need to make or would you adopt the  
10 prefiled testimony as amended in Exhibit 3 as your  
11 testimony this morning under oath?

12 A. (Simpson) I have no more changes to make and I adopt  
13 this testimony.

14 Q. Okay. Thank you. Could you briefly summarize for the  
15 Commission the impacts on residential heating  
16 customers' bills that would result from the proposed  
17 Winter 2009-2010 cost of gas rates?

18 A. (Simpson) Certainly. For this purpose, I would like to  
19 refer to the updated Attachment NUI-JDS-13. That's the  
20 typical bill analysis.

21 Q. That's in Exhibit 2, correct?

22 A. (Simpson) I'm sorry?

23 Q. That's in Exhibit 2?

24 A. It is. I'm sorry, in Exhibit 2. And, as updated

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 Attachment NUI-JDS-13 shows, for a typical residential  
2 heating customer, who uses 932 therms in the winter  
3 period, the projected total winter bill for this  
4 upcoming 2009-2010 Winter Period would be \$1,421.54.  
5 And, that's in comparison to the total winter bill in  
6 the last winter period, 2008-2009, for that same  
7 customer using 932 therms, the annual bill would be --  
8 was \$1,508.01. So, the difference, the proposed tariff  
9 in this proceeding represents a decrease in the winter  
10 period bills to this typical customer of \$86.47, which  
11 is a 5.73 percent decrease.

12 CMSR. IGNATIUS: Excuse me. I think I  
13 didn't follow something here. Can you tell me again where  
14 the -- I see the "1,508" at the bottom, --

15 WITNESS SIMPSON: Yes.

16 CMSR. IGNATIUS: -- and the savings  
17 you're showing. I don't see the prior bill you're -- I  
18 mean, the new bill you're comparing it against.

19 WITNESS SIMPSON: In that same column,  
20 go up right above the thick black line, you see the  
21 "1,421" there?

22 CMSR. IGNATIUS: Yes.

23 WITNESS SIMPSON: Okay. So, that would  
24 be the -- that is the winter period bill under the

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 proposed CGA rate.

2 CMSR. IGNATIUS: All right. I'm sorry.

3 I see that. I had misheard what you described as the

4 typical bill would be for this year. Thank you.

5 WITNESS SIMPSON: Okay.

6 MS. GEIGER: Thank you.

7 BY MS. GEIGER:

8 Q. Mr. Simpson, do you have anything further that you

9 would like to add to your testimony this morning?

10 A. (Simpson) I do not.

11 Q. Okay. Then, I'd like to move on to Mr. Furino. Could

12 you please state your name for the record.

13 A. (Furino) Yes. Robert Steven Furino.

14 Q. And, Mr. Furino, where are you employed and what

15 position do you hold?

16 A. (Furino) I'm employed with Unutil Service Corp., and I

17 am Director of Energy Contracts.

18 Q. Now, did you prepare prefiled testimony for this

19 docket?

20 A. (Furino) I did not.

21 Q. Did you assist Mr. Wells with the preparation of the

22 prefiled testimony that's been submitted with the

23 filing that's been marked as "Exhibit 1" this morning?

24 A. (Furino) I did assist and review Mr. Wells' testimony

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 before it was filed, yes.

2 Q. Are you generally familiar with that testimony?

3 A. (Furino) I am.

4 Q. And, do you -- if I were to ask you the same questions  
5 this morning that were asked and answered by Mr. Wells  
6 in his prefiled testimony, would your answers be the  
7 same this morning?

8 A. (Furino) Yes, they would.

9 Q. Okay. Now, do you have any corrections or updates to  
10 Mr. Wells' prefiled testimony?

11 A. (Furino) No. There are no corrections to the prefiled  
12 testimony.

13 Q. Okay. Could you please, for the Commission, just  
14 identify the major topics that are covered in that  
15 prefiled testimony.

16 A. (Furino) Yes. Excuse me. The testimony covers  
17 Northern's gas supply activities for the last winter  
18 season, 2008-2009, as well as providing the overview of  
19 the supply plan for the upcoming winter season. The  
20 testimony provides Northern's cost of gas demand and  
21 the resulting forecasted gas sendout and the gas supply  
22 costs that were developed for the Maine and New  
23 Hampshire Divisions. The testimony also describes  
24 Northern's portfolio and its supply plan to cover those

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 forecasted sendout requirements for the coming winter  
2 season.

3 The testimony also reviews the current  
4 hedging program and the Company's projected costs from  
5 that program. And, lastly, the testimony introduces  
6 the PNGTS, the Portland Natural Gas Transmission System  
7 litigation costs that the Company has sought recovery  
8 of in this proceeding.

9 Q. Thank you, Mr. Furino. Turning now to Mr. Bohan, could  
10 you please state your name for the record.

11 A. (Bohan) Todd Matthew Bohan.

12 Q. And, where are you employed and what position do you  
13 hold?

14 A. (Bohan) Unitil Service Corporation, and I'm employed as  
15 a Senior Regulatory Analyst.

16 Q. Mr. Bohan, did you prepare prefiled testimony for this  
17 docket?

18 A. (Bohan) I did.

19 Q. And, is that prefiled testimony contained under the tab  
20 labeled "Todd M. Bohan" in the document that's been  
21 marked as "Exhibit 1" this morning?

22 A. (Bohan) Yes, it is.

23 Q. And, Mr. Bohan, do you have any corrections or changes  
24 that you'd like to make to your prefiled testimony?

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 A. (Bohan) I do.

2 Q. Did you prepare a document that outlines or reflects  
3 those changes and/or corrections?

4 A. (Bohan) Yes. This document provides a redline version  
5 of my testimony, Pages 2 through 5.

6 MS. GEIGER: Okay. Mr. Chairman, I'd  
7 like to mark, as I did with the changes to Mr. Simpson's  
8 prefiled testimony, a document that reflects the changes  
9 that Mr. Bohan would like to make to his prefiled  
10 testimony, mark for identification as the next exhibit,  
11 which I believe is 4.

12 CHAIRMAN GETZ: It will be so marked.

13 (The document, as described, was  
14 herewith marked as Exhibit 4 for  
15 identification.)

16 MS. GEIGER: Thank you. And, I've given  
17 copies of this to Attorney Fossum and Mr. Traum.

18 BY MS. GEIGER:

19 Q. Mr. Bohan, could you please briefly identify the major  
20 topics that you cover in your prefiled testimony.

21 A. (Bohan) Certainly. My testimony covers the Local  
22 Delivery Adjustment Clause Tariff Page Number 56.

23 Northern is proposing changes to three items in its  
24 LDAC tariff: The Residential Low Income Assistance

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 Program rate, its Demand-Side Management rate, and its  
2 Environmental Response Cost rate.

3 Q. Mr. Bohan, could you please briefly summarize the  
4 impact of the various rates discussed in your prefiled  
5 testimony upon the LDAC rate for residential customers  
6 and the LDAC rate for general services customers?

7 A. (Bohan) Yes. The Residential Low Income Assistance  
8 Program rate is proposed, excuse me, to increase for  
9 the residential class from 0.0039 per therm, to 0.0055  
10 per therm effective November 1, 2009. Actually, that's  
11 for all classes. The Demand-Side Management rate for  
12 the residential classes is proposed to increase from  
13 0.0113 per therm, to 0.0201 per therm. The DSM rate  
14 for the general service classes is proposed to increase  
15 slightly from 0.0069 per therm, to 0.0072 per therm.  
16 And, the Environmental Response Cost rate is proposed  
17 to increase from 0.01 -- excuse me, decrease from  
18 0.0103, to 0.0057 per therm for all classes.

19 The net impact on the LDAC rate for the  
20 residential class is an increase from 0.0255 per therm,  
21 to 0.0313 per therm. And, for the general classes, a  
22 decrease from 0.0211 per therm, to 0.0184 per therm,  
23 all effective -- proposed for effect November 1st,  
24 2009.

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 Q. Thank you, Mr. Bohan. Do you have anything further to  
2 add to your testimony this morning?

3 A. (Bohan) I do not.

4 MS. GEIGER: Thank you, Mr. Chairman.  
5 Unless the Commission would like to have any of these  
6 witnesses elaborate further on their prefiled testimony or  
7 any of the comments that they've made this morning,  
8 they're available for cross-examination.

9 CHAIRMAN GETZ: Thank you. Mr. Traum.

10 MR. TRAUM: Thank you, sir. I think my  
11 questions I'll be directing at a specific witness. But,  
12 if anybody on the panel would like to enlarge upon the  
13 response, please feel free to.

14 CROSS-EXAMINATION

15 BY MR. TRAUM:

16 Q. Let me start with Mr. Bohan. In the Exhibit 4, which  
17 is your revised update, on Page 5 of that filing you  
18 changed, on Line 5, you've changed the total annual  
19 sales from roughly 62 million therms to 56 million  
20 therms. And, could you just explain why you did that?

21 A. (Bohan) Certainly. In the preparation of my testimony,  
22 I had used other forecast numbers in developing my  
23 testimony, which was the original figure of 62,313,300  
24 therms. And, after meeting with Staff during -- and

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 OCA during a technical session, and discussion with,  
2 you know, other Company personnel, I realized that my  
3 forecast included in the testimony should have been the  
4 the Company forecast, which was adopted in the  
5 testimony of Mr. Wells. And, that is the number that  
6 you see here in the update, which is 55,911,009 therms.

7 Q. And, just to be clear for the record, that 55 million  
8 would reflect total flow-through, whether it was  
9 flow-through related to CGA or flow-through related to  
10 migrating customers' therms?

11 A. (Bohan) Yes, that's correct.

12 Q. If I could turn to Mr. Furino, you had mentioned that,  
13 among the items included in LDAC this time is for  
14 PNGTS?

15 A. (Furino) If I could offer one correction at this point?  
16 The Company proposes to reflect the PNGTS litigation  
17 expenses as a charge to its asset management revenue,  
18 so that it would flow through its capacity costs, and  
19 therefore would flow through to all of its supply  
20 service customers and capacity side customers, but is  
21 not related to the LDAC charge, I apologize.

22 Q. Okay. I guess, let me start with I appreciate that  
23 explanation. And, why is it you're feeling that PNGTS  
24 litigation costs should be recovered from all

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 customers, whether or not they have migrated?

2 A. (Furino) We have proposed to recover those costs from  
3 all customers who are supporting the capacity that  
4 Northern manages. So, it would go to customers who  
5 have capacity assignment under the Retail Choice  
6 Program, as well as the supply service customers.

7 Q. And, is that because of -- that that's consistent with  
8 capacity assignment as it stands now?

9 A. (Furino) Right. Our view is that those customers who  
10 are capacity-assigned are paying for the value of that  
11 capacity, and that they should pay their fair share of  
12 any costs that the Company incurs to defend their  
13 contractual rights.

14 Q. In terms of, just to give the Commission a perspective,  
15 of what potential order of magnitude of annual costs  
16 that your customers could incur if PNGTS were to  
17 prevail on all of its filings?

18 A. (Furino) Well, as we cite in the prefiled testimony,  
19 Portland filed a rate case in April 2008. And, the  
20 rate case increased their prior rate by seven cents,  
21 which has an impact on the Company of \$700,000 per  
22 year. And, those rates were initially suspended, and  
23 then Portland has been collecting under those proposed  
24 rates since September 2008. The Company estimates

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 that, including last winter season, and this winter  
2 season that we're proposing rates for, the Company will  
3 have incurred \$1.2 million of additional costs that are  
4 subject to refund under the rate proceeding.

5 Q. Okay. So, on the one side, the risk is, to customers,  
6 is 1.2 million, and on the other side is what are the  
7 costs that you're seeking to recover at this point in  
8 time?

9 A. (Furino) Right. The costs that Northern is seeking to  
10 recover total to 434,000 for both divisions; the New  
11 Hampshire share of that is approximately \$220,000.  
12 Those are costs that have been incurred by the Company  
13 for legal costs and consulting costs since the Company  
14 took -- since Unitil, I'm sorry, took ownership of  
15 Northern. And, those costs run through August 31st of  
16 this year. The Company anticipates additional costs  
17 prior to the disposition of these matters, and  
18 estimates those at approximately \$230,000 combined, or  
19 approximately \$115,000 for the New Hampshire Division.  
20 But, you know, we'll address those costs at a future  
21 time.

22 Q. And, you mentioned I believe a sharing of the costs,  
23 and that's because you're working with a coalition of  
24 customer groups and sharing the costs of litigation?

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[WITNESS PANEL: Simpson|Furino|Bohan]

- 1 A. (Furino) That's correct. Northern has participated as  
2 a member of what's been called the "PNGTS Shippers  
3 Group", which includes other long-term shippers on the  
4 Portland Natural Gas Pipeline. And, we've basically  
5 borne an allocated share based on the quantity of that  
6 long-term contract.
- 7 Q. Thank you. I want to turn to a different subject, and  
8 that would be -- I'll call it the "hedging migration"  
9 subject. Has the Company approached the Commission and  
10 the parties with regards to addressing the hedging  
11 issue going forward, whether or not it's appropriate to  
12 change your hedging policy?
- 13 A. (Furino) Yes. In early August, I believe, perhaps  
14 August 8th, the Company made a filing proposing some  
15 structural changes to the hedging program. And, those  
16 are currently before the Commission.
- 17 Q. And, would you agree that, based upon discussions and  
18 discovery among the parties in this instant docket,  
19 that, for this winter period, the average residential  
20 customer will see a \$2.00 to \$3.00 higher CGA bill over  
21 the winter because of the hedging relating to customers  
22 that have migrated to competitive choice?
- 23 A. (Furino) We had determined that the cost that was being  
24 borne essentially stranded to residential customers as

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 a result of hedged volumes for commercial customers,  
2 who then left for transportation service, was  
3 approximately \$40,000. What that works out to on a per  
4 customer basis I haven't yet established. So, subject  
5 to check, then that would be -- I would agree.

6 Q. Okay. And, has the Company agreed to discuss within  
7 the broader discussion of hedging the impact of  
8 migration on cost-shifting and how to deal with that?

9 A. (Furino) Yes. The Company is willing to explore that.

10 MR. TRAUM: Okay. I have nothing  
11 further. Thank you.

12 CHAIRMAN GETZ: Thank you Mr. Fossum.

13 MR. FOSSUM: Thank you. Excuse me. As  
14 with Mr. Traum, I'll try to direct questions toward  
15 individuals. But, if anybody has anything to add on a  
16 question not specifically addressed to them, then I'm  
17 certainly open to whatever you might have.

18 BY MR. FOSSUM:

19 Q. I'll start with Mr. Simpson. Just as one point of  
20 clarification, in the revised filing, Exhibit 2,  
21 there's an Attachment NUI-JDS-2, which appears to be  
22 the same as -- the same as this similarly titled  
23 attachment in your original filing. Were there any  
24 changes to this attachment for the revised filing?

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1 A. (Simpson) No, there were not. We apologize for the  
2 misunderstanding there. We provided it for purposes of  
3 completeness, but there were no changes made to that  
4 attachment.

5 Q. Thank you. Now, in your testimony, in the -- I'll work  
6 off of the original filing, Exhibit 1, on Page 7, and  
7 again on Page 10, you identify corrections to the  
8 handling of pipeline capacity costs?

9 A. (Simpson) That's right.

10 Q. And, could you explain briefly why this change was  
11 necessary? Why this correction that you referred to  
12 was needed?

13 A. (Simpson) Certainly. In our review of the files that  
14 we received from NiSource that were the basis for the  
15 spreadsheet files that we created to prepare this cost  
16 of gas calculation, we identified that, in developing  
17 the allocations for capacity costs, NiSource had  
18 started with the pipeline capacity costs, they had  
19 identified what they termed "injection fees", which was  
20 really the cost of that pipeline capacity that was used  
21 in order to transport gas into underground storage.  
22 And, they subtracted the injection fees from the total  
23 pipeline fees. But, then, they added these injection  
24 fees back into the pipeline capacity costs, and then

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1       proceeded to allocate -- they had done a subtraction  
2       and an addition, so they were back at the place that  
3       they started from, and then they proceeded to allocate  
4       those costs between Maine and New Hampshire.

5                    It was clear to us that the reason that  
6       they went to the bother of identifying injection costs  
7       was that they wanted to say that these are costs that  
8       are actually attributable to the storage supplies and  
9       should be borne by the customers as they use storage  
10      gas. And, so, we made the correction to the formulas  
11      so that the injection fees were subtracted from the  
12      total pipeline capacity costs, but then added to the  
13      storage capacity costs, and then we proceeded to  
14      allocate those costs between Maine and New Hampshire.

15   Q.   So, this change then would more accurately then, I  
16       guess, allocate the storage costs between the two  
17       states?

18   A.   (Simpson) Absolutely. It would -- it's a basic  
19       principle of allocation that you use an allocator to  
20       assign the costs as the costs are incurred.

21   Q.   Does this change have -- excuse me -- any impact on the  
22       allocation of storage costs between customer rate  
23       classes?

24   A.   (Simpson) Yes, it does.

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[WITNESS PANEL: Simpson|Furino|Bohan]

- 1 Q. And, could you --
- 2 A. (Simpson) More of the -- more capacity costs end up  
3 being allocated to customer classes that have high  
4 winter usage, in effect, the customer classes that use  
5 underground storage.
- 6 Q. Okay. Thank you. Now, staying on Page 10 of your  
7 prefiled testimony, beginning down around Line 15, you  
8 identify a revision to the allocation of peaking  
9 resource demand costs. Could you explain that revision  
10 please?
- 11 A. (Simpson) Certainly. Again, in the process of  
12 reviewing the spreadsheet files that we received from  
13 NiSource, we determined that there were problems in the  
14 way that the peaking capacity related costs were  
15 treated. Specifically, the peaking capacity costs were  
16 allocated between Maine and New Hampshire based on an  
17 allocator that reflected the use of storage supplies,  
18 rather than peaking supplies. So, they had the -- the  
19 old spreadsheet separately identified peaking capacity  
20 costs, but allocated them according to the use of  
21 underground storage supplies, but they also allocated  
22 the costs of underground storage capacity by those same  
23 underground -- the use of underground storage supplies.  
24 So, we developed and calculated a separate allocator,

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1 which reflected the use of the peaking supplies, and we  
2 used that allocator.

3 Q. So, again, this is just an increase in accuracy of the  
4 allocations?

5 A. (Simpson) Absolutely.

6 Q. Turning now to Page 23 of your prefiled testimony, --

7 A. (Simpson) I'm there.

8 Q. -- and I guess I see on the redline version that  
9 there's some notes, but I guess they're just font  
10 changes, is that correct to say?

11 A. (Simpson) I'm sorry?

12 Q. The redline version, Exhibit 3, --

13 A. (Simpson) Yes.

14 Q. -- of your testimony, it notes some changes to that  
15 chart, but it appears to me that those are just font  
16 changes, is that accurate to say?

17 A. (Simpson) No, it isn't. When I was creating this page,  
18 so many of those numbers changed that the list was  
19 expansive. And, so, I decided that, for ease of  
20 review, it was better to get rid of those. And,  
21 there's just something funky about the Word program  
22 that I couldn't also get rid of the font change.

23 Q. Okay.

24 A. (Simpson) But you can see, Mr. Fossum, on that page,

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1 you can see in the table the underlined numbers there?

2 Q. Yes.

3 A. (Simpson) Those reflect the updated ones. So, all I  
4 did was I eliminated the old numbers, the numbers that  
5 the updated numbers were replacing.

6 Q. Okay. Thank you. Then, looking at the revised table  
7 in the redlined testimony, would you agree with me  
8 generally that peaking supplies are more expensive than  
9 pipeline supplies?

10 A. (Simpson) Yes, I would, generally speaking. I think  
11 that, depending on how much further you want to go in  
12 these questions, I may defer. But --

13 Q. Well, just one question, for the moment anyway.

14 A. (Simpson) Okay.

15 Q. According to your chart, it appears that, in the first  
16 block under "Pipeline Supplies", the 2009-2010, it  
17 looks like forecasted rates, are somewhat higher than  
18 the peaking supplies for the same period. Could you  
19 explain what that difference is attributable to?

20 A. (Furino) I can address the question. Thank you. What  
21 the difference relates to is a long-term peaking  
22 contract that Northern has with Distringas. And, what  
23 you will see is, if we were to refer to FXW-6, Page 3  
24 of 3, we can see what the projected rate for, and it

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 would be a known fixed rate, for commodity under the  
2 Distrigas contract would be for the coming 12 months,  
3 actually, starting November 1st. And, that rate is --  
4 let me turn to that section. The rate is \$3.8278 for  
5 the full year. The reason for that is that that  
6 contract is based on a 12-month average of the prior 12  
7 months ending in October, for Tennessee and TETCO  
8 supplies.

9 Now, it's probably worth mentioning that  
10 the Company incurs demand charges as well. The Company  
11 incurs approximately 2.5 million in annual demand  
12 charges in support of that contract. So, what you see  
13 here is the commodity side of the total transaction.  
14 Those demand charges are shown on on FXW-5, on Page 4  
15 of 8.

16 Q. Thank you. Now, Mr. Simpson, just fairly generally,  
17 you had mentioned that you made a number of updates and  
18 revisions to the filing since taking over from  
19 NiSource. And, during the past year, has the Company  
20 met with Staff for the purpose of redesigning and  
21 updating these filings?

22 A. (Simpson) We have.

23 Q. And, do you anticipate similar meetings in the future  
24 to continue to clarify and update the filings?

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 A. (Simpson) Certainly, we do. We welcome the  
2 opportunity. And, we believe in improvement in the  
3 regulatory process to make the calculations more  
4 understandable, both to the reviewer and to the  
5 Company.

6 Q. Okay. Thank you. Turning, I guess, to Mr. Furino,  
7 filling in for Mr. Wells. The first question I have  
8 actually is related to Mr. Simpson's testimony. And,  
9 on Page 11 of his testimony he references -- give  
10 everybody a second to get there -- he references the  
11 "design year sendout quantities", this is on Line 8 and  
12 9 of his -- of Page 11, he references "design year  
13 sendout quantities" on "Lines 61 and 62 of Attachment  
14 NUI-JDS-2". Can you briefly explain those design --  
15 the derivation of those design sendout volumes?

16 A. (Furino) Yes. We did -- the Company performed a  
17 sendout optimization run, and Sendout is the dispatch  
18 optimization software that we use for budgeting  
19 purposes and planning purposes. And, the Company  
20 essentially applied the actual volumes that were  
21 delivered to capacity-assigned customers for the period  
22 of May 2008 through April 2009 and adjusted them for  
23 design conditions. And, this reflects the mix of  
24 resources that was utilized to meet the design year

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 requirements. Those are what's shown on JDS-2.

2 Q. Thank you. Are you aware of an attachment in the  
3 filing itself that shows the forecast of projected  
4 supply resources to meet the Company's monthly design  
5 year volume requirements?

6 A. (Furino) No, I don't believe there is an exhibit in the  
7 filing itself.

8 Q. I would like to show you this document. This is --  
9 would you identify this document please?

10 A. (Furino) Yes. This is the response to Staff Request  
11 1-1.

12 Q. Okay. And, this document wasn't prepared under your  
13 control, was it? Or, did you have a hand in preparing  
14 this document?

15 A. (Furino) I did review this document before it was  
16 submitted, yes.

17 Q. And, you're familiar with this document?

18 A. (Furino) Yes, I am.

19 Q. Okay. And, could you describe very briefly what is in  
20 this document?

21 A. (Furino) Sure. The document states that, as I just  
22 mentioned, the Company utilized its Sendout software to  
23 perform a dispatch using design conditions for the  
24 volumes that were delivered to capacity-assigned

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 customers during the May 2008 through April 2009  
2 period. And, specifically, reference is made to  
3 certain line items on the Exhibit JDS-2, and those  
4 equate to the design year pipeline requirement, the  
5 storage injection requirement or withdrawal  
6 requirements and the design year peaking.

7 Q. So, I guess just to summarize, it includes the analysis  
8 that supports JDS-2?

9 A. (Furino) That's right.

10 MR. FOSSUM: So, I'd like to submit this  
11 response as the next exhibit. I believe we're up to 5.

12 CHAIRMAN GETZ: It will be marked for  
13 identification as "Exhibit 5".

14 (The document, as described, was  
15 herewith marked as Exhibit 5 for  
16 identification.)

17 BY MR. FOSSUM:

18 Q. Okay. Now, turning to Mr. Wells' testimony, which  
19 you've adopted today, on Page 16, beginning at Line 6,  
20 there's a projection based on the August 10th, 2009  
21 NYMEX natural gas settlement price. Have any of the  
22 recent increases in the NYMEX natural gas prices had an  
23 impact on projected hedging losses for the Company?

24 A. (Furino) Yes, they have. In fact, while Page 16 of the

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1 testimony relates to the Northern total losses  
2 projected for the coming winter season, I note that the  
3 amount of the loss assignable to New Hampshire with the  
4 initial filing was \$2.1 million and with the update was  
5 \$1.9 million, a reduction of approximately \$160,000, or  
6 8 percent.

7 Q. Now, between -- excuse me -- storage hedges and  
8 financial hedges, if you know, what percentage of the  
9 Company's winter costs are fixed and what percentage  
10 would be subject to changes in the marketplace?

11 A. (Furino) Yes. Taking into account the volume of --  
12 that the Company had financially hedged, as well as its  
13 storage in Washington 10, which is one of the storage  
14 assets, and in the Tennessee storage, and for each of  
15 those, accounting for only the volume that is  
16 deliverable to Northern's system, and netting out  
17 volumes that are available to retail marketers under  
18 the Retail Choice Program, the Company has  
19 approximately 4.0 Bcf of supplies as a fixed -- under  
20 fixed prices, which equates to 75 percent of volumes  
21 for supply service customers.

22 And, in addition, as we spoke about  
23 earlier, the Company has the Distrigas contract, which  
24 provides another 620,000 available to the Company at

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1 that fixed price of \$3.80 that we looked at earlier.  
2 So, taking both of those into account, Northern has  
3 approximately 87 percent of its requirements available  
4 at fixed prices.

5 Q. Thank you. Now, staying with Mr. Wells' testimony,  
6 back on Page 6 of his testimony, there's a table there  
7 labeled "Table 3". And, the table shows, if I'm  
8 reading it correctly, a decrease of 2 percent for New  
9 Hampshire Division billed deliveries for 2009-2010  
10 versus 2008-2009. Am I reading that correctly, it's a  
11 2 percent decrease?

12 A. (Furino) That is correct.

13 Q. Now, that decrease is -- what caused that decrease or  
14 what is that decrease related to?

15 A. (Furino) Well, to put that decrease in context, the  
16 Company provided the weather-normal actual history from  
17 the prior year, which was the 2007 to 2008 year. And,  
18 what that shows is that this past year, 2008-2009, over  
19 2007-2008, we saw a decline in billed sales to New  
20 Hampshire of 6.6 percent. So, the projected decline  
21 into the coming gas year of 2.0 percent represents a  
22 slowing down of that decline.

23 Q. And, why is that decline slowing down?

24 A. (Furino) Well, first of all, we believe that, well, the

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 Company's methodological approach utilize time series  
2 approaches, and the Company defined the use per  
3 customer by class and meter count by class, and  
4 aggregated those such that the product of those two  
5 would be as class level sales and built up their -- the  
6 forecast in that manner. But, as far as underlying  
7 factors, the economic decline and extreme high pricing  
8 that were seen in the past were factors for that, for  
9 the prior declines. And, I think it's just a matter of  
10 time, and this is a short-term forecast, a one-year  
11 forecast, before we see, you know, how quickly the  
12 system responds, as if -- as an "if and when" economic  
13 conditions change.

14 Q. Okay. Thank you. Now, turning to Page 10 of  
15 Mr. Wells' testimony, there's a reference there to,  
16 actually, it's sort of a holdover from a question on  
17 the bottom of Page 9, but there's changes in the  
18 Company's gas supply portfolio, and specifically notes  
19 some capacity release agreements from Texas Eastern  
20 Transmission and Algonquin. And, it also notes that  
21 the releases are on a "permanent basis". How is it  
22 that the Company is able to release this long-term  
23 capacity?

24 A. (Furino) Well, it's important to note that the capacity

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 is, in terms of volume, less than a thousand dekatherms  
2 per day. Meanwhile, the Company has a peaking supply  
3 contract for 53,000 a day, which is available to it  
4 during the peaking season. Last year, the Company may  
5 have used this supply path one day, and the Company has  
6 been paying demand charges. And, certainly, on a  
7 delivered basis, it becomes -- we saw it as the most  
8 costly supply that we were bringing to the system.  
9 And, so, we were looking for opportunities to recover  
10 costs associated with demands from this supply.

11 Q. So, in essence, basically you're saying you just --  
12 you've released some of the Company's most costly  
13 supply to look for supply elsewhere as needed?

14 A. (Furino) That's right. And, in fact, the Company has  
15 retained a one-time callback right on the Algonquin  
16 capacity. Such that, if conditions were to change,  
17 and, again, the Company is looking potentially at the  
18 -- looking at the outcome of its upcoming Integrated  
19 Resource Plan, as far as, you know, whether there can  
20 be opportunities to utilize that capacity.

21 Q. Now, farther down that same page there's a statement  
22 that the Company has "released a portion of its  
23 Washington 10 storage capacity". Now, could you,  
24 similar to the above, could you just very briefly

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[WITNESS PANEL: Simpson|Furino|Bohan]

- 1 explain the benefits of such a release?
- 2 A. (Furino) Yes. The Company receives, you know,  
3 additional asset management revenues for those volumes,  
4 and those are credited to customers. Likewise, the  
5 Company attempted -- last season the Company had 3.4  
6 Bcf of Washington 10 storage, and, despite the cold  
7 weather, was unable -- had a commitment to try to draw  
8 down that storage, was unable to draw all that storage  
9 down during the prior winter. So, the Company decided  
10 to release that storage capacity, but yet retain the --  
11 the testimony talks about releasing of 5,000 dekatherms  
12 per day of withdrawal rights associated with that  
13 capacity, and that was released, but the Company did  
14 retain its pipeline capacity, such that it can still  
15 acquire gas at the Chicago market area, and it can  
16 still request for an authorized overrun to allow it to  
17 withdraw the same volumes that it had been drawing last  
18 year, in case those are needed on a particular peak  
19 day.
- 20 Q. Thank you. You spoke earlier of the PNGTS rate case  
21 litigation. But, also in the testimony there Mr. Wells  
22 speaks of a "PNGTS meter error payback", which the  
23 Company expects, I guess, will be complete in December  
24 of this year. Now, will the Company, when that action

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[WITNESS PANEL: Simpson|Furino|Bohan]

- 1 -- is there an updated estimation of when that meter  
2 in-kind payback would be complete or is December still  
3 the target date?
- 4 A. (Furino) The target date for completion of that payback  
5 is still early December, I would say December 10th or  
6 so.
- 7 Q. And, will the Company be providing some final report  
8 that will detail that payback when it's complete?
- 9 A. (Furino) Yes. The Company has been providing an update  
10 on this monthly with its monthly updates. And, we'll  
11 continue to do so until such time as it's been  
12 completed.
- 13 Q. Okay. Thank you. Turning now to Mr. Bohan, in  
14 regarding the -- I would like you to turn to what in  
15 the original filing was Page 165, but it's Attachment  
16 NUI-TMB-3, I believe it's the next to last page of the  
17 revised filing. It says "Schedule 1"?
- 18 A. (Bohan) Schedule 1, yes.
- 19 Q. Now, there it notes a current over collection estimated  
20 of "\$51,347". That number doesn't appear to agree with  
21 an over collection reported in the 2008-2009 Winter  
22 reconciliation. Could you explain the difference  
23 between those?
- 24 A. (Bohan) At the moment, I can't explain the difference

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 in them. I can tell you that the over collection of  
2 \$51,347 is or was our estimate of the over collection  
3 expected at the end of October 31st, 2009.

4 Q. Now, it's my understanding that, I believe it's  
5 tomorrow, Audit Staff of the Commission will be meeting  
6 with the Company to cover, I guess, a number of things,  
7 including issues related to reconciliation. Would this  
8 be something that would be covered by such a meeting?

9 A. (Bohan) I don't know if that particular item is  
10 scheduled, but I know that Audit Staff is coming back  
11 to Unutil to look at a number of items.

12 Q. Okay. Regarding the energy efficiency surcharge, which  
13 I believe in your testimony you referred to as the "DSM  
14 charge", what are, if you know, the shareholder  
15 performance incentive amounts for the residential and  
16 the C&I programs for the program year of '08, into '09?

17 A. (Bohan) I do not have that information. We could take  
18 it as a record request or --

19 MR. FOSSUM: Okay. Then, I guess, yes,  
20 we would make a record request for that. And, in  
21 addition, I guess would ask whether that amount is  
22 included in the per therm energy efficiency surcharges?

23 CHAIRMAN GETZ: Okay. We will reserve  
24 Exhibit 6 for the record request and response.

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 (Exhibit 6 reserved.)

2 CHAIRMAN GETZ: And, I guess, Mr. Bohan,  
3 how long will that take to provide?

4 WITNESS BOHAN: We'll have that  
5 hopefully by the end of the day tomorrow.

6 MR. FOSSUM: Okay.

7 CHAIRMAN GETZ: Thank you.

8 BY MR. FOSSUM:

9 Q. I guess I'd also, before closing out that request, I'd  
10 like to just make sure that, if possible, it notes  
11 whether the performance incentive is included as part  
12 of the energy efficiency surcharge?

13 A. (Bohan) We will do that.

14 MR. FOSSUM: I have nothing further.  
15 Thank you.

16 CHAIRMAN GETZ: Thank you. Commissioner  
17 Below?

18 CMSR. BELOW: No questions.

19 CHAIRMAN GETZ: Commissioner Ignatius?

20 BY CMSR. IGNATIUS:

21 Q. Mr. Furino, I have a question about the FERC litigation  
22 that you've already been questioned on, and a lot of  
23 that's been addressed, but a few things I want to  
24 understand, and that was on Page 19 of Mr. Wells'

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 testimony, actually it was a few pages before that I  
2 think, too. On Page 19 it talks about passing on some  
3 of those litigation costs through to retail marketers,  
4 that's on Page 19, at Line 5, it looks like. And, I  
5 know you're filling in for Mr. Wells, but are you able  
6 to address some of those questions of retail marketers  
7 picking up some of those costs?

8 A. (Furino) Yes.

9 Q. All right. Have there been similar costs that have  
10 been extended to retail marketers in the past, similar  
11 to, other sort of litigation-related costs or  
12 FERC-related costs?

13 A. (Furino) I'm not aware that there have been.

14 Q. Do you know if retail marketers are aware that your  
15 design will impose some of those costs on them?

16 A. (Furino) I don't know that they have -- that they would  
17 be aware. I think you can see in the filing that the  
18 retail marketer share of the 230 some odd thousand  
19 dollars to the New Hampshire Division is approximately  
20 \$23,000. But, again, the way that the Company has put  
21 this forward, those customers, and they're retail  
22 suppliers, they're retail marketers, they get the full  
23 benefit or their prorated benefit of the Company's  
24 capacity assignments -- or, I'm sorry, capacity

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[WITNESS PANEL: Simpson|Furino|Bohan]

- 1 releases and asset management arrangement revenues, and  
2 we're reflecting this as a charge to or a charge  
3 against/reduction to those asset management revenues.  
4 I'm saying, similarly, we don't report to them the  
5 benefits that they get from our asset management  
6 arrangements.
- 7 Q. And, you didn't -- you haven't made any particular  
8 efforts to reach out to them or give them notice of  
9 this beyond the notice generally for this case, or have  
10 you?
- 11 A. (Furino) I have not, beyond the general notice. What  
12 the companies -- the marketers would get is a package  
13 from Northern Utilities that explains what the costs or  
14 the expected costs of company-managed supplies would be  
15 for the coming, you know, coming winter season.
- 16 Q. So, they have received a package of what you're  
17 estimating the upcoming costs to be?
- 18 A. (Furino) They see essentially the bottom-line costs for  
19 the entire, you know, the entire cost, demand and  
20 commodity wise by resource that's available to them.  
21 So, this wouldn't be identified specifically.
- 22 Q. All right. And, the total exposure that the Company  
23 anticipated in the FERC proceeding was how much?
- 24 A. (Furino) The exposure, in my response to cross, I spoke

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1 about approximately 600 to 700,000 per year. And,  
2 again, the Company still has another ten years under  
3 the contract. That volume is only associated with or  
4 that cost per year, annual cost risk, is only  
5 associated with the proposed rates that were made on  
6 April 2008. Since then, PNGTS has introduced new  
7 proposals that would be prospective in nature that  
8 would increase rates significantly farther. So,  
9 without getting into the detail, including two specific  
10 mechanisms that they proposed, as well as the appeal,  
11 we talk about the appeal to the declaratory order,  
12 whereby FERC has allowed PNGTS to reduce the capacity  
13 on its system that it needs to support, that otherwise  
14 the Shippers Group is going to be at risk for. When  
15 PNGTS was created, it was based on a 210,000 capacity,  
16 and the long-term shippers entered into 20 year  
17 contracts, with the provision that Portland would be  
18 held at risk for any of that capacity that it was  
19 unable to market. Well, the declaratory order reduced  
20 that volume down to 168,000. So, it reduces -- the  
21 costs are the same. It reduces the denominator, the  
22 unit charge goes higher. If PNGTS prevails, they will  
23 have essentially reduced the billing determinants,  
24 automatically increasing the charges to the long-term

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 shippers. So, the testimony reflects all of those  
2 items. So, \$5.5 million is our estimate of the --  
3 you'll see that on Line 10 of Page 18 of 19, of the  
4 annual potential cost of -- if Portland were to win out  
5 on all sides of their case.

6 Q. And, are all of these issues still open matters at the  
7 FERC or are some of them being resolved and some are  
8 still open? Where do we stand on all of that?

9 A. (Furino) Right. The rate case was heard in July, and  
10 briefs and reply briefs have been passed. And, at this  
11 point, an initial decision from the administrative law  
12 judge is due in mid December, it's December 18th.  
13 Briefs on exceptions and opposing briefs are due  
14 July -- yes, January 18th and February 8th,  
15 respectively. And, then, in other proceeding, the  
16 appeal to the D.C. Circuit of -- Court of Appeals, just  
17 last week the final brief was submitted. And, the oral  
18 argument is scheduled for early December, I believe.  
19 And, we expect decisions in both of these cases by mid  
20 2010.

21 Q. And, obviously, when you get rulings on these matters,  
22 you can inform the OCA and the Commission Staff on  
23 where it is and what you think the impacts will be?

24 A. (Furino) Absolutely.

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[WITNESS PANEL: Simpson|Furino|Bohan]

1 CMSR. IGNATIUS: Thank you. Nothing  
2 else.

3 CHAIRMAN GETZ: Ms. Geiger, any  
4 redirect?

5 MS. GEIGER: No. Nothing further, Mr.  
6 Chairman.

7 CHAIRMAN GETZ: Okay. Then, the  
8 witnesses are excused. Thank you, gentlemen.

9 Is there any objection to striking  
10 identifications and admitting the exhibits into evidence?

11 (No verbal response)

12 CHAIRMAN GETZ: Hearing no objection,  
13 they will be admitted into evidence. Is there anything  
14 further before we provide an opportunity for closings?

15 (No verbal response)

16 CHAIRMAN GETZ: Hearing nothing, then,  
17 Mr. Traum.

18 MR. TRAUM: Thank you, sir. The OCA  
19 does not object to the CGA rates as revised. And, we  
20 certainly look forward to working with the Company, Staff,  
21 and any other parties, be they the State of Maine or  
22 suppliers, with regards to addressing hedging and  
23 migration issues.

24 And, also, the OCA does not object to

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1 recovery of the prudently incurred PNGTS litigation costs.  
2 And, when I say that, I mean in terms of from all  
3 customers, as was explained by the witness and as was  
4 addressed in the Company's prefiled testimony. And, I  
5 think, in the order of notice, the issue of recovery of  
6 expenses related to the federal rate case was raised. So,  
7 I don't see any problem with notice, if that's where the  
8 Commissioner was going at.

9 With that, I'd just like to thank the  
10 Company and Staff for their cooperation on this docket.  
11 Thank you.

12 CHAIRMAN GETZ: Thank you Mr. Fossum.

13 MR. FOSSUM: Thank you. Staff supports  
14 Northern's proposed revised 2009 and '10 peak period cost  
15 of gas rates as they are filed, subject to the Audit  
16 Staff's review of recent edits to last year's  
17 reconciliation. The Audit Staff has reviewed the filed  
18 peak period cost of gas reconciliation for last year, and  
19 is to meet, as was noted earlier, tomorrow to review the  
20 recent adjustments made to that reconciliation.

21 The sales forecast for 2009 and '10 peak  
22 period is substantially below last year's sales forecast,  
23 reflecting the economic downturn and high prices, as had  
24 been noted. And, the supply plan is based on least cost

1 planning, and direct gas costs are based on the actual or  
2 hedged prices and projected pricing reflecting market  
3 expectations.

4 There's to be a reconciliation of the  
5 forecast with actual costs for the 2009 and '10 period  
6 that will be filed prior to next winter's cost of gas.  
7 And, any concerns related to planning and dispatch during  
8 this period may be addressed at that time.

9 While the Company, of course, has little  
10 or no control over the price volatility in the NYMEX  
11 futures contracts, its hedging policy has offered some  
12 price stability. However, as noted, the Company has  
13 petitioned the Commission for approval of a revision to  
14 its hedging policy. That has been docketed by the  
15 Commission as DG 09-141. And, a thorough review of their  
16 hedging policy is to be undertaken in that proceeding,  
17 given that Northern's hedges do appear consistent with the  
18 policy currently in place.

19 The Local Distribution Adjustment  
20 Charge, comprised of a number of surcharges established in  
21 prior proceedings, and with their actual amounts  
22 determined every year in these winter cost of gas  
23 proceedings and effective for the following year, Staff  
24 has not yet completed its review of the energy efficiency

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1 and the environmental remediation reconciliation, but  
2 recommends that the proposed rates be implemented  
3 November 1st, along with the other adjustments. If Staff  
4 finds some material error during its review, we'll notify  
5 the Commission so that the issue can be addressed in next  
6 winter's cost of gas filing.

7 Staff has reviewed the proposed supplier  
8 balancing charges and the capacity allocator percentages,  
9 and they appear to be accurate and reasonable, based on  
10 the updated information. And, we therefore recommend the  
11 Commission approve them.

12 Staff and the Company, as has been  
13 noted, have held and plan to hold additional sessions to  
14 review and revise the schedules and the filing and the  
15 support documents related to the cost of gas, with the  
16 mutual goal of making the filing more transparent,  
17 accurate, and user-friendly.

18 In sum, Staff does appreciate the  
19 efforts in this docket of the Company and the OCA, and we  
20 recommend approval of the rates, subject to the final  
21 audits and reconciliations that were mentioned. Thank  
22 you.

23 CHAIRMAN GETZ: Thank you. Ms. Geiger.

24 MS. GEIGER: Yes. Thank you, Mr.

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1 Chairman. Northern appreciates the work that the Staff  
2 and the OCA have put into reviewing this filing that was  
3 made just on September 15th. Obviously, as the Commission  
4 is aware, there's a very shortened time frame for  
5 reviewing cost of gas filings. And, this has been an  
6 iterative process in which Staff and the OCA has been  
7 going back and forth with the Company to try to address  
8 the issues that they have, and we appreciate their hard  
9 work. This is only the second COG filing that Northern  
10 Utilities has made since it has been acquired by Unitil.  
11 And, the Company recognizes, as Mr. Simpson has indicated  
12 on a couple of occasions, both in the last summer COG  
13 filing and today, that a lot of revisions and a lot of  
14 modifications to the prior methodologies that Northern had  
15 been using when it was owned by NiSource have come about  
16 and will continue to change. The Company is committed to  
17 working with Staff and the OCA to make the revisions to  
18 its processes that will allow for a more efficient and  
19 transparent review of its filings.

20 The Company will meet, as Mr. Fossum has  
21 indicated, with Staff and OCA, hopefully sooner, rather  
22 than later, so, when the next filing is made for the  
23 Summer 2010 period, that some of the issues that have been  
24 addressed in this proceeding will be worked out and we'll

1 save a lot of time and energy.

2 With that, I would respectfully ask that  
3 the Commission approve the revised filing that was made by  
4 the Company recently and put into effect on November 1st  
5 the rates that are contained therein. Thank you.

6 CHAIRMAN GETZ: Okay. Thank you. Then,  
7 hearing that, we will close this hearing and take the  
8 matter under advisement. Thank you.

9 (Whereupon the hearing ended at 10:35  
10 a.m.)

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