

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

October 20, 2011 - 10:07 a.m.  
Concord, New Hampshire

NHPUC OCT27'11 PM 3:36

RE: DG 11-207  
NORTHERN UTILITIES, INC.  
2011-2012 Winter Period Cost of Gas  
Adjustment.

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Northern Utilities, Inc.:  
Susan S. Geiger, Esq. (Orr & Reno)  
  
Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Donna McFarland  
Office of Consumer Advocate  
  
Reptg. PUC Staff:  
Alexander Speidel, Esq.

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

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I N D E X

PAGE NO.

WITNESS PANEL:           JOSEPH F. CONNEELY  
                                  CHRISTOPHER A. KAHL  
                                  FRANCIS X. WELLS

Direct examination by Ms. Geiger	6
Cross-Examination by Ms. Hatfield	16
Cross-examination by Mr. Speidel	27
Interrogatories by Cmsr. Below	42

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CLOSING STATEMENTS BY:

PAGE NO.

Ms. Hatfield	46
Mr. Speidel	48
Ms. Geiger	50

1  
2  
3  
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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Northern Utilities, Inc. New Hampshire Division Cost of Gas Adjustment Filing Winter Season 2011-2012 (09-15-11)	7
2	Northern Utilities, Inc. Revised Winter 2011-2012 Cost of Gas and Associated Charges Filing (10-17-11)	8
3	Northern Utilities, Inc. Winter 2011/2012 Cost of Gas Filing - Corrected Residential Low Income Assistance Program - Schedule 16-RLIAP Page 1 of 2 (10-19-11)	14
4	Environmental Response Cost Report (09-15-11)	16

**P R O C E E D I N G**

1  
2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in Docket DG 11-207. On  
4 September 15, 2011, Northern Utilities filed its cost of  
5 gas rates for the winter period November 1, 2011 through  
6 April 30, 2012, its Local Distribution Adjustment Clause  
7 charges, and certain supplier charges for the period  
8 November 1, 2011 through October 31, 2012. The proposed  
9 residential COG is \$1.1149 per therm, a 1.68 cents per  
10 therm decrease from last winter.

11 We issued an order of notice on  
12 September 21 setting the hearing for this morning. I also  
13 note for the record that the Office of Consumer Advocate  
14 has filed its notice of participation and the affidavit of  
15 publication has been filed.

16 So, let's take appearances please.

17 MS. GEIGER: Yes. Good morning, Mr.  
18 Chairman and Commissioner Below. I'm Susan Geiger, from  
19 the law firm of Orr & Reno, representing Northern  
20 Utilities, Inc. And, with me this morning at counsel  
21 table, to my immediate right is Mr. Joe Conneely, and then  
22 Mr. Chris Kahl, Mr. Fran Wells, and Mr. George Simmons.

23 CHAIRMAN GETZ: Good morning.

24 MS. HATFIELD: Good morning,

1 Commissioners. Meredith Hatfield, for the office of  
2 Consumer Advocate, on behalf of residential ratepayers.  
3 And, with me for the Office is Donna McFarland.

4 CHAIRMAN GETZ: Good morning.

5 MR. SPEIDEL: Good morning,  
6 Commissioners. Alexander Speidel, for Staff. And, I also  
7 have with me Bob Wyatt and Steve Frink for Staff.

8 CHAIRMAN GETZ: Good morning.

9 MR. SPEIDEL: Good morning.

10 CHAIRMAN GETZ: Anything we need to  
11 address before the Company presents its witnesses?

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

13 CHAIRMAN GETZ: Hearing nothing, then,  
14 Ms. Geiger.

15 MS. GEIGER: Yes. Thank you, Mr.  
16 Chairman. Northern would call as a panel three witnesses  
17 this morning; Mr. Conneely, Mr. Kahl, and Mr. Wells.

18 (Whereupon *Joseph F. Conneely*,  
19 *Christopher A. Kahl*, and  
20 *Francis X. Wells* were duly sworn by the  
21 Court Reporter.)

22 **JOSEPH F. CONNEELY, SWORN**

23 **CHRISTOPHER A. KAHL, SWORN**

24 **FRANCIS X. WELLS, SWORN**

**DIRECT EXAMINATION**1  
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BY MS. GEIGER:

Q. I'd like to begin with Mr. Kahl, please. And, Mr. Kahl, could you please state your name for the record.

A. (Kahl) Christopher Kahl.

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

A. (Kahl) I'm a Senior Regulatory Analyst with Unitil Services Corp.

Q. And, have you ever testified before this Commission?

A. (Kahl) I have not testified before this Commission. However, I have testified before the Federal Energy Regulatory Commission, the Maine Public Utilities Commission, and the Massachusetts Department of Public Utilities.

Q. And, in the light of the fact that you haven't testified before the Commission here in New Hampshire, could you very, very briefly summarize your background and experience.

A. (Kahl) I have been involved with the natural gas industry for about 20 years. I've been working with Unitil since February of 2011, before that, as a Supply Planning Analyst for Bay State Gas, which is now known as Columbia Gas of Massachusetts. I was there for

1 about thirteen years. Before that, I was with  
2 Algonquin Gas Transmission Company. And, about four  
3 years before that, I was with DRI/McGraw-Hill, a  
4 consulting firm, for about five years.

5 Q. Thank you, Mr. Kahl. Now, I'd like to show you a  
6 document that I have asked the Clerk to prefile for  
7 identification in this docket as "Exhibit Number 1".  
8 It's called "Northern Utilities, Inc. New Hampshire  
9 Division Cost of Gas Adjustment Filing Winter Season  
10 2011-2012". Did you assist in preparing that document?

11 A. (Kahl) I did.

12 MS. GEIGER: And, Mr. Chairman, I would  
13 ask that this be marked as "Exhibit 1" for identification.

14 CHAIRMAN GETZ: So marked.

15 (The document, as described, was  
16 herewith marked as **Exhibit 1** for  
17 identification.)

18 BY MS. GEIGER:

19 Q. And, you've identified the document, Mr. Kahl, and  
20 you've indicated, I believe, that you assisted in  
21 preparing it, is that correct?

22 A. (Kahl) That's correct.

23 Q. Now, there is another document that I've asked the  
24 Clerk to premark for identification as "Exhibit 2".

1 And, it is entitled "Northern Utilities, Inc. Revised  
2 Winter 2011-2012 Cost of Gas and Associated Charges  
3 Filing". Could you please identify this document.

4 What is it? I mean, what --

5 A. (Kahl) That is our revised cost of gas filing, with  
6 updated commodity and demand costs.

7 Q. And, in addition to updated commodities and demand  
8 costs, are there any other reasons for preparing the  
9 revised filing?

10 A. (Kahl) I had included some supplemental testimony,  
11 which identified some inaccuracies in the initial  
12 filing, in the testimony only, not in the numbers. So,  
13 I did identify that. And, then, I provided, in that  
14 supplemental testimony, also just a brief, very brief  
15 summary of some of the changes between the initial  
16 filing and the revised filing.

17 Q. And, is that --

18 MS. GEIGER: First, Mr. Chairman, I'd  
19 like to have the document that Mr. Kahl most recently  
20 identified marked as "Exhibit 2" for identification.

21 CHAIRMAN GETZ: So marked.

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

1 MS. GEIGER: Thank you.

2 BY MS. GEIGER:

3 Q. Now, you've indicated, Mr. Kahl, that you submitted  
4 prefiled testimony in this docket, is that correct?

5 A. (Kahl) Yes.

6 Q. Okay. And, you also submitted supplemental prefiled?

7 A. (Kahl) Yes.

8 Q. Okay. And, the supplemental prefiled testimony that  
9 you've submitted, I believe you've indicated that's  
10 contained in Exhibit 2, correct?

11 A. (Kahl) Yes.

12 Q. Okay. And, what was the purpose of that supplemental  
13 prefiled testimony?

14 A. (Kahl) Yes. The supplemental testimony did identify --  
15 it had two purposes. It did identify a few  
16 inaccuracies with the initial testimony. So, some of  
17 the numbers in that testimony weren't matching up with  
18 the tables. So, there was an addendum in the  
19 supplemental or to the supplemental that identified  
20 those. The supplemental testimony also provided a  
21 basic overview, basic summary of the change between the  
22 supplemental rates that were derived and the initial  
23 rates that were derived.

24 Q. And, that addendum that you just referenced to your

1 supplemental prefiled testimony, does that contain a  
2 list of all of the changes that have occurred as the  
3 result -- changes to your original prefiled testimony  
4 that occur as a result of the revised filing?

5 A. (Kahl) Yes.

6 Q. And, is that addendum marked or labeled "Attachment  
7 CAK-1"?

8 A. (Kahl) Yes.

9 Q. Okay. Do you have any corrections or updates to your  
10 supplemental prefiled testimony?

11 A. (Kahl) I do have one. And, I believe that's located on  
12 Page 3 of my testimony, on Line 10. And, it would be  
13 the last word, which is "Maine", and that should  
14 actually say "New Hampshire".

15 Q. Okay. So, you just made one change to your  
16 supplemental prefiled testimony, changing the word  
17 "Maine" to "New Hampshire". And, with that change, do  
18 you adopt under oath today your prefiled testimony, as  
19 revised by your supplemental prefiled testimony?

20 A. (Kahl) I do.

21 Q. Okay. Thank you. Do you wish to add anything further  
22 to that testimony?

23 A. (Kahl) I do not.

24 Q. Okay. Thank you. Mr. Wells, could you please state

1 your name for the record.

2 A. (Wells) My name is Francis Wells.

3 Q. And, where are you employed and what position do you  
4 hold?

5 A. (Wells) I am employed by Unitil Service Corp. as the  
6 Manager of Gas Supply.

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

8 A. (Wells) I did.

9 Q. And, is that prefiled testimony contained under the tab  
10 entitled "Wells Testimony" in the document that's been  
11 premarked for identification as "Exhibit 1"?

12 A. (Wells) Yes.

13 Q. Did you submit supplemental prefiled testimony in this  
14 docket?

15 A. (Wells) Yes.

16 Q. And, is that supplemental prefiled testimony contained  
17 in the supplemental COG filing that we've premarked for  
18 identification as "Exhibit 2"?

19 A. (Wells) Yes.

20 Q. Okay. And, what was the purpose of your supplemental  
21 prefiled testimony?

22 A. (Wells) I provided updates to the changes in NYMEX  
23 prices that had occurred since the initial filing. I  
24 had also provided updates to demand costs and

1 transportation commodity cost estimates due to the  
2 settlement in the Tennessee rate case that had been  
3 filed on September 30th. Finally, the demand cost  
4 estimate reflected updates to TransCanada demand rates  
5 that were reflective of the National Energy Board of  
6 Canada's orders on September -- approximately  
7 September 13th, 2011.

8 Q. And, do you have any corrections or updates to your  
9 supplemental prefiled testimony?

10 A. (Wells) No.

11 Q. Okay. And, do you adopt today under oath your prefiled  
12 testimony, as revised by your supplemental prefiled  
13 testimony?

14 A. (Wells) I do.

15 Q. Do you have anything further to add to either of those  
16 testimonies?

17 A. (Wells) No.

18 Q. Thank you. Mr. Conneely, could you please state your  
19 name for the record.

20 A. (Conneely) My name is Joseph F. Conneely.

21 Q. Mr. Conneely, where are you employed and what position  
22 do you hold?

23 A. (Conneely) I work for Unitil Service Corp. as a  
24 Regulatory -- Senior Regulatory Analyst.

1 Q. Okay. Did you prepare prefiled testimony in this  
2 docket?

3 A. (Conneely) Yes.

4 Q. And, is that prefiled testimony contained under the tab  
5 entitled "Conneely Testimony" --

6 A. (Conneely) Yes.

7 Q. -- in the document that has been premarked for  
8 identification as "Exhibit 1"?

9 A. (Conneely) Yes.

10 Q. And, did you also prepare supplemental prefiled  
11 testimony in this docket?

12 A. (Conneely) Yes.

13 Q. And, is that supplemental testimony contained in the  
14 supplemental COG filing that has been premarked for  
15 identification as "Exhibit 2"?

16 A. (Conneely) Yes.

17 Q. Okay. What was the purpose of your supplemental  
18 prefiled testimony?

19 A. (Conneely) The purpose of my supplemental prefiled  
20 testimony was to make corrections to my prefiled  
21 testimony that results from the Company's revised cost  
22 of gas filing made on October 17th, 2011.

23 Q. Do you have any corrections or updates to your  
24 supplemental prefiled testimony?

1 A. (Conneely) Yes. The sentence at the bottom of Page 2  
2 and the top of Page 3 of my supplemental prefiled  
3 testimony should be changed to read "This update does  
4 not change the RLIAP charge of 0.0056 that was proposed  
5 on September 15th, 2011 for effect November 1st, 2011."  
6 I've also prepared "Corrected Schedule 16-RLIAP", which  
7 contain corrections to the Revised Schedule 16-RLIAP  
8 submitted with the revised cost of gas filing. That  
9 schedule consists of two pages, only which of -- only  
10 one of which was corrected. That page is Bates stamped  
11 "corrected Page 231 of 263".

12 MS. GEIGER: And, Mr. Chairman, I've  
13 provided both the Clerk and Commissioners with copies of  
14 this schedule that Mr. Conneely just referenced. And, I'd  
15 ask that it be marked for identification as "Exhibit 3"?

16 CHAIRMAN GETZ: Okay. So marked.  
17 (The document, as described, was  
18 herewith marked as **Exhibit 3** for  
19 identification.)

20 MS. GEIGER: Thank you.

21 BY MS. GEIGER:

22 Q. Now, with the revisions that you've just indicated, Mr.  
23 Conneely, do you adopt today under oath your prefiled  
24 testimony, as revised by your supplemental prefiled

1 testimony?

2 A. (Conneely) Yes.

3 Q. And, Mr. Conneely, could you please describe briefly  
4 what the effect of Northern's proposed COG filing would  
5 be on a monthly bill of a typical residential heating  
6 customer consuming 50 therms per month.

7 A. (Conneely) Yes. The residential winter cost of gas  
8 proposed here is a rate of \$1.08, 1.0837. Revised  
9 Schedule 8, starting on Page Bates stamped 162 of 263  
10 shows the effect of the revised cost of gas on  
11 residential customers. Effects on other customer  
12 classes are shown on subsequent pages. A revised -- a  
13 residential customer using 50 therms monthly is  
14 expected to see a decrease of 1.1 percent from last  
15 year's winter season gas bill for the same consumption  
16 level. This is shown on Bates Revised 166 of 263.

17 Q. Thank you, Mr. Conneely. Do you have anything further  
18 to add to your testimony?

19 A. (Conneely) No.

20 Q. And, Mr. Conneely, one final thing. Did you also  
21 submit, as part of Northern's filing in this docket, an  
22 Environmental Response Cost Report through June 2011,  
23 dated September 15th, 2011?

24 A. (Conneely) Yes.

[WITNESS PANEL: Conneely|Kahl|Wells]

1 MS. GEIGER: And, Mr. Chairman, I would  
2 ask that that report, which has been filed with the  
3 Commission and submitted to the Clerk, be marked for  
4 identification as "Exhibit 4"?

5 CHAIRMAN GETZ: So marked.

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

9 MS. GEIGER: Thank you. I have no  
10 further questions for these witnesses. They're available  
11 for cross-examination.

12 CHAIRMAN GETZ: Thank you.

13 Ms. Hatfield.

14 MS. HATFIELD: Thank you, Mr. Chairman.  
15 Good morning.

16 WITNESS WELLS: Good morning.

17 **CROSS-EXAMINATION**

18 BY MS. HATFIELD:

19 Q. Mr. Kahl, could you please look at your testimony in  
20 Exhibit 1, your original prefiled testimony.

21 A. (Kahl) Are you referring to "Schedule 1", ma'am?

22 Q. I'm referring to your written prefiled testimony that  
23 you filed on September 15th. And, would you please  
24 turn to Page 3. Beginning on Line -- beginning at Line

{DG 11-207} {10-20-11}

1 12, you discuss Northern's use of a certain lead/lag  
2 study, and you also discuss the use of a certain bad  
3 debt number. Do you see that discussion?

4 A. (Kahl) Yes, I do.

5 Q. And, you also note that those are proposed figures that  
6 the Company has filed in its pending rate case, is that  
7 correct?

8 A. (Kahl) That is correct.

9 Q. And, would you agree that, pending the outcome of the  
10 rate case, that those numbers may change next year?

11 A. (Kahl) Yes. I agree.

12 Q. Mr. Conneely, could you please look at your  
13 supplemental testimony that you filed on October 17th,  
14 that's part of Exhibit 2. And, would you please turn  
15 to Page 3. Beginning at Line 4, you start a discussion  
16 of your proposed change to the Demand Side Management  
17 or Energy Efficiency Charge, do you see that?

18 A. (Conneely) Yes.

19 Q. And, on Line 6, you state that "The Company proposes to  
20 increase the charge." But, when I look at the numbers  
21 on Line 8, I think you're actually proposing a  
22 decrease?

23 A. (Conneely) Yes. I'm sorry, yes. It is a decrease.

24 Q. So, the word "increase" we should change to "decrease"?

1 A. (Conneely) Yes.

2 Q. Thank you. And, if we -- in order to get the details  
3 on what the Company is proposing, what schedule of  
4 yours would we look at?

5 A. (Conneely) For DSM, we would look at Schedule 16-DSM,  
6 Page 3 of 4. I'm sorry, yes. And, that's on the  
7 revised schedules. It's Revised Page 235 of 263 Bates  
8 stamp.

9 Q. And, Page 3 of that schedule deals with residential  
10 customers, correct?

11 A. (Conneely) It's Page 3 of 4, yes.

12 Q. And, then, Page 4 of 4 addresses commercial/industrial  
13 customers?

14 A. (Conneely) Correct.

15 Q. Why is the Company proposing to reduce the Efficiency  
16 Charge?

17 A. (Conneely) On Revised Schedule 16-DSM, it has a  
18 historical record of all the expenditures and income,  
19 plus interest, for the last 12 months, which provides  
20 an over or undercollection. Beginning November '11,  
21 that overcollection --

22 (Court reporter interruption.)

23 **CONTINUED BY THE WITNESS:**

24 A. (Conneely) Oh, I'm sorry. The overcollection of 29,000

1 is the starting point of the calculation for the next  
2 12 months, which is including all collections, costs,  
3 and shareholder incentives, plus interest, to calculate  
4 the cost -- or, the rate of 0.0315.

5 BY MS. HATFIELD:

6 Q. Do you know what the Company's approved 2011 Energy  
7 Efficiency Program Budget is?

8 A. (Conneely) Our Energy Efficiency Group, I would have to  
9 speak with them, as they are the ones that provided the  
10 numbers here that were used for this forecast.

11 Q. If the Commission approves the Company's proposed  
12 reduction, do you know what programs would be cut or  
13 reduced?

14 A. (Conneely) I do not.

15 Q. Do you participate in the Company's Energy Efficiency  
16 Program docket?

17 A. (Conneely) I do not.

18 Q. Have you reviewed any of the Company's recent filings  
19 that discuss the Company's progress toward its goals  
20 for 2011?

21 A. (Conneely) I have not.

22 Q. Do you know what the Company has proposed for 2012  
23 efficiency programs?

24 A. (Conneely) When were they proposed?

1 Q. The Company made its filing on September 15th.

2 A. (Conneely) Of 2011?

3 Q. Excuse me, I think it was earlier than that. In  
4 September of 2011.

5 A. (Conneely) I have not seen that.

6 MS. HATFIELD: Mr. Chairman, I'd like to  
7 approach the witness and just ask him a few questions  
8 about an efficiency filing. I don't intend to make it an  
9 exhibit.

10 (Atty. Hatfield handing document to  
11 Witness Conneely.)

12 BY MS. HATFIELD:

13 Q. Mr. Conneely, can you please identify the document  
14 based on the title on the first page?

15 A. (Conneely) The first page reads: "New Hampshire CORE  
16 Energy Efficiency Programs NHPUC Docket DE 10-188  
17 Summary".

18 Q. And, then, there is also a header that says "2011  
19 Quarterly Report". Do you see that?

20 A. (Conneely) Yes.

21 Q. And, it says "CORE New Hampshire Program Highlights  
22 January 1 through June 30, 2011". Do you see that?

23 A. (Conneely) Yes.

24 Q. Would you please turn to Page 12 of this document. Do

1           you see, in the left-hand corner, it says "Unitil Gas  
2           Energy Efficiency Programs"?

3   A.    (Conneely) Yes.

4   Q.    And, then, in the first box, under "Program Expenses",  
5           there are a variety of efficiency programs listed?

6   A.    (Conneely) Yes.

7   Q.    And, it includes, for example, "Home Performance with  
8           ENERGY STAR", "Low Income Weatherization", and "C&I  
9           Programs"?

10  A.    (Conneely) I see that.

11  Q.    Do you see the total budget for 2011 is "\$985,188"?

12  A.    (Conneely) Yes.

13  Q.    And, do you see that, as of June 30th, the Company had  
14           spent 45.4 percent of its budget?

15  A.    (Conneely) Yes.

16  Q.    And, do you see that, for the Low Income Weatherization  
17           Gas Efficiency Program, as of June 30th, the Company  
18           had spent 74 percent of its budget?

19  A.    (Conneely) Yes.

20  Q.    And that, for the next program, which is "C&I Custom  
21           Programs", as of June 30th, the Company had spent  
22           99.2 percent of its budget?

23  A.    (Conneely) I see that.

24  Q.    I think you just testified that you don't participate

1 in the CORE Program docket, is that correct?

2 A. (Conneely) Correct.

3 Q. So, you wouldn't have attended a technical session in  
4 that case on September 12th?

5 A. (Conneely) Correct.

6 Q. But would your colleagues from Unitil in the Efficiency  
7 Department have attended that meeting?

8 A. (Conneely) Yes, they would have.

9 Q. Do you -- did they share with you at that time that the  
10 Community Action Agencies indicated that some of the  
11 Low Income Efficiency Programs actually were out of  
12 funds at that time?

13 A. (Conneely) That was not communicated.

14 Q. I'm not sure which witness would be able to answer  
15 this, but, if you would look at Revised Page 162 of  
16 263, which is a part of Schedule 8 please. Is that for  
17 you, Mr. Conneely?

18 A. (Conneely) Sure, I can help you. Yes.

19 Q. The top row of this page has a title that says "Typical  
20 Usage: therms", do you see that?

21 A. (Conneely) Yes.

22 Q. And, it lists numbers at the top. Do you see those  
23 numbers?

24 A. (Conneely) Yes, I do.

[WITNESS PANEL: Conneely|Kahl|Wells]

1 Q. I believe you just testified a few moments ago that the  
2 typical usage of a residential heating customer in the  
3 winter is "50 therms per month", is that correct?

4 A. (Conneely) That would be used as a benchmark, industry  
5 benchmark, to communicate changes industrywide.

6 Q. So, for comparison purposes, from year-to-year on a  
7 bill impact?

8 A. (Conneely) Correct.

9 Q. So, are these numbers on this schedule, are these more  
10 indicative of average use or typical use?

11 A. (Conneely) These, again, are used as a benchmark from  
12 the industry. So, I would say it may have been typical  
13 at one point.

14 Q. So, is the Company seeing declining use over time?

15 A. (Conneely) The Company has seen declining use.

16 Q. So, where the winter figure here, on this first line,  
17 is "932", if it was -- if that number was changed to be  
18 based on 50 therms per month, what would that number  
19 look like?

20 A. (Conneely) For the winter season?

21 Q. Yes.

22 A. (Conneely) Around 300.

23 Q. And, then, if you look over on the left, in that first  
24 column, it's titled "Winter 2011-2012", do you see

{DG 11-207} {10-20-11}

1 that?

2 A. (Conneely) Yes.

3 Q. And, it shows the "Customer Charge". And, then, it  
4 shows -- it says "First 50 units" and then "Over 50  
5 units", do you see that?

6 A. (Conneely) Yes.

7 Q. If I look at those numbers associated with those units,  
8 does that show that the Company has a declining block  
9 rate design?

10 A. (Conneely) Yes.

11 Q. And, then, this is where I find your overall cost of  
12 gas rate, which is around \$1.08 per therm, is that  
13 correct?

14 A. (Conneely) Correct.

15 Q. Is anyone on the panel aware that National Grid's  
16 proposed cost of gas rate is just over 86 cents per  
17 therm for this winter?

18 A. (Wells) No. I was not aware.

19 Q. Would you accept that subject to check?

20 A. (Wells) Sure.

21 Q. Mr. Wells, do you know what might account for that  
22 pretty significant difference in the therm rate between  
23 the two companies?

24 A. (Wells) I have some ideas. From a demand cost

1 perspective, you know, what I know of the EnergyNorth  
2 portfolio, is that it is primarily Tennessee Gas  
3 Pipeline for pipeline contracts. Those are  
4 significantly less expensive than the pipeline  
5 contracts used to serve the market that Northern  
6 serves. Northern is served -- a significant portion of  
7 our supply is served off of the PNGTS pipeline, which  
8 is -- and which is fed by TransCanada. These pipelines  
9 are much more expensive than Tennessee. And, because  
10 of the -- and due to the location of Northern and its  
11 existing portfolio, I would expect that Northern's cost  
12 of gas to be higher than EnergyNorth's cost of gas for  
13 those reasons.

14 Q. Is that something that Northern can look at in terms of  
15 making future contracting decisions, in an effort to  
16 reduce those costs?

17 A. (Wells) That is going to be subject to the physical  
18 constraints of our system, to (a) move gas from  
19 Tennessee into our markets. You know, I want to remind  
20 the Commission, our markets stretch all the way up to  
21 Lewiston, Maine. The second is the ability of the  
22 Company to be able to contract for additional Tennessee  
23 supplies. The other aspect to consider is that  
24 capacity into Tennessee's Zone 6 is highly constrained,

1 and not generally available in the marketplace. So, I  
2 would agree, boy, wouldn't it be great if we could have  
3 less Portland and more Tennessee to serve our  
4 particular markets. But there are market  
5 considerations that will impede our ability to make  
6 that kind of a shift. And, there are physical  
7 limitations as well. You know, the Northern and the  
8 combined Granite and Northern systems, to move gas from  
9 Tennessee up to all of our markets is going to be -- is  
10 going to be limited, due to operational considerations.

11 Q. Thank you.

12 A. (Wells) You're welcome.

13 Q. Mr. Conneely, one question for you about the low income  
14 rate. You discuss this in your prefiled testimony on  
15 Page 3, and then, in your revised testimony, on Page 2.  
16 And, you state in your testimony that you are -- the  
17 Company is proposing to increase the low income rate,  
18 is that correct?

19 A. (Conneely) In the supplemental prefiled testimony, I  
20 have that we are increasing it. Today's correction  
21 that we submitted to the Commission leaves the rate at  
22 0.0056.

23 Q. But, if I look at your original testimony, in  
24 Exhibit 1, at Page 3 of 6, you state "Northern is

1 proposing to increase [that] rate from 0.0043 to  
2 0.0056"?

3 A. (Conneely) Correct.

4 Q. So, the "0.0056" is an increase from what is currently  
5 in place?

6 A. (Conneely) Yes.

7 Q. And, then, further down on Page 3, you note that even  
8 though you have an overcollection balance at this time,  
9 you believe that, due to an increase in costs and  
10 participants, that you still need that increase. Is  
11 that right?

12 A. (Conneely) Yes.

13 MS. HATFIELD: Okay. Thank you, Mr.  
14 Chairman. I have nothing further.

15 CHAIRMAN GETZ: Thank you. Mr. Speidel.

16 MR. SPEIDEL: Yes. Thank you, Mr.

17 Chairman.

18 BY MR. SPEIDEL:

19 Q. While we're on the topic of the LDAC rate related to  
20 low income assistance, Mr. Conneely, perhaps we can  
21 begin with Fourteenth [Fifteenth?] Revised Page 56,  
22 Superseding Tariff Page Fifteenth [Fourteenth?] Revised  
23 Page 56.

24 A. (Conneely) This is in the revised filing?

1 Q. Yes. That's correct. Exhibit 2.

2 A. (Conneely) I'm sorry, on which page?

3 Q. That would be Fifteenth Revised Tariff Page 56,  
4 Superseding Fourteenth Revised Tariff Page 56.

5 A. (Conneely) Okay.

6 Q. It's roughly, well, it's a little bit more than that,  
7 but, among the tariff pages, it's about seven pages in,  
8 about this far in (indicating). And, there's a table  
9 that reads "Local Delivery Adjustment Clause". Do you  
10 have it?

11 A. (Conneely) Yes. I have it.

12 Q. Okay. Well, as Ms. Hatfield mentioned, there has been  
13 discussion of an update of the RLIAP line item in the  
14 far left to 56/10,000th of a dollar, or 0059, after the  
15 decimal point, as it's indicated here. But, in fact,  
16 the actual update we believe, on the basis of the  
17 October 19th filing, is to \$0.0056?

18 A. (Conneely) Correct.

19 Q. Is that correct?

20 A. (Conneely) Yes.

21 Q. Would you be able to update the tariff pages that are  
22 affiliated with this change?

23 A. (Conneely) Yes. In our compliance filing, we update  
24 the LDAC page.

1 Q. Thank you very much. I guess we can also stick with  
2 Mr. Conneely. Do you know if the Audit Staff has  
3 completed its review of the cost of gas reconciliation  
4 from last winter?

5 A. (Conneely) The Company has not gotten word that they  
6 have completed their audit as of yet.

7 Q. Are there any issues with last year's result in the  
8 Audit Staff's review of the cost of gas reconciliation  
9 from the 2010-2011 that you are aware of?

10 A. (Conneely) Not that the Company has been notified or  
11 aware of.

12 Q. Would you briefly summarize how the proposed LDAC rates  
13 compare to last year's, and what are the primary  
14 reasons for the changes?

15 A. (Conneely) Yes. The Residential Low Income Assistance  
16 Program Charge, the Demand Side Management Charge, and  
17 the Environmental Response Cost Rate, the LDAC  
18 components, were all updated to include September  
19 actual information in the revised filing. With that,  
20 the proposed LDAC rate of 0.0422, which is going to be  
21 the new LDAC for residential customers after the LDAC  
22 has been -- the compliance filing which actually will  
23 show 0.0422. This rate is 0.0034 cents lower than last  
24 year's rate. And, for the C&I customers, it will be

1 0.0064 lower than last year's rate.

2 Q. Now, I notice that there's a proposed reduction in the  
3 Environmental Remediation Charge. Have all the MPG  
4 sites in New Hampshire for which Northern might be  
5 responsible been cleaned up?

6 A. (Conneely) After speaking over the last few months with  
7 our ERC Group for the ERC filing, there's still some  
8 MPG site work to be done of, from what I'm hearing, a  
9 multiyear commitment, I guess, by Unitil for the  
10 remediation of those sites.

11 Q. Could you please provide a little description of what  
12 categories of environmental remediation expenses  
13 Northern is incurring? What sorts of types of work?

14 A. (Conneely) Yes. It's three sites; Exeter, Rochester,  
15 and Somersworth, New Hampshire. In Exeter, the -- what  
16 the ongoing project is the storm water outfall into the  
17 Swampscott River. Rochester site is about 90 percent  
18 complete. And, the Somersworth is about 95 percent  
19 complete. All of the invoices and exact descriptions  
20 are in the ERC filing, Exhibit 3, I believe.

21 Q. Could you provide a description of how much the Company  
22 spent on environmental remediation last year and what  
23 it expects to spend next year?

24 A. (Conneely) From June 2010 through July 2011, the

1 Company spent roughly \$121,000. And, I believe they're  
2 anticipating to spend about the same for the upcoming  
3 calendar year.

4 Q. Has the Company provided the PUC Audit Staff with the  
5 supporting documentation for these environmental  
6 remediation costs and litigation expenses?

7 A. (Conneely) Yes.

8 Q. Has the Audit Staff completed its audit of those  
9 environmental remediation and litigation costs and  
10 expenses?

11 A. (Conneely) I don't believe so, but the Company hasn't  
12 been notified.

13 Q. How has this situation related to the audit report been  
14 addressed in the past?

15 A. (Conneely) Can you expand on that?

16 Q. Well, when there's been a time lag between the  
17 submission of the audit-related expense materials and  
18 the final report of the Audit Staff, how have the  
19 expenses been collected for?

20 A. (Conneely) Historically, the ERC has been amortized  
21 over five years. And, any discrepancies that were  
22 found in the audit for the ERC has been reconciled in  
23 the next year's ERC filing.

24 Q. So, would such a reconciliation be acceptable for the

1 Company in this proceeding?

2 A. (Conneely) Yes.

3 Q. Beginning on Page 2, Line 18, of your supplemental  
4 testimony in Exhibit 2, you discuss the proposed  
5 Residential Low Income Assistance Program Rate. Would  
6 you be able to tell us, Mr. Conneely, if the  
7 development of this rate is supported in  
8 Schedule 16-RLIAP, which begins on Bates Page 231?

9 A. (Conneely) Yes, that's correct.

10 Q. Okay. How was the RLIAP discount applied to the  
11 residential heat base rate components in Supplement  
12 Number 1, Proposed Second Revised Tariff Page 2, that  
13 would be -- that would be the schedule here, roughly  
14 about eight or nine pages in from the beginning of the  
15 package. There's --

16 A. (Conneely) Are you referring to the Second Revised Page  
17 2?

18 Q. Yes.

19 A. (Conneely) I'm sorry, could you repeat the question  
20 also.

21 Q. How is the RLIAP discount applied to the residential  
22 heat base rate components in this page?

23 A. (Conneely) Are you talking about the tariff rates?  
24 Under "tariff rates", those line items?

1 Q. Yes. There are certain base rate components. You can  
2 see there's a customer charge, and then there's an  
3 LDAC. And, you can see there's an item at the bottom,  
4 a box that reads "Residential Non-Heating Low Income",  
5 and the second box from the top reads "Residential  
6 Heating Low Income". And, so, the question is, is the  
7 RLIAP discount applied to these residential heat base  
8 rate components?

9 A. (Conneely) And, this is for the R-10 customer class, is  
10 that where you are?

11 Q. Yes. R-10, and also -- Yes. Right.

12 A. (Conneely) And R-11?

13 Q. Yes.

14 A. (Conneely) The discount was applied in accordance with  
15 Commission's Order 25,252, in Docket 11-069. The order  
16 stated that the temporary rate factor charge of 0.0293  
17 per therm would be applied uniformly to all Northern's  
18 rate schedules to customer classes. So, it's  
19 40 percent, including a temporary rate.

20 Q. Thank you. Also, on Page 3 of your supplemental  
21 testimony, on Line 18, you reference a change to  
22 Northern's ERC rate.

23 A. (Conneely) Yes.

24 Q. Is the development of this rate supported in the

1 Revised Schedule 16-ERC, which begins on Page 237,  
2 Bates Page 237?

3 A. (Conneely) That's correct.

4 Q. Thank you very much, Mr. Conneely. These questions are  
5 for Mr. Wells. Did Northern experience any operational  
6 problems or supply disruptions during the last year?

7 A. (Wells) No, we did not.

8 Q. Did the Company experience any unexpected pricing  
9 issues regarding supply purchases last winter?

10 A. (Wells) No.

11 Q. Could you please briefly summarize any changes in the  
12 supply portfolio from what was in place last year?

13 A. (Wells) Certainly. The biggest change is that the FPL  
14 and Distrigas peaking contracts, that had been in place  
15 for ten years, ended as of October 31st, 2011, of this  
16 year, or will end as of this year. They have been  
17 replaced with peaking supply contracts that I describe  
18 as "Peaking Supply 1", "2", and "3" in my prefiled  
19 testimony. Basically, the difference between these two  
20 supplies are actually -- it's reduced demand cost and  
21 reduced total volume. These benefit our consumers by  
22 basically having a better matching our portfolio  
23 requirements with -- or, better matching our supply  
24 with our requirements, and also at a reduced demand

1 cost.

2 Secondly, from a portfolio perspective,  
3 we have a series of new asset managers that we selected  
4 in our spring RFP for the upcoming year. So, we have  
5 new asset managers for our W10 supply -- our W10  
6 storage, rather, new asset managers for our Tennessee  
7 long-haul storage, and for our Tennessee Niagara, and  
8 also a new asset manager for what we call our "Chicago  
9 path", it's just a string of transportation contracts  
10 stretching from Vector, all the way to Tennessee and  
11 Algonquin pipelines.

12 Basically, these asset management deals  
13 are pretty similar in terms and conditions to what we  
14 had contracted for previously, just different, you  
15 know, different asset management payments and different  
16 -- different suppliers.

17 Q. Okay. Thank you. In your supplemental testimony, you  
18 note that the Tennessee settlement rates have been  
19 approved by FERC, and are being inserted into this  
20 revised cost of gas filing?

21 A. (Wells) I would, without looking at my testimony, the  
22 settlement has not been approved by FERC. FERC has  
23 given authorization to Tennessee to begin billing the  
24 settlement rates.

1 Q. Okay.

2 A. (Wells) And, the important difference being that, in my  
3 forecast of both commodity costs and demand costs, I  
4 reflect the settlement rates. However, the settlement  
5 also calls for refunds back to June 2011, when the rate  
6 case went into effect. It does not reflect a refund,  
7 because FERC has not -- FERC has only granted  
8 authorization to begin billing under the settlement  
9 rates as of November 1st. It has not yet ruled on  
10 approving the settlement and, therefore, authorizing  
11 the refunds.

12 Q. All righty. Now, these capacity rate changes for the  
13 Tennessee Gas Pipeline that have at least been  
14 integrated on an interim basis, for lack of a better  
15 term, are they favorable to ratepayers, when compared  
16 to those used in the initial cost of gas filing?

17 A. (Wells) Yes. They do reflect -- the cost of gas, the  
18 updated cost of gas reflects overall lower costs due to  
19 the fact that there was a settlement put into place.  
20 To say that another way, Tennessee's proposed rate case  
21 would have been a higher overall result than the  
22 settlement.

23 Q. Were there also changes to the TransCanada rates?

24 A. (Wells) Yes. To give a little bit of history, there

1 are multiple -- there are multiple cases involving  
2 TransCanada that impact this cost of gas. The first is  
3 that, on September 13th, Canada's National Energy Board  
4 set the 2011 final tolls at a rate that was equal to  
5 what had already been in place as interim tolls. And,  
6 as a bit of background, I'm a little new on National  
7 Energy Board's process. But, in the U.S., when a  
8 pipeline puts in rates, they are put into place subject  
9 to refund pretty routinely. In the National Energy  
10 Board, their process is a little different. A pipeline  
11 needs to file for interim rates, and then they file for  
12 final rates. So, it's possible that the interim rates  
13 could be substantially different from the final rates.  
14 In the case of 2011, the interim rates were put into  
15 effect starting in March. And, then, subsequently,  
16 what had happened is TransCanada had filed for final  
17 rates, which were somewhat higher than the interim  
18 rates that were in effect at that time. The National  
19 Energy Board determined that they were only going to --  
20 they were going to hold the rate at the initially filed  
21 interim rate level. So, whereas the initial filing had  
22 reflected the proposed final 2011 rates for November  
23 and December, the updated filing reflects the actual  
24 approved final 2011 rates, which were at the lower

1 interim rate levels.

2 Q. Thank you. Mr. Kahl, I have a few questions for you.  
3 In your testimony from the original cost of gas filing,  
4 which would be Exhibit 1, beginning on Page 3, on Line  
5 15. You state that the "forecast of Bad Debt expense  
6 is based on actual experience and not on a fixed  
7 percentage." Is that correct?

8 A. (Kahl) That's correct.

9 Q. What is the Bad Debt fixed percentage applied to gas  
10 costs that the Company is currently allowed to recover  
11 through the cost of gas?

12 A. (Kahl) I have 0.45 percent.

13 Q. Thank you.

14 A. (Kahl) And, that is of the anticipated direct cost of  
15 gas. If you look through the summary sheet, plus I  
16 think there's an allowance for some working capital.

17 Q. Okay. Now, Mr. Kahl, did the temporary rate settlement  
18 approved by the Commission in Docket Number DG 11-069,  
19 which is Northern's current base rate case, allow for a  
20 change in the commodity bad debt calculation?

21 A. (Kahl) Not explicitly. However, what was proposed in  
22 that base rate filing was to remove all bad debt that  
23 was tied to the supply portion and remove that out.  
24 So, it would only be collected in the cost of gas

1 proceeding. So, we do think it is consistent with our  
2 initial filing and with the approval of the temporary  
3 rates. I should also add that the bad debt expense  
4 would be reconciled.

5 Q. So, just to back up a little bit. What would the bad  
6 debt expense be if calculated as currently required by  
7 the Commission?

8 A. (Kahl) If we were using the 0.45 percent?

9 Q. Yes, I believe so.

10 A. (Kahl) I've got about 130,000.

11 Q. And, how does that compare to the bad debt expense  
12 included in the filing?

13 A. (Kahl) It's significantly lower. I believe, in our  
14 filing, we're showing about 379,000.

15 Q. Okay. As you alluded to this, will next winter's  
16 reconciliation of the winter commodity bad debt  
17 recoveries and expense reflect the methodology for  
18 calculating commodity bad debt as to be determined by  
19 the Commission in DG 11-069?

20 A. (Kahl) Yes.

21 Q. And any overrecovery would be credited back to  
22 customers with interest?

23 A. (Kahl) Yes.

24 Q. Thank you. Without going into specifics, the cost of

1 gas working capital calculation is also based on a  
2 similar structure, in which you'd have a proposed  
3 change reflected in this cost of gas?

4 A. (Kahl) Correct.

5 Q. And, it would be resolved and reconciled similarly to  
6 the cost of gas bad debt element after the final  
7 determination of the rate case, is that correct?

8 A. (Kahl) That's correct.

9 Q. Okay. Now, we'll go back to the tariff pages, Mr.  
10 Kahl. I'm going to the proposed Revised Page 38,  
11 Forty-Ninth Revised Page 38, about here (indicating) in  
12 the filing.

13 A. (Kahl) Excuse me. Is this in the supplemental filing  
14 or in the --

15 Q. Yes, in the supplemental, Exhibit 2, the revised  
16 filing. It's approximately seven, eight, nine pages  
17 in.

18 A. (Kahl) Is this "Page 38", you said?

19 Q. Yes.

20 A. (Kahl) Okay.

21 Q. Forty-Ninth Revised Page 38.

22 A. (Kahl) Okay.

23 Q. Now, you've referred to some bad debt expense in your  
24 testimony. Is it reflected on this page as a line

1 item?

2 A. (Kahl) Yes, it is. Let me elaborate. We do show -- we  
3 have a whole section here labeled "Bad Debt". And,  
4 what we start out with is what we project for the year  
5 our total bad debt will be, that shows \$650,000. We  
6 then take the portion that we think will be allocated  
7 to the supply function, and that's based on historical,  
8 what we've seen over the last 12 months ending  
9 July 2012, and what portion of that would be recovered  
10 or incurred over the winter period. So, again, based  
11 on historical levels. And, we take our reconciliation  
12 and add that altogether. And, as you can see, the  
13 total is about 379,000.

14 Q. Now, is that reconciliation figure, is that presented  
15 within the filing that we've received for this cost of  
16 gas?

17 A. (Kahl) Yes.

18 Q. Could you point us to where that is?

19 A. (Kahl) In the initial filing, in Schedule 15, and it  
20 would be Bate Page 225. And, the bottom right would  
21 show the "\$1,935".

22 Q. Thank you. Now, just as a prospective matter, will  
23 this bad debt figure be supported clearly in subsequent  
24 cost of gas filings?

1 A. (Kahl) Yes. In discussions with Staff, I did realize I  
2 did not provide sufficient information on how this  
3 number is derived, for instance, the bad debt number of  
4 650,000. You know, that number we had gotten from  
5 talking with our Billing Department, who know or have  
6 firsthand knowledge of how much bad debt we will be or  
7 are incurring. And, speaking with them, tried to get  
8 their best estimate for what we thought it would be for  
9 this year. Keeping in mind that the last 12 months  
10 that we had looked at had roughly \$600,000 of bad debt.  
11 Because we have a new rate filing, a base rate filing  
12 going on, costs will be a little bit higher.  
13 Therefore, they thought that bad debt would go up at  
14 least for this year. And, so, that was the basis for  
15 that 650,000. And, as I said, going forward, we will  
16 be, you know, supplementing that, those numbers, with  
17 how they were derived, where they came from.

18 Q. Thank you, Mr. Kahl.

19 A. (Kahl) Thank you.

20 MR. SPEIDEL: All right. No further  
21 questions from Staff for the witnesses.

22 CHAIRMAN GETZ: Thank you.

23 BY CMSR. BELOW:

24 Q. I was wondering if any of you know the mean or median

1 consumption in therms for any of the different classes  
2 of residential customers by either winter or summer  
3 season?

4 A. (Wells) I can handle that, Commissioner. On, and this  
5 is weather-normalized, I provide in Attachment 1, I  
6 believe it is, to Schedule 10B, on Page 182 of the 263  
7 Bates stamp.

8 Q. In the original filing?

9 A. (Wells) In the original filing. Yes. I sponsor a  
10 schedule that shows, for residential heat metered  
11 deliveries, if you look at the -- give you a second to  
12 find the page.

13 Q. Yes, let me get there. Page 182?

14 A. (Wells) 182, correct.

15 Q. Okay.

16 A. (Wells) It is labeled "Meter Distribution Deliveries  
17 and Meter Counts". And, this is for residential heat  
18 metered customers.

19 Q. Okay.

20 A. (Wells) So, this is -- well, this is total distribution  
21 deliveries. Although, because I also provide this for  
22 C&I metered customers, I just want to point out, this  
23 schedule is total distribution, not just our sales  
24 service customers. But residential heat metered

[WITNESS PANEL: Conneely|Kahl|Wells]

1 customers, if you look at the last block, it says  
2 "Total Division Use Per Meter", for the last year of  
3 complete data for 2009-2010, the average annual use,  
4 this is in dekatherms, so it's 76.73 dekatherms per  
5 year. So, about 767 therms per year. You know, we  
6 were projecting, it was probably five months -- or,  
7 excuse me, it's probably six months actual/six months  
8 estimate at the time of this forecast, about 79.01  
9 annual dekatherms per year, the actual. And, then, the  
10 forecast was about 79 dekatherms per year. And, then,  
11 I also have that broken out by, you know, just November  
12 through April and then just May through October as  
13 well, those figures.

14 Q. So, this is all residential heat customers, the Tariff  
15 Rate R-5 and R-6?

16 A. (Wells) I believe R-5 and R-6 are residential heat,  
17 correct.

18 Q. And, you could -- one could figure the seasonal use by  
19 just dividing up the months, splitting up the numbers  
20 by groups of months?

21 A. (Wells) Actually, I do that on Line 70.

22 Q. Oh.

23 A. (Wells) So, if you were interested in the winter-only  
24 usage, it's about, you know, our most recently

{DG 11-207} {10-20-11}

[WITNESS PANEL: Conneely|Kahl|Wells]

1 completed winter, and this is weather -- I just want to  
2 remind myself, this is weather-normalized data, was  
3 about 641, call it 642 therms per customer for the  
4 winter -- for the recently completed winter period.

5 Q. Okay. And, do you have any idea how that might compare  
6 to the median, half above/half below?

7 A. (Wells) I wouldn't be able to tell you --

8 Q. Okay.

9 A. (Wells) -- what the median was.

10 CMSR. BELOW: Okay. Okay, thanks.

11 WITNESS WELLS: You're welcome.

12 CMSR. BELOW: That's all.

13 CHAIRMAN GETZ: Any redirect,

14 Ms. Geiger?

15 MS. GEIGER: Yes, Mr. Chairman. May I  
16 have a moment to approach the witnesses? Thank you.

17 (Atty. Geiger conferring with the  
18 witnesses.)

19 MS. GEIGER: Thank you, Mr. Chairman. I  
20 don't have any further questions for the witnesses.

21 CHAIRMAN GETZ: Okay. Then, the  
22 witnesses are excused. Thank you, gentlemen.

23 WITNESS WELLS: Thank you.

24 CHAIRMAN GETZ: Is there any objection

{DG 11-207} {10-20-11}

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

3 (No verbal response)

4 CHAIRMAN GETZ: Hearing no objection,  
5 they will be admitted into evidence.

6 Are there any issues to address before  
7 opportunity for closings?

8 (No verbal response)

9 CHAIRMAN GETZ: Hearing nothing, then  
10 we'll begin with Ms. Hatfield.

11 MS. HATFIELD: Thank you, Mr. Chairman.  
12 The OCA has no objection generally to the Company's  
13 overall cost of gas proposed rate. And, we note for the  
14 record that we have no position on the Company's proposed  
15 use of the new lead/lag and bad debt figures, because we  
16 understand that the parties will resolve that in the rate  
17 case, and we understand that it's reconcilable, if the  
18 Commission determines that something other than the  
19 Company's proposal is adopted in its final order.

20 With respect to the Company's proposal  
21 to reduce the energy efficiency rates, we do oppose that  
22 for several reasons. First, no notice was provided that  
23 we're aware of to the parties in DE 10-188, despite the  
24 fact that we had a meeting on September 12th in that

1 docket, and the Company's filing was made a few days  
2 later. And, we think that changing the budgets for the  
3 efficiency programs is really a programmatic question that  
4 should be addressed by the parties in those dockets. And,  
5 based on information that we have from that other docket,  
6 the Company was on -- has been on track to spend its  
7 approved budget. There are some areas where they were  
8 actually on track to overspend, as I discussed with Mr.  
9 Conneely during this hearing. And, before the Commission  
10 approves a change in the efficiency spending, we would  
11 respectfully request that the other parties in the  
12 efficiency docket have a chance to weigh in.

13 And, then, I would also point out that,  
14 based on the Company's filing for its proposed 2012  
15 efficiency programs, they are actually requesting an  
16 increase in the budget. And, so, that calls into  
17 question, for us, you know, just what is their basis for  
18 reducing the spending? And, I think Mr. Conneely  
19 testified today that he doesn't have the information  
20 necessary, and he's not familiar with the programs. So,  
21 we don't believe the Company has met the burden for  
22 reducing spending in that particular area. Thank you.

23 CHAIRMAN GETZ: Okay. Thank you.

24 Mr. Speidel.

1 MR. SPEIDEL: Thank you, Mr. Chairman.  
2 Staff supports the Northern Utilities' proposed revised  
3 2011-2012 peak period cost of gas rates as filed, subject  
4 to Audit Staff's review of the filed 2010-2011 peak period  
5 cost of gas reconciliation, which should be completed in a  
6 few days. No issues of concern are expected to come out  
7 of the audit of last winter's reconciliation. If  
8 something material should arise, Staff will notify the  
9 Commission.

10 The sales forecast for the 2011-2012  
11 peak period cost of gas was developed in a consistent  
12 manner with prior cost of gas forecasts, based primarily  
13 on normalized actual sales from the prior year.

14 The supply plan is based on the  
15 principles of least cost planning. And, the direct gas  
16 costs are based on actual or hedged prices and projected  
17 pricing that reflect market expectations.

18 The projected commodity bad debt expense  
19 and working capital in the filing was calculated using the  
20 proposed, rather than a Commission-approved methodology,  
21 but the actual commodity bad debt expense and working  
22 capital to be recovered through the cost of gas will  
23 ultimately reflect the Commission's decision on these  
24 matters in the base rate case. There will be a

1 reconciliation of forecast and actual gas costs for the  
2 2011-12 peak period that will be filed prior to next  
3 winter's cost of gas proceeding. And, any concerns that  
4 may arise related to the 2011-2012 cost of gas forecast  
5 may be raised and addressed in the 2012-2013 peak period  
6 cost of gas.

7 The Company has been active within its  
8 pipeline shipper groups, participating in efforts to  
9 mitigate the proposed rate increases by the pipeline  
10 companies, and that has borne fruit.

11 The Company's hedging policy has offered  
12 and continues to offer some measure of price stability in  
13 the commodity portion of the cost of gas rates for  
14 customers. Northern's hedging activities supported in  
15 this cost of gas forecast appears to be consistent with  
16 Commission policy currently in place.

17 The Local Delivery Adjustment Charge is  
18 comprised of a number of surcharges, all of which have  
19 been established in other proceedings, with the actual  
20 amounts of each determined in these winter cost of gas  
21 proceedings and effective for one year. Staff has  
22 completed its review of the calculations supporting the  
23 proposed LDAC rates, and has found that the rates, as  
24 revised and corrected, appear to be correct. Audit Staff

1 has not quite completed its review of the environmental  
2 remediation costs, but does not foresee any material  
3 issues.

4 Based on the updated calculations and  
5 supporting schedules for each LDAC component rate  
6 adjustment, Staff recommends approval of the proposed LDAC  
7 rates effective beginning on service rendered November  
8 1st, 2011. If the Audit Staff finds a material error in  
9 its review of the environmental remediation costs, Staff  
10 will notify the Commission.

11 Staff has reviewed the proposed supplier  
12 balancing charges and capacity allocator percentages, and  
13 charges appear to be accurate and reasonable, based on the  
14 updated information, and recommends Commission approval.  
15 Also, we support the Company's proposal for readjustment  
16 of the reentry fee as reasonable.

17 In sum, Staff appreciates the efforts of  
18 the Company in this matter and recommends approval of the  
19 cost of gas and LDAC rates, subject to the final audits  
20 and the reconciliations mentioned. Thank you.

21 CHAIRMAN GETZ: Thank you. Ms. Geiger.

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

23 Chairman. Northern respectfully requests that the  
24 Commission approve the Company's revised filing for the

1 upcoming winter season's cost of gas.

2 The Company is sensitive to the Office  
3 of Consumer Advocate's request and position in this case.  
4 However, we do not feel that, at the present time, that  
5 there should be any change made to the proposed rate for  
6 the low income -- or, excuse me, for the Demand Side  
7 Management Charge. That charge is decreasing in this  
8 docket. And, to the extent that, in the CORE docket,  
9 there is discussion and consensus and agreement around  
10 changing the budget, which would necessitate a midcourse  
11 correction to the rate, then the Company would be amenable  
12 to revisiting the DSM charge in the spring COG filing.  
13 Thank you.

14 CHAIRMAN GETZ: Okay. Then, with that,  
15 we will close the hearing and take the matter under  
16 advisement. Thank you, everyone.

17 **(Whereupon the hearing ended at 11:16**  
18 **a.m.)**