

## STATE OF NEW HAMPSHIRE

## PUBLIC UTILITIES COMMISSION

October 20, 2010 - 10:14 a.m.  
Concord, New Hampshire

NHPUC OCT26'10 PM 1:12

RE: DG 10-250  
NORTHERN UTILITIES, INC.:  
2010-2011 Winter Period  
Cost of Gas Adjustment.

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

Sandy Deno, Clerk

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

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

Reptg. PUC Staff:  
Alexander F. Speidel, Esq.

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

ORIGINAL

## I N D E X

## PAGE NO.

WITNESS PANEL: JAMES D. SIMPSON  
FRANCIS X. WELLS  
JOSEPH F. CONNEELY

Direct examination by Ms. Geiger	6
Cross-examination by Mr. Traum	16
Cross-examination by Mr. Speidel	24
Interrogatories by Cmsr. Ignatius	40

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## CLOSING STATEMENTS BY:

## PAGE NO.

Mr. Traum	45
Mr. Speidel	45
Ms. Geiger	48

# E X H I B I T S

EXHIBIT NO.	DESCRIPTION	PAGE NO.
1	Northern Utilities, Inc. New Hampshire Division Cost of Gas Adjustment Filing Winter 2010-2011 (09-15-10)	7
2	Revised Winter 2010/2011 Cost of Gas and Associated Charges Filing (10-14-10)	8
3	Redlined version of the Revised Prefiled Testimony of James D. Simpson	11
4	Redlined and clean versions of Fourteenth Revised Page 56 of Northern's Tariff NHPUC No. 10 and Revised Schedule 8 (10-15-10)	14
5	<b>RESERVED</b> (Record request for a forecast of expected time and expenses for environmental remediation for the upcoming period)	28
6	Environmental Response Cost Report	29
7	<b>RESERVED</b> (Record request regarding LDAC RLIAP Schedule)	32
8	<b>RESERVED</b> (Record request regarding LDAC DSM Schedule)	34
9	<b>RESERVED</b> (Record request regarding ERC Reconciliation)	35

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 10-250.   On  
4   September 15, 2010, Northern Utilities filed its cost of  
5   gas rates for the winter period November 1, 2010 through  
6   April 30, 2011, and its local distribution adjustment  
7   clause charges for the period November 1 through  
8   October 31, 2011.   The proposed residential cost of gas  
9   rate is \$1.1177 per therm, a 10.41 cents per therm  
10   increase from last winter.   The estimated increase on a  
11   typical residential bill would be \$111.69, or  
12   8.33 percent.   The proposed Commercial/Industrial Low  
13   Winter Use cost of gas rate is \$1.0019 cents per therm and  
14   the High Winter rate is \$1.1398 cents per therm.   We  
15   issued an order of notice on September 21 setting the  
16   hearing for today.

17                                  Can we take appearances please.

18                                  MS. GEIGER:   Yes.   Good morning, Mr.  
19   Chairman, Commissioner Below, and Commissioner Ignatius.  
20   I'm Susan Geiger, from the law firm of Orr & Reno,  
21   representing Northern Utilities.   And, with me today at  
22   counsel table from the Company are Mr. Joseph Conneely,  
23   Mr. Francis Wells, and Mr. Jim Simpson, who is Northern's  
24   consultant.

1 CHAIRMAN GETZ: Good morning.

2 MR. SPEIDEL: Good morning,  
3 Commissioners. I have with me Bob Wyatt and Steve Frink  
4 of Commission Staff, and Alexander Speidel for the  
5 Commission Staff as well.

6 CHAIRMAN GETZ: Good morning.

7 MR. TRAUM: Good morning, Mr. Chairman  
8 and Commissioners. Representing the Office of Consumer  
9 Advocate, Kenneth Traum.

10 CHAIRMAN GETZ: Good morning. I'll note  
11 for the record that the affidavit of publication has been  
12 filed. Is there anything that we need to address before  
13 the Company proceeds?

14 MS. GEIGER: I don't think so.

15 CHAIRMAN GETZ: Hearing nothing, then,  
16 Ms. Geiger.

17 MS. GEIGER: Thank you, Mr. Chairman.  
18 Northern calls a panel of witnesses this morning. We'd  
19 like to call Mr. James Simpson, Mr. Francis Wells, and  
20 Mr. Joseph Conneely.

21 (Whereupon **James D. Simpson, Francis X.**  
22 **Wells**, and **Joseph F. Conneely** were duly  
23 sworn and cautioned by the Court  
24 Reporter.)

1                   **JAMES D. SIMPSON, SWORN**

2                   **FRANCIS X. WELLS, SWORN**

3                   **JOSEPH F. CONNEELY, SWORN**

4                   **DIRECT EXAMINATION**

5 BY MS. GEIGER:

6 Q.    I'd like to begin with questions for Mr. Simpson first.

7        Could you please state your name for the record.

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

9 Q.    And, Mr. Simpson, where are you employed and what  
10       position do you hold?

11 A.    (Simpson) I'm a Vice President of Concentric Energy  
12       Advisors, in Marlborough, Massachusetts.

13 Q.    And, could you please explain the role that Concentric  
14       played in the preparation of the cost of gas filing  
15       that's before the Commission today?

16 A.    (Simpson) We assisted Unitil in developing several of  
17       the schedules for the Northern Utilities' cost of gas  
18       adjustment filings, in both the original and revised  
19       versions of those filings.

20 Q.    And, Mr. Simpson, I'm showing you a document that's  
21       entitled "Northern Utilities, Inc. New Hampshire  
22       Division Cost of Gas Adjustment Filing Winter  
23       2010-2011", and it's dated September 15, 2010. Is this  
24       the original cost of gas filing that the Company made

1 in this docket?

2 A. (Simpson) Yes, it is.

3 MS. GEIGER: Mr. Chairman, I'd like to  
4 have the document that I just referred to marked for  
5 identification as "Exhibit 1" please.

6 CHAIRMAN GETZ: So marked.

7 (The document, as described, was  
8 herewith marked as **Exhibit 1** for  
9 identification.)

10 MS. GEIGER: Thank you.

11 CMSR. BELOW: I'm a little confused.  
12 Did you just say "dated September 10" or "15th"?

13 MS. GEIGER: I'm sorry. September 15th,  
14 2010.

15 CMSR. BELOW: Okay. Maybe I misheard.  
16 Thank you.

17 MS. GEIGER: Thank you.

18 BY MS. GEIGER:

19 Q. And, Mr. Simpson, I'm going to show you another  
20 document that's dated "October 14th, 2010", with a  
21 cover letter from Unitil to Debra Howland, the subject  
22 matter of which is a reference to this docket, "DG  
23 10-250". Could you please identify this document for  
24 the record.

{DG 10-250} {10-20-10}

[WITNESS PANEL: Simpson~Wells~Conneely]

1 A. (Simpson) Yes, I can. This is the Revised Winter  
2 2010-2011 Cost of Gas filing, which was prepared to  
3 reflect updated NYMEX market gas prices as of  
4 October 6th, as well as other updates and revisions.

5 MS. GEIGER: Mr. Chairman, I'd like to  
6 ask that this document that I just referred to, and Mr.  
7 Simpson just identified, be marked for identification as  
8 "Exhibit 2" please.

9 CHAIRMAN GETZ: So marked.

10 (The document, as described, was  
11 herewith marked as **Exhibit 2** for  
12 identification.)

13 MS. GEIGER: Thank you.

14 BY MS. GEIGER:

15 Q. Now, Mr. Simpson, you indicated earlier that Concentric  
16 "assisted Northern in preparing several schedules"  
17 contained in the original and revised filings that have  
18 just been marked for identification. Could you please  
19 briefly tell the Commissioners which schedules  
20 Concentric assisted with?

21 A. (Simpson) Certainly. If the Commissioners want to  
22 follow along to see which schedules I'm referring to, I  
23 think it would be more relevant to be referring to the  
24 revised filings. Unfortunately, that's not as easy to

{DG 10-250} {10-20-10}



1 navigate, so I'll have to give you a few hints.

2 Q. Mr. Simpson, really all I need from you is just an  
3 identification of the list of exhibits that Concentric  
4 assisted with. I don't think it's necessary at this  
5 point to actually have the Commissioners look at them.

6 A. (Simpson) Okay. So, -- I'm sorry. So, again, would  
7 you like me to list the schedules that we were  
8 responsible for?

9 Q. Yes, please.

10 A. (Simpson) Okay. All right. Very good. Concentric,  
11 and myself personally, was responsible for several of  
12 the schedules, in both the original and the revised  
13 filing. We were responsible for the Summary Schedule;  
14 we were responsible for the original and Revised  
15 Schedules 1A and 1B; Schedule 3, which is the  
16 (over)/undercollection balance and interest  
17 calculations; Schedule 9, which is the Variance  
18 Analysis, and the comparison to the 2009-2010 Winter;  
19 we were responsible for Schedules 10A, 10B, 10C, which  
20 show the allocation of the New Hampshire demand costs  
21 and variable gas costs to the New Hampshire rate  
22 classes; we were responsible for the original and  
23 Revised Schedule 14, which shows the inventory activity  
24 calculations; we were responsible for Schedule 21,

[WITNESS PANEL: Simpson~Wells~Conneely]

1       which is the allocation of Northern total fixed  
2       capacity costs between Maine and New Hampshire;  
3       Schedule 22 shows the allocation of Northern total  
4       commodity costs between Maine and New Hampshire; and  
5       then Schedule 23 shows supporting detail to the tariff  
6       sheets.

7   Q.   Thank you, Mr. Simpson. Did you prefile testimony in  
8       this docket?

9   A.   (Simpson) I did.

10   Q.   And, is that prefiled testimony contained under the tab  
11       marked "Simpson Testimony" in Exhibit 1?

12   A.   (Simpson) It is.

13   Q.   And, do you have any corrections or updates to make to  
14       that prefiled testimony?

15   A.   (Simpson) Related to the updates and the revisions that  
16       are included in Exhibit 2, I prepared a redlined  
17       version of my testimony, which reflects the changed  
18       rates and changed gas costs.

19   Q.   And, Mr. Simpson, I'm showing you a document. Is this  
20       the redlined version of your revised prefiled testimony  
21       that you just referred to?

22   A.   (Simpson) It is.

23                   MS. GEIGER: Mr. Chairman, I'd like to  
24       have this document marked as the next exhibit, I believe

{DG 10-250} {10-20-10}

[WITNESS PANEL: Simpson~Wells~Conneely]

1       it's Exhibit 3. And, I've not provided copies to the  
2       Bench, so I'd like to do so at this time.

3                   CHAIRMAN GETZ: Okay. It is so marked.

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

7                   MS. GEIGER: Thank you.

8 BY MS. GEIGER:

9 Q.   And, Mr. Simpson, if you were asked the same questions  
10       today under oath as the questions that are contained in  
11       what's just been marked for identification as Exhibit  
12       3, would your answers be the same as those that are  
13       contained in Exhibit 3?

14 A.   (Simpson) Yes, they would be.

15 Q.   I think I'd like to now turn to Mr. Conneely. Could  
16       you please state your name for the record.

17 A.   (Conneely) Yes. My name is Joseph F. Conneely.

18 Q.   And, Mr. Conneely, where are you employed and what  
19       position do you hold?

20 A.   (Conneely) I'm employed by Unitil Service Corp., and  
21       I'm a Senior Regulatory Analyst.

22 Q.   And, did you prepare prefiled testimony in this docket?

23 A.   (Conneely) Yes, I did.

24 Q.   And, is that prefiled testimony contained in what's

{DG 10-250} {10-20-10}

1       been marked "Exhibit 1", under the tab that's labeled  
2       "Conneely Testimony"?

3   A.   (Conneely) Yes.

4   Q.   Did you prepare supplemental prefiled testimony in this  
5       docket?

6   A.   (Conneely) Yes, I did.

7   Q.   And, is that supplemental prefiled testimony contained  
8       in the revised cost of gas filing that's been marked  
9       for identification as "Exhibit 2"?

10  A.   (Conneely) Yes.

11  Q.   And, what was the purpose of your supplemental prefiled  
12       testimony?

13  A.   (Conneely) The purpose of my testimony was to provide  
14       updated information on the following components that  
15       comprise Northern's costs for the Local Distribution  
16       Adjustment Charge.  These charges -- or, costs would be  
17       the Residential Low Income Assistance Program rate, the  
18       Demand-Side Management rate, and the Environmental  
19       Response Charge rate.

20  Q.   And, Mr. Conneely, were your prefiled direct and  
21       prefiled supplemental testimony true and accurate to  
22       the best of your knowledge and belief at the time they  
23       were filed?

24  A.   (Conneely) Yes.

[WITNESS PANEL: Simpson~Wells~Conneely]

1 Q. Do you have any corrections to make to either of those  
2 prefiled testimonies?

3 A. (Conneely) Not at this time.

4 Q. And, do you adopt your prefiled testimony and prefiled  
5 supplemental testimony under oath today?

6 A. (Conneely) Yes, I do.

7 Q. And, Mr. Conneely, did you also prepare revised tariff  
8 pages that show the rates that Northern is proposing  
9 for all of the components of the Local Distribution  
10 Adjustment Clause charge in this docket?

11 A. (Conneely) Yes. I prepared a redlined and clean  
12 version of the Fourteenth Revised Page 56 of Northern's  
13 Tariff Number 10. Those tariff pages were filed on  
14 October 15th, 2010, along with Revised Schedule 8,  
15 which I prepared to show the bill impacts that the  
16 proposed rates in this docket have on Northern's  
17 customers.

18 Q. And, Mr. Conneely, I'm going to show you a document,  
19 with a cover letter from me to Ms. Howland dated  
20 October 15th, 2010. Is that the filing that you just  
21 referred to?

22 A. (Conneely) Yes.

23 MS. GEIGER: Mr. Chairman, I'd like to  
24 have the document that Mr. Conneely just identified marked

{DG 10-250} {10-20-10}

1 for identification as "Exhibit 4".

2 CHAIRMAN GETZ: So marked.

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

6 MS. GEIGER: Thank you.

7 BY MS. GEIGER:

8 Q. Mr. Wells.

9 A. (Wells) Good morning.

10 Q. Good morning. Could you please state your name for the  
11 record.

12 A. (Wells) My name is Francis X. Wells.

13 Q. And, Mr. Wells, where are you employed and what  
14 position do you hold?

15 A. (Wells) I am employed by Unitil Service Corp, and my  
16 position is Senior Energy Trader.

17 Q. And, Mr. Wells, did you prepare prefiled testimony in  
18 this docket?

19 A. (Wells) Yes, I did.

20 Q. And, is that prefiled testimony contained under a tab  
21 entitled "Wells Testimony" in the document that's been  
22 marked for identification as "Exhibit 1"?

23 A. (Wells) Yes.

24 Q. And, did you prepare supplemental prefiled testimony in

1 this docket?

2 A. (Wells) Yes.

3 Q. And, is that supplemental prefiled testimony contained  
4 in the document that's been marked for identification  
5 as "Exhibit 2"?

6 A. (Wells) Yes.

7 Q. And, what was the purpose of your supplemental prefiled  
8 testimony?

9 A. (Wells) The purpose of my supplemental prefiled  
10 testimony was to update the commodity cost forecast to  
11 take into account corrections for lost and unaccounted  
12 for in the New Hampshire Division; an update of the  
13 NYMEX price forecast, to reflect prices as of  
14 October 6th, 2010; update the beginning inventory rates  
15 for storage gas as of 11/1/2010 to reflect actual  
16 activity that had been experienced since the initial  
17 filing. I have revised the commodity cost forecast  
18 schedules, in Schedules 2 and 6A and 6B. I've also, in  
19 order to account for the update to the lost and  
20 unaccounted for calculations, corrected the design year  
21 citygate requirements and design year sendout volumes  
22 to reflect the corrected lost and unaccounted for for  
23 the New Hampshire Division. And, finally, I have  
24 updated my forecast of capacity assignment demand

[WITNESS PANEL: Simpson~Wells~Conneely]

1 revenue presented in Schedule 5B, to make corrections  
2 from the initial filing.

3 Q. Okay. Thank you. And, Mr. Wells, do you adopt today  
4 under oath your prefiled testimony as corrected and  
5 updated by your supplemental prefiled testimony?

6 A. (Wells) Yes.

7 MS. GEIGER: Thank you. Mr. Chairman,  
8 unless the Commission would like more detailed information  
9 about the filing from these witnesses, they're available  
10 for cross-examination.

11 CHAIRMAN GETZ: Thank you. I think we  
12 can proceed with cross.

13 MS. GEIGER: Thank you.

14 CHAIRMAN GETZ: Mr. Traum.

15 MR. TRAUM: Thank you. Good morning,  
16 panel. I'll just ask my questions to the panel, and  
17 whoever or whomever wants to respond, please do.

18 **CROSS-EXAMINATION**

19 BY MR. TRAUM:

20 Q. Let me start with, in terms of the update, am I correct  
21 that you have not made any changes in the forecasted  
22 level of CGA sales for this peak period?

23 A. (Wells) That is correct.

24 Q. With regards to what the forecast is, I'll start by, I

{DG 10-250} {10-20-10}



1 guess, referring Mr. Wells to Page 5 of your original  
2 testimony, which includes a table showing forecasted  
3 sales. And, let me know when you have that page.

4 A. (Wells) Yes.

5 Q. Now, those sales, am I correct, are total sales, not  
6 just CGA-related sales?

7 A. (Wells) That's correct.

8 Q. And, what that table shows is that, for total sales,  
9 your forecast for this winter or peak period is just  
10 slightly lower than the weather-normalized sales for  
11 last winter's peak period?

12 A. (Wells) Yes.

13 Q. Okay. Now, does your Schedule 9, Line 1 -- Line 1 of  
14 that shows "Therm Sales". And, for last winter, are  
15 those sales actual or are those sales  
16 weather-normalized?

17 A. (Simpson) Mr. Traum, in the first three columns, which  
18 are "2009-2010 Winter" actual data, those are actual  
19 actuals. So, those -- those are not  
20 weather-normalized.

21 Q. Okay. So, is there somewhere in the filing that shows  
22 what the last winter's CGA sales were  
23 weather-normalized?

24 A. (Wells) No, there is not. And, if I may -- if I may

1 clarify, the Company does not typically  
2 weather-normalize CGA sales only. It normally  
3 weather-normalizes total distribution sales. And,  
4 that's how our -- how we derive our sales forecast in  
5 general. It then, as I explain in my testimony, we use  
6 historic averages of the sales service supply sales, in  
7 order to, from that, interpolate -- forecast what the  
8 sales service would be. But we don't typically  
9 weather-normalize just the component that is sales  
10 service, that is comprised of our total distribution  
11 utility sales.

12 Q. So, can I take from that response that the historic  
13 proportion of migrated or transportation sales is  
14 anticipated to stay basically the same this winter  
15 period?

16 A. (Wells) That's my typical process, when I forecast the  
17 upcoming period percentage of sales service that makes  
18 up the total distribution sales, I try to tie that  
19 closely to what actually occurred for the most recent  
20 period.

21 Q. Thank you for that. In the "Tariff" tab of the  
22 original filing, Exhibit 1, if you could turn to Third  
23 Revised Page 170-b please. This is "Firm Sales Service  
24 Re-Entry Fee Bill Adjustment".

1 A. (Wells) Yes.

2 Q. Now, could you explain, I guess, what the purpose of  
3 this page is?

4 A. (Wells) The purpose of this page is to set -- to set a  
5 rate for those customers that are not currently on  
6 sales service, but are rather served by retail  
7 marketers. This is a rate that is used to determine  
8 what fee would be charged to those customers that were  
9 not capacity-assigned, and are returning to sales  
10 service.

11 Q. So, if they're not capacity-assigned, then they're  
12 grandfathered customers?

13 A. (Wells) Correct.

14 Q. And, so, if those grandfathered non-capacity-assigned  
15 customers return to sales service, would they be paying  
16 the CGA rate and this rate?

17 A. (Wells) Yes.

18 Q. Have you experienced, in the last few years, any  
19 migration back to sales service from these  
20 grandfathered customers?

21 A. (Wells) Not to my recollection. I would have to -- to  
22 be sure, I'd have to check to see if we've actually  
23 received any Re-Entry Fees. But, to my memory, there  
24 have been no grandfathered customers that have returned

1 to sales service.

2 Q. Do you know if a, let's say, hypothetically, a large  
3 grandfathered customer sought to return, --

4 A. (Wells) Uh-huh.

5 Q. -- can the Company basically say "No, we don't have the  
6 resources to serve you"?

7 A. (Wells) I don't know the answer to that question.  
8 That's really a question for our -- I'd have to look at  
9 our tariff to be sure about the legal answer to that  
10 question, Mr. Traum. I want to make sure I give you an  
11 accurate question [answer?]. I think, pragmatically, a  
12 large customer would -- you know, there's such a  
13 disincentive for a grandfathered customer to return to  
14 sales service that that question hasn't been -- it  
15 hasn't been a question that we've had to deal with.  
16 So, I don't know specifically what our tariff  
17 provisions are. You know, I think it would be our  
18 practice that, if it was at all practical, if a  
19 grandfathered customer intended to or wished to, and it  
20 was not in conflict with any of our tariff provisions,  
21 you know, we'd make every best efforts we could to  
22 accommodate that customer, because there would  
23 obviously be, you know, impacts on all customers. And,  
24 you know, we want to try to keep all of our customers,

[WITNESS PANEL: Simpson~Wells~Conneely]

1           you know, including our larger ones. But, as far as  
2           any ability to, in essence, reject the application of a  
3           large grandfathered customer who turned to sales  
4           service, I can't tell you for sure what our legal  
5           requirement is.

6   Q.    Okay. I don't want to make it a record request, but  
7           I'd just ask if you could, you know, respond to that  
8           question when you have an opportunity.

9   A.    (Wells) Certainly.

10   Q.   Thank you. In this filing, the Company is again  
11           seeking recovery of certain PNGTS litigation costs, is  
12           that correct?

13   A.    (Wells) That is correct.

14   Q.   And, you're seeking that recovery from transportation,  
15           as well as sales customers?

16   A.    (Wells) The recovery for transportation customers comes  
17           in the way of a portion of those costs will pass  
18           through to their retail marketer in the form of a  
19           Capacity Assignment Charge.

20   Q.   And, why should those customers bear some of the costs  
21           relating to the PNGTS litigation?

22   A.    (Wells) The benefits of that litigation, in essence,  
23           lower -- lower Portland rates than would -- that would  
24           be put in place than if we had not entered into that

{DG 10-250} {10-20-10}

1        litigation. The benefits of that litigation would be  
2        shared with the capacity assignment customers in the  
3        way of lower rates on our Portland contracts. We  
4        believe this is a long-term benefit to all of our  
5        customers that are subject to capacity assignment,  
6        whether they be cost of gas customers or they be retail  
7        choice customers that are capacity-assigned. So, we  
8        believe that it is -- that it's appropriate to share a  
9        portion of those costs with the capacity assignment  
10       customers through a charge to the retail marketers.

11    Q.    Thank you. Schedule 9 or the Revised Schedule 9  
12       compares costs for this winter with the last winter.  
13       And, when I look at that, I see a big increase in the  
14       demand charges. And, I believe that -- well, I guess  
15       would you just explain why demand charges are going up  
16       significantly?

17    A.    (Wells) If you refer to my prefiled testimony in  
18       Exhibit 1, I do provide a break-out of the increase in  
19       demand costs. That can be found on Page 17 of my  
20       prefiled testimony. And, essentially, comparing --  
21       comparing my demand cost forecast for the upcoming  
22       period of 2010-2011 to the prior forecast that we filed  
23       in DG 09-167, the forecasted demand costs alone for the  
24       total company increased from approximately 27.1 million

1 to 36.2 million. And, I lay forward in my -- on Page  
2 17, going into Page 18, the break-out of what's causing  
3 this increase. And, it is primarily rate increases on  
4 our pipeline contracts; 3.4 million of that increase is  
5 due to Portland, 2.1 million of that increase is due to  
6 increases on TransCanada, 1.9 million of the increase  
7 is due to the increase on Granite rates, 1.4 million is  
8 due to a decrease in asset management and capacity  
9 release revenue, and about 0.3 million is due to  
10 increases in rates on our long-term supply contracts.

11 Q. And, just for clarification, on the "3.4 million"  
12 related to PNGTS, is it correct that that increase  
13 would be, in effect, a temporary rate increase, subject  
14 to refund, once FERC makes a final determination?

15 A. (Wells) Yes. The forecast of demand costs that I used  
16 in my demand cost forecast for this period are based on  
17 the proposed rates for PNGTS, which will take effect  
18 December 1st, 2010, subject to refund.

19 Q. Is there any possibility they will not take effect  
20 December 1?

21 A. (Wells) There is -- I am not aware of any circumstance  
22 that they will not take effect December 1.

23 Q. Okay. And, then, also the same outline of questions  
24 with regards to Number 3, the increase for Granite. Is

[WITNESS PANEL: Simpson~Wells~Conneely]

1           that "1.9 million" also a temporary increase?

2   A.   (Wells) Yes.  It's based on the rates that will take  
3           effect January 1st, 2011, subject to refund.

4   Q.   And, again, is there any possibility, in your mind,  
5           they will not take effect?

6   A.   (Wells) There is no possibility in my mind that they  
7           will not take effect.

8                   MR. TRAUM:  Thank you.  I have nothing  
9           further.

10                  CHAIRMAN GETZ:  Thank you.  Mr. Speidel.

11                  MR. SPEIDEL:  Yes.  Thank you.

12   BY MR. SPEIDEL:

13   Q.   This series of questions is for the panel at large and  
14           anyone can answer.  Will you please explain how the  
15           proposed 2010-2011 peak period cost of gas rate  
16           compares to last year's seasonal average rate?

17   A.   (Conneely) Good morning.  Yes, I'll take that question  
18           please.  The proposed 2010-2011 rate, \$1.0987, is an  
19           increase of \$0.0851 per therm.  And, that's about a  
20           5 percent increase.

21   Q.   Thank you.  What would the rate impact be on a typical  
22           residential heating customer?

23   A.   (Conneely) The bill impacts of Northern's proposed  
24           rates on residential heating customers in this docket

{DG 10-250}   {10-20-10}



[WITNESS PANEL: Simpson~Wells~Conneely]

1 are shown on Page 5 of 5 of the Revised Schedule 8.

2 MS. GEIGER: And, Mr. Conneely, excuse  
3 me, just to be clear, could you reference the exhibit  
4 number that's been given that filing?

5 WITNESS CONNEELY: Exhibit 2, I believe.

6 MS. GEIGER: Would that be Exhibit 4  
7 maybe, I believe?

8 CHAIRMAN GETZ: I think it's Exhibit 4.

9 WITNESS CONNEELY: Okay. Sorry. Four.

10 **BY THE WITNESS:**

11 A. (Conneely) And, that's Page 5 of 5 of the Revised  
12 Schedule 8. This schedule shows the average  
13 residential heating customer using 30 -- or, 50 therms  
14 of gas per month will pay \$87.23 per month, as compared  
15 with \$82.18 per month for the 2009-2010 Winter season.  
16 This represents a 6.1 increase over last year's winter  
17 gas rates.

18 **BY MR. SPEIDEL:**

19 Q. Thank you. Approximately what percentage of the gas  
20 supplies in this forecast are hedged, pre-purchased, or  
21 otherwise tied to a predetermined fixed price?

22 A. (Wells) In accordance with our Hedging Program that was  
23 recently approved, approximately 70 percent of the  
24 forecasted sales are covered by either fixed price

{DG 10-250} {10-20-10}

1 storage, fixed price supply contracts, or financial  
2 hedges. I would only add that, as the actual results  
3 are higher or lower than the forecast, then that  
4 percentage would obviously change to reflect the actual  
5 sales conditions.

6 Q. Thank you. Do you know if the Audit Staff has  
7 completed its review of the cost of gas reconciliation  
8 from last winter?

9 A. (Conneely) To the best of my knowledge, as of  
10 yesterday, it was not completed.

11 Q. Thank you. In the interim, are there any issues with  
12 last year's results resulting from the Audit Staff's  
13 review of the cost of gas reconciliation from 2009-2010  
14 that you're aware of?

15 A. (Conneely) There was one issue with presentation.  
16 Nothing in balance changes. It was just a column was  
17 inserted into a spreadsheet for totaling of the  
18 expenses.

19 Q. Did the Company file a correction to the LDAC tariff  
20 page included in the revised cost of gas filing?

21 A. (Conneely) Yes. It's Page 56, is the LDAC, which is  
22 provided.

23 Q. Were there any other updates included in that corrected  
24 LDAC page?

[WITNESS PANEL: Simpson~Wells~Conneely]

1 A. (Conneely) There are updates to the ending balances for  
2 the Residential Low Income, the ERC, and the DSM costs,  
3 which included actuals for the month of August.

4 Q. Thank you. How does the proposed LDAC rate compare to  
5 last year's?

6 A. (Conneely) It's going to be an increase of the proposed  
7 rate for \$0.0083 per therm.

8 Q. What is the primary reason for the change in the LDAC?

9 A. (Conneely) The primary reason would be the expenses for  
10 the DSM.

11 Q. Thank you. Have all the MPG [MGP?] sites in New  
12 Hampshire for which Northern might be responsible been  
13 cleaned up?

14 A. (Conneely) The sites have been essentially remediated.  
15 There's still ongoing post remediation for Exeter,  
16 Rochester, and Somersworth sites. This is essentially  
17 work on the groundwater monitoring. And, they have  
18 done some post remediation of sediment that's begun on  
19 the Squamscott River, in Exeter.

20 Q. Would you be able to tell us how much time will remain  
21 in the clean-up efforts?

22 A. (Conneely) That I would have to speak with our  
23 Remediation group to sharpen up a forecast, how long  
24 they expect that.

{DG 10-250} {10-20-10}

[WITNESS PANEL: Simpson~Wells~Conneely]

1 Q. Thank you. Could you delineate what type of  
2 environmental remediation expenses are still being  
3 incurred by Northern?

4 A. (Conneely) Again, it would just be the post  
5 remediation, which is the groundwater monitoring and  
6 the remediation of sediment at the Exeter site.

7 Q. Thank you. How much did the Company spend on  
8 environmental remediation last year and what does it  
9 expect to spend next year?

10 A. (Conneely) For the 12 months ended June 2010, we spent  
11 around 190,000. And, again, I have to speak with the  
12 Remediation folks regarding what we expect to spend  
13 next year.

14 Q. Thank you. If you could supply a forecast of expected  
15 time and expenses, that would be most helpful.

16 CHAIRMAN GETZ: Would you like to  
17 reserve an exhibit for that information, Mr. Speidel?

18 MR. SPEIDEL: That might be a good idea,  
19 Mr. Chairman, yes.

20 CHAIRMAN GETZ: Okay. Let's reserve  
21 Exhibit Number 5 for that data response.

22 **(Exhibit 5 reserved)**

23 CHAIRMAN GETZ: But is any of that  
24 information -- we also have, Ms. Geiger, the

{DG 10-250} {10-20-10}

[WITNESS PANEL: Simpson~Wells~Conneely]

1 September 15th filing of the Environmental Response Cost  
2 Report. I guess there's two questions. Should we be  
3 marking that as an additional exhibit? Are any of the  
4 answers contained --

5 WITNESS CONNEELY: All -- I'm sorry.  
6 All of the invoices are contained in there for each site.

7 MS. GEIGER: And, I'm not aware that  
8 there's been any confidential treatment accorded that  
9 information at this point.

10 WITNESS CONNEELY: No.

11 CHAIRMAN GETZ: Well, why don't we just  
12 mark this as an exhibit at the same time. We'll mark for  
13 identification as "Exhibit 6" the Environmental Response  
14 Cost Report filed by the Company under cover of a letter  
15 dated September 15.

16 (The document, as described, was  
17 herewith marked as **Exhibit 6** for  
18 identification.)

19 MR. SPEIDEL: Thank you, Mr. Chairman.

20 BY MR. SPEIDEL:

21 Q. And, these questions will refer most likely to Exhibit  
22 Number 6. You may supply answers as appropriate.

23 A. (Conneely) Okay.

24 Q. Has the Company provided the Public Utilities

{DG 10-250} {10-20-10}

1 Commission Audit Staff with the supporting  
2 documentation for environmental remediation costs and  
3 litigation expenses?

4 A. (Conneely) Yes. Everything would be included in the  
5 Exhibit 6.

6 Q. Thank you. Has the Audit Staff completed its audit of  
7 these environmental remediation and litigation costs  
8 and expenses?

9 A. (Conneely) To the best of my knowledge, it has not been  
10 concluded.

11 Q. How has that situation in which auditing of  
12 environmental costs has not been completed been  
13 addressed in the past?

14 A. (Conneely) The Company would just make changes and  
15 carry the changes forward through the reconciliation  
16 process.

17 Q. Is the Company amenable to the application of the same  
18 treatment in this proceeding?

19 A. (Conneely) Yes.

20 Q. Thank you. On Page 2, Lines 5 through 9, of your  
21 supplemental testimony, and I think this is in  
22 reference to Mr. Conneely, you reference "Schedule 16,  
23 RLIAP, A", where an update of actual data was inserted  
24 for the month of August 2010?

[WITNESS PANEL: Simpson~Wells~Conneely]

1 A. (Conneely) Yes.

2 Q. Excellent. If you'd just let us know, is this the  
3 reconciliation schedule for the prior year?

4 A. (Conneely) Correct. Yes, this is the reconciliation.

5 Q. Thank you. When is the final reconciliation for this  
6 schedule?

7 A. (Conneely) That question I'm not -- I'm not completely  
8 sure. The final reconciliation for -- it's an ongoing,  
9 I guess, schedule.

10 Q. Thank you. The proposed LDAC RLIAP rate is 0.0043 per  
11 therm beginning November 1, 2010. Is there a schedule  
12 in either the original or revised filing that clearly  
13 shows how this rate was developed?

14 A. (Conneely) This was in response to Data Request Number  
15 18. It was not updated to reflect the 0.0043.

16 Q. Is this a Staff data request?

17 A. (Conneely) Yes.

18 Q. Thank you. Has Staff asked that this schedule be  
19 included in the future cost of gas filings?

20 A. (Conneely) Yes.

21 Q. Thank you. Would you be able to provide such a  
22 schedule for the record in this docket?

23 A. (Conneely) Yes.

24 MR. SPEIDEL: Excellent. Thank you.

{DG 10-250} {10-20-10}

1 And, Mr. Chairman, if we could reserve an exhibit number  
2 for that.

3 CHAIRMAN GETZ: We will hold Exhibit  
4 Number 7 for that schedule.

5 (**Exhibit 7 reserved**)

6 MR. SPEIDEL: Thank you.

7 BY MR. SPEIDEL:

8 Q. In reference to Page 2, Lines 12 through 20 of Mr.  
9 Conneely's supplemental testimony, there is reference  
10 to "Schedule 16, DSM, B", where updates of actual data  
11 were inserted for the month of August 2010, if you  
12 could have a chance to look at that. Is this the  
13 reconciliation schedule for the prior year?

14 A. (Conneely) Yes.

15 Q. Thank you. Was Schedule 16, DSM, C, also updated?

16 A. (Conneely) Yes.

17 Q. Thank you. Schedule DSM, C, references "General  
18 Service Customers" in the header. By "General  
19 Service", are you referring to the commercial and  
20 industrial rate classes?

21 A. (Conneely) Yes. Correct.

22 Q. Similarly to the previous series of questions, when is  
23 the final reconciliation for this schedule?

24 A. (Conneely) This is an ongoing schedule as well.



[WITNESS PANEL: Simpson~Wells~Conneely]

1 Q. Thank you. The proposed LDAC DSM rates are 0.0359 per  
2 therm for residential customers and 0.0152 per therm  
3 for commercial and industrial customers beginning  
4 November 1, 2010. Is there a schedule in either the  
5 original or revised filing that clearly shows how these  
6 rates were developed?

7 A. (Conneely) I'm sorry. Can you ask the question one  
8 more time?

9 Q. I'd be happy to. The proposed LDAC DSM rates are  
10 0.0359 per therm for residential customers and 0.0152  
11 per therm for commercial and industrial customers  
12 beginning November 1, 2010. Is there a schedule in  
13 either the original or revised filing that clearly  
14 shows how these rates were developed?

15 A. (Conneely) There is not, no.

16 Q. Thank you. Has Staff asked that this schedule be  
17 included in future cost of gas filings?

18 A. (Conneely) Yes.

19 Q. Thank you. Would you be able to provide such a  
20 schedule for the record in this docket?

21 A. (Conneely) Absolutely.

22 MR. SPEIDEL: Thank you. Mr. Chairman,  
23 I would like to reserve Exhibit Number 8, if possible, for  
24 this schedule.

{DG 10-250} {10-20-10}

1 CHAIRMAN GETZ: It will be reserved.

2 (**Exhibit 8 reserved**)

3 MR. SPEIDEL: Thank you very much.

4 BY MR. SPEIDEL:

5 Q. This is also to Mr. Conneely. On Page 3, Lines 1  
6 through 6 of your supplemental testimony, you reference  
7 a change to Northern's ERC rate reflected in "Revised  
8 Schedule 16, ERC". I can repeat that just for  
9 emphasis. On Page 3, Lines 1 through 6, of your  
10 supplemental testimony, --

11 A. (Conneely) Yes.

12 Q. -- you reference a change. You report that this update  
13 reflects actual data that was inserted for the month of  
14 August 2010. First off, is there a reconciliation  
15 schedule for the prior year in either the original cost  
16 of gas filing or the revised filing?

17 A. (Conneely) There was not. There was one provided in  
18 response to Staff Data Request 1-21, but it was not  
19 updated for the revised.

20 Q. Would you be able to provide a revised schedule for the  
21 record in this docket?

22 A. (Conneely) Yes.

23 MR. SPEIDEL: Thank you. Mr. Chairman,  
24 if I could also reserve an exhibit number for that.

[WITNESS PANEL: Simpson~Wells~Conneely]

1 CHAIRMAN GETZ: It shall be done.

2 (**Exhibit 9 reserved**)

3 MR. SPEIDEL: Thank you. And, I suppose  
4 it would be "Exhibit Number 9"?

5 CHAIRMAN GETZ: Yes.

6 MR. SPEIDEL: Thank you very much, Mr.  
7 Conneely.

8 WITNESS CONNEELY: Thank you.

9 BY MR. SPEIDEL:

10 Q. These questions are for Mr. Wells specifically. First  
11 off, did Northern experience any operational problems  
12 or supply disruptions during the last year?

13 A. (Wells) I wouldn't characterize what we experienced as  
14 "operational problems". There were some issues that  
15 arose two -- two major issues that impacted last  
16 winter. One was the Bay State Exchange Agreement.  
17 Under last winter, as I explain in my prefiled  
18 testimony, last winter the amount to be exchanged  
19 between the two parties was the higher of the two  
20 amounts desired to be exchanged. This impacted our  
21 ability to fully utilize the Washington 10 Storage that  
22 was -- that we had reserved for our customers' use.

23 The second issue that we ran into was  
24 the -- which I also discuss in my prefiled testimony,

{DG 10-250} {10-20-10}

[WITNESS PANEL: Simpson~Wells~Conneely]

1 had to do with the consumption factors for non-daily  
2 metered transportation customers. And, what we found  
3 during last winter, or, actually part of the summer COG  
4 proceeding, was that the factors were systematically  
5 too high, thus suppliers were bringing more gas than  
6 their -- the non-daily metered transportation customers  
7 actually consumed. And, you know, the combination of  
8 these two issues made it more difficult for Northern to  
9 fully optimize its portfolio last winter.

10 We have since addressed and corrected  
11 both of these issues. In the case of the Bay State  
12 Exchange Agreement, we have amended that agreement such  
13 that it's now the lower of two volumes desired will be  
14 the amount exchanged between Bay State and Northern.  
15 And, in the case of the ATV reconciliation costs, we  
16 have revised and corrected the consumption factors for  
17 almost all customers that are non-daily metered and in  
18 a transportation pool, in order to accurately project  
19 their requirements. This will allow us to better  
20 utilize our portfolio to supply the balance of our  
21 needs.

22 Q. Thank you. Did the Company experience any unexpected  
23 pricing issues regarding supply purchases last winter?

24 A. (Wells) I wouldn't say we "experienced any pricing

{DG 10-250} {10-20-10}

1 issues". I would say that we, at times, had to buy gas  
2 that was priced higher than what we had available to us  
3 because of our other contractual obligations, as I had  
4 discussed in your first question.

5 Q. Thank you. Have there been any changes in the supply  
6 portfolio from last year?

7 A. (Wells) The changes in the supply portfolio from last  
8 year are as I discussed in my prefiled testimony. The  
9 first being, as I had already discussed in this  
10 discussion, was the amended Bay State Exchange  
11 Agreement. We have also entered into a new contract  
12 with Granite. And, I want to refer to that in my  
13 prefiled testimony, to make sure that I haven't left  
14 out any other changes.

15 The final change is, yes, I remember  
16 now, we terminated our agreement with TransCanada for  
17 1,196 gigajoules of capacity that went from the far  
18 western point of the TransCanada system at Empress,  
19 Alberta, to the -- to East Hereford, which is -- it's  
20 the interconnection between the TransCanada and  
21 Portland Pipelines. So, that capacity will be  
22 terminated effected November 1st, 2010.

23 Q. Thank you. Would you be able to explain the current  
24 status of the PNGTS and GSGT FERC rate proceedings?

1 A. (Wells) Yes. Both of those -- both of those cases that  
2 were filed in 2010 are in the settlement process  
3 currently. As to Portland's 2008 rate case, as --  
4 we're really in the same situation we were last time we  
5 met for a COG, in that the Administrative Law Judge has  
6 issued an initial decision, but FERC has not yet acted  
7 upon that initial decision.

8 Q. Would you be able to briefly summarize that initial  
9 decision?

10 A. (Wells) The initial decision, in essence, granted the  
11 Portland Shippers Group all of the major issues that it  
12 had been litigating. And, the rate that was filed in  
13 the Portland 2008 rate case was, I believe, about 90  
14 cents per decatherm per day. The initial decision  
15 reflects a rate of 75 cents per decatherm per day.

16 Q. Does the cost of gas reflect the proposed increases in  
17 pipeline rates?

18 A. (Wells) Yes.

19 Q. Thank you. What is the annual GSGT gas costs at  
20 current rates? And, what will those costs be under the  
21 proposed rates?

22 A. (Wells) My budget for 2010-2011 Granite costs is  
23 approximately 3.9 million. At the current rates, this  
24 would be approximately 2 million.

[WITNESS PANEL: Simpson~Wells~Conneely]

1 Q. How much of that cost is the New Hampshire Division  
2 responsible for?

3 A. (Wells) Approximately 48.95 -- actually, let me -- can  
4 you --

5 A. (Simpson) It's approximately 50 percent.

6 A. (Wells) It's approximately 50 percent.

7 Q. Thank you. That's fine. What is the GSGT or Granite  
8 charge in this winter's cost of gas compared to last  
9 winter's?

10 A. (Wells) Excuse me, did you say "Portland" or --

11 Q. Granite. GSGT.

12 A. (Wells) I apologize. The question I answered before  
13 was about GSGT. I think I just answered that.

14 Q. Well, we have a follow-up question here related to, I  
15 think, the cost component -- okay. That's  
16 satisfactory. Thank you very much. What is the annual  
17 PNGTS gas costs at current rates? And, what will those  
18 costs be under the proposed rates?

19 A. (Wells) Under current rates, the costs would be  
20 approximately 13.3 million.

21 Q. Uh-huh.

22 A. (Wells) And, under the proposed rates, taking effect  
23 December 1st, it is 16.7 million.

24 Q. Thank you. And, how much of that cost is the New

{DG 10-250} {10-20-10}

1 Hampshire Division responsible for?

2 A. (Wells) Approximately 50 percent.

3 MR. SPEIDEL: Thank you very much. No  
4 further questions. Thank you.

5 CHAIRMAN GETZ: Thank you.

6 CMSR. IGNATIUS: Good morning.

7 BY CMSR. IGNATIUS:

8 Q. Mr. Conneely, you testified in both your initial and  
9 your supplement testimony about the DSM charges going  
10 up. And, in your initial testimony, at Page 3, you  
11 said that the higher rate was "necessitated by the  
12 implementation of Northern's current energy efficiency  
13 program budget."

14 A. (Conneely) I'm sorry, Page 3?

15 Q. Page 3, at the bottom. That's how you described it.  
16 And, what I'm wondering is, is that the combined CORE  
17 Programs' budget for energy efficiency programs, done  
18 in conjunction with the electric utilities?

19 A. (Conneely) That I'm not able to answer right now.

20 Q. All right. Is the current budget referring to one  
21 that's in place for this year that we're coming to an  
22 end of, the 2010 budget, or is it the currently  
23 proposed 2011 budget, but still hasn't been through the  
24 full Commission process?



1 A. (Conneely) That I'd have to verify. I believe it's the  
2 current.

3 Q. All right. Is there a reason that the numbers changed  
4 outside of the normal budgeting process? I couldn't  
5 tell from your testimony if it was sort of like an  
6 undercollection situation, and that you hadn't  
7 anticipated adequate funding for the budget, and now it  
8 had to increase? Or, that this is just in the normal  
9 course of a budget change of a year ago?

10 A. (Conneely) I believe this is just the normal budget  
11 change.

12 Q. All right. Also on that page, further up, when you're  
13 talking about the Low Income Assistance Program, you  
14 did have an over-collection situation, is that correct?

15 A. (Conneely) Correct.

16 Q. So, the program has been slightly under used, compared  
17 to the amount of money collected for it?

18 A. (Conneely) Correct.

19 Q. I'll tell you, I was surprised by that, just because  
20 the demand has been so great for low income programs.  
21 Do you have any further information about where you  
22 stand with those balances or what you expect this  
23 coming year to be?

24 A. (Conneely) I don't have offhand here. Given the

1 environment economically, yes, you would. I can take a  
2 look and see what the forecast would be.

3 Q. I guess I don't need that right now, but it might be  
4 worth watching as you go through the winter that, by  
5 bringing the funding level down as we head into the  
6 winter, and it may be a tough winter for a lot of  
7 people, we may end up under budgeting and in an  
8 undercollection phase for the following year. But I  
9 guess we'll have to see how that plays out over the  
10 course of the winter.

11 Mr. Wells, I just wanted to ask you a  
12 little bit about the Hedging Programs, which you've  
13 already testified to in a number of instances. But my  
14 specific question is, between the initial testimony and  
15 the supplemental testimony, which is just about a  
16 month's time, it looks like both of the Hedging  
17 Programs experienced a significant -- significant  
18 losses?

19 A. (Wells) That's correct.

20 Q. Can you just tell us a little bit more about that?  
21 And, I'm looking at your supplemental testimony, Pages  
22 3 and 4.

23 A. (Wells) Uh-huh. The change in the Hedging Program  
24 results is due to a change in the prevailing market

[WITNESS PANEL: Simpson~Wells~Conneely]

1 price for natural gas, specifically, the NYMEX natural  
2 gas contract for the respective months. We are  
3 experiencing a period of declining natural gas prices  
4 right now. And, so, the prices that were locked in  
5 under the Hedging Program, which are, in essence,  
6 pretty -- regularly monthly transactions spread  
7 uniformly over a 12-month period. Those prices,  
8 because the price of natural gas has been declining  
9 over that entire period, the Hedging Program has  
10 resulted in losses due to that, due to that fact.

11 Q. Do you expect similar losses month-to-month over the  
12 coming winter?

13 A. (Wells) If I knew the answer to that question, I might  
14 not be here today. I will say that, you know, the  
15 outlook for natural gas prices -- natural gas is a very  
16 volatile commodity. It's the most volatile of the  
17 commodities regularly traded. And, so, anything could  
18 impact these, what finally ends up being the impact of  
19 these hedges. You know, right now, the market seems to  
20 be very well supplied, due to the new supplies that  
21 have been discovered, they are being produced in  
22 Pennsylvania and New York, to the -- and gas that is  
23 being brought in from other parts of the country. So,  
24 there are other non-traditional resources that are

{DG 10-250} {10-20-10}

[WITNESS PANEL: Simpson~Wells~Conneely]

1       probably generally over-supplying the market right now.  
2       What, if anything, changes that? I don't know. I  
3       mean, it could be colder-than-normal weather, it could  
4       be some sort of market disruption. I can't give you a  
5       lot of -- I apologize, I can't really give you a lot of  
6       good direction on what I ultimately believe the impact  
7       of the Hedging Program will be on customers.

8                   CMSR. IGNATIUS: All right. Thank you.  
9       Nothing else.

10                  CHAIRMAN GETZ: Ms. Geiger, any  
11       redirect?

12                  MS. GEIGER: No thank you, Mr. Chairman.

13                  CHAIRMAN GETZ: Anything further for  
14       these witnesses?

15                  (No verbal response)

16                  CHAIRMAN GETZ: Hearing nothing, then  
17       you're excused. Thank you, gentlemen. Mr. Speidel,  
18       anything from Staff?

19                  MR. SPEIDEL: No. I do have a closing  
20       statement.

21                  CHAIRMAN GETZ: Okay. Well, let's  
22       address the exhibits. Any objection to striking the  
23       identifications and admitting the exhibits into evidence?

24                  (No verbal response)

{DG 10-250} {10-20-10}

1 CHAIRMAN GETZ: Hearing no objection,  
2 they will be admitted into evidence. If there is nothing  
3 of a procedural matter, we'll move to closings, and Mr.  
4 Traum.

5 MR. TRAUM: Thank you, sir. The Office  
6 of Consumer Advocate does not object to the revised  
7 filing.

8 CHAIRMAN GETZ: Thank you. Mr. Speidel.

9 MR. SPEIDEL: Thank you, Mr. Chairman.  
10 Staff supports the Northern Utilities proposed revised  
11 2010-2011 peak period Cost of Gas rates as filed, subject  
12 to Audit Staff's review of the filed 2009-2010 peak period  
13 Cost of Gas reconciliation, which should be completed in a  
14 few days. No issues of concern are expected to come out  
15 of the audit of last winter's reconciliation. If  
16 something should turn up, Staff will notify the Commission  
17 at that time.

18 The sales forecast for the 2010-2011  
19 peak period Cost of Gas is slightly below last year's  
20 normalized sales forecast, reflecting some lingering  
21 effects of the economic downturn and increased  
22 conservation. The supply plan is based on least cost  
23 planning and the direct gas costs are based on actual or  
24 hedged prices and projected pricing that reflect market

1 expectations.

2                   There will be a reconciliation of  
3 forecast and actual gas costs for the 2010-2011 peak  
4 period that will be filed prior to next winter's Cost of  
5 Gas proceeding, and any concerns that may arise related to  
6 the 2010-2011 gas planning and dispatch may be raised and  
7 addressed in the 2010-2011 peak period Cost of Gas.

8                   While the Company has no direct control  
9 over recent rate filings related to certain of the  
10 Company's interstate pipeline capacity contracts, the  
11 Company is active within its pipeline shipper groups  
12 participating in efforts to mitigate the proposed rate  
13 increases. The Company's hedging policy, recently updated  
14 in Docket DG 09-141, has offered, and continues to offer,  
15 some measure of price stability in the commodity portion  
16 of the gas rates for customers. Northern's hedges appear  
17 consistent with the newly adopted policy currently in  
18 place.

19                   The Local Delivery Adjustment Charge, or  
20 LDAC, is comprised of a number of surcharges, all of which  
21 have been established in other proceedings, with the  
22 actual amounts of each determined in these winter Cost of  
23 gas proceedings, and effective for one year. Staff has  
24 not completed its review of the energy efficiency costs,

1 but recommends the proposed rate be implemented effective  
2 November the 1st, along with the other LDAC adjustments.  
3 If the Audit Staff finds a material error in its review of  
4 the energy efficiency costs, Staff will notify the  
5 Commission and the issue can be addressed in next winter's  
6 Cost of Gas filing when a new energy efficiency surcharge  
7 is determined.

8 Staff has reviewed the proposed supplier  
9 balancing charges and capacity allocator percentages and  
10 charges appear to be accurate and reasonable based on the  
11 updated information and recommends Commission approval.

12 In sum, Staff appreciates the efforts of  
13 the Company in this matter and recommends approval of the  
14 Cost of Gas rates subject to the final audits and/or  
15 reconciliations mentioned. Thank you.

16 CHAIRMAN GETZ: Thank you. Ms. Geiger,  
17 there was a number -- there were a number of information  
18 requests that we reserved exhibits for, which sounded  
19 pretty routine or may have already been provided in  
20 discovery. Are those documents that can be provided  
21 before the end of the week?

22 MS. GEIGER: Yes, Mr. Chairman. We  
23 recognize that we're asking for the cost of gas rates to  
24 be put into effect as of November 1st, and we recognize

1       there is a short time period in which the Commission must  
2       issue an order on that. So, we will endeavor to get all  
3       of that information in by I believe the end of the week,  
4       as soon as we can even before then, if possible.

5                       CHAIRMAN GETZ: Thank you. And, your  
6       closing?

7                       MS. GEIGER: Yes. Briefly. Northern  
8       would respectfully ask the Commission to put into effect  
9       all of the revised cost of gas adjustment charge rates  
10      that were recently filed in the revised filing. And,  
11      again, we'll endeavor to get to the Commission as soon as  
12      we can answers to the questions that were posed during  
13      cross-examination and from the Bench.

14                      One other outstanding matter,  
15      Mr. Chairman, is a Motion for Confidential Treatment that  
16      we filed with respect to some of the gas supply contracts  
17      that we were asked to provide to Staff during discovery.  
18      And, I'm not sure if you require any oral argument on that  
19      motion or whether it's something that you would just take  
20      under advisement. But, if you need me to address it at  
21      this time, I'd be happy to.

22                      CHAIRMAN GETZ: Well, we already have  
23      the motion. Is there any objections or any positions from  
24      the Consumer Advocate or Staff?



1 MR. TRAUM: The OCA is not going to be  
2 taking a position.

3 CHAIRMAN GETZ: Then, we'll take that  
4 under advisement.

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

6 CHAIRMAN GETZ: Okay. Appears that  
7 there's nothing further, so we will close the hearing and  
8 take the matter under advisement. Thank you, everyone.

9 MS. GEIGER: Thank you.

10 **(Whereupon the hearing ended at 11:17**  
11 **a.m.)**

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