

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

March 22, 2012 - 1:41 p.m.
Concord, New Hampshire

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RE: **DG 11-290**
NORTHERN UTILITIES, INC.:
Integrated Resource Plan.
(Prehearing conference)

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Sandy Deno, Clerk

APPEARANCES: **Reptg. Northern Utilities, Inc.:**
Gary Epler, Esq.
John Gulliver, Esq. (Pierce Atwood)

Reptg. PUC Staff:
Marcia A. B. Thunberg, Esq.
George McCluskey, Electric Division
Robert Wyatt, Gas & Water Division
Stephen Frink, Asst. Dir./Gas & Water Div.

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

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1 P R O C E E D I N G

2 CHAIRMAN IGNATIUS: I would like to open
3 the hearing in Docket DG 11-290, which is Northern
4 Utilities, Inc.'s Integrated Resource Plan. On
5 December 30, 2011, Northern Utilities filed an Integrated
6 Resource Plan with the Commission for its Maine and New
7 Hampshire Divisions. Covers the period 2011 and '12
8 through 2015 and '16. And, it provides details of
9 Northern's resource planning process based on its current
10 forecast of requirements and present market conditions.
11 Because Northern operates a single gas supply portfolio
12 extending over parts of Maine and New Hampshire, the IRP
13 process is subject to the jurisdiction of both the Maine
14 and the New Hampshire Commissions.

15 So, with that, let's take appearances
16 please.

17 MR. EPLER: Good afternoon, Chairman
18 Ignatius, Commissioners. My name is Gary Epler. I'm
19 Chief Regulatory Counsel for Unitil Service Corp.,
20 appearing on behalf of Northern Utilities. And, Northern
21 has quite a crew here with us this afternoon. I thought I
22 would just, for the benefit of the new Commissioners,
23 introduce them.

24 First, to my right, is John Gulliver.

1 He's an attorney with the firm of Pierce Atwood. Pierce
2 Atwood is our counsel in Maine. And, as the Commission
3 may be aware, there's a parallel proceeding, IRP
4 proceeding in Maine. So, he comes with that knowledge,
5 bringing that here. And, next to my right is Rob Furino,
6 who is the Director of Energy Contracts for Unitil. In
7 back of me, immediately in back of me is George Simmons,
8 he's the Manager of Regulatory Services for Unitil. And,
9 then, the two people to his right are both with Concentric
10 Energy Advisors, consultants to Unitil; Jim Simpson,
11 Senior Vice President, and Melissa Bartos, Assistant Vice
12 President. And, then, in the last row is Tom Palma,
13 again, immediately in back of me, he's the Manager of
14 Distributed Energy Resources for Unitil; George Gantz,
15 Senior Vice President, Unitil Corporation; and Ann Harkin,
16 Senior Energy Trader; and, Fran Wells, Manager of Gas
17 Supply, both for Unitil.

18 Thank you very much.

19 CHAIRMAN IGNATIUS: Thank you. Is
20 anyone left back at the office?

21 MR. EPLER: A few people on the phones,
22 but...

23 CHAIRMAN IGNATIUS: Ms. Thunberg.

24 MS. THUNBERG: Good afternoon, Chairman

1 Ignatius, Commissioners Scott and Howard -- Harrington.
2 Marcia Thunberg, on behalf of the Staff. Excuse me. My
3 apology to Commissioner Harrington.

4 CMSR. HARRINGTON: That's all right. I
5 was called "Harrison" yesterday.

6 MS. THUNBERG: Yes. I know, and I was
7 thinking of that. I don't want to add "Howard".

8 CMSR. HARRINGTON: And, that makes me
9 the Three Stooges, I guess.

10 (Laughter.)

11 MS. THUNBERG: I'm here representing
12 Staff, and, in particular, George McCluskey, to my left,
13 and Bob Wyatt, also to my left. And, in the back of the
14 room, Steve Frink, from the Gas Division. Thank you very
15 much.

16 CHAIRMAN IGNATIUS: Thank you. Welcome.
17 You can see we're getting a little punchy here. We've
18 been making up for all our lost time on hearings by
19 scheduling as fast as we can.

20 We have the filing from the Company.
21 And, I have not seen the OCA notice from them. Does
22 anyone know if the OCA has decided to participate?

23 MS. THUNBERG: Yes. OCA has been in
24 contact with members of Staff. Due to their limited

1 numbers, they are, I think, just monitoring, but not
2 actively participating in this docket.

3 CHAIRMAN IGNATIUS: All right. Well, we
4 should make certain that they continue to receive copies
5 of materials, and they may get more involved as they go
6 forward.

7 So, what we would like to do is get a
8 sense of the issues that the Company anticipates, any
9 matters that you anticipate needing our involvement with,
10 or just an overview of where you think the docket will
11 take us, and then hear from Staff as well. If there are
12 any procedural matters we should know about and can work
13 on, please raise those. And, I assume that part of what
14 you'll be working on later is development of a procedural
15 schedule. So, at whatever point, notify us of that.

16 Mr. Epler, do you want to give a summary
17 of the docket and any issues you anticipate being
18 particularly complex or needing Commissioner involvement?

19 MR. EPLER: Well, as the Chairman
20 indicated, the Company filed -- made its filing on
21 December 30th. This was -- the scope of the docket was
22 laid out in the Settlement Agreement in the previous IRP
23 docket, and the Company has attempted to fulfill the
24 requirements of that filing.

1 IRP dockets are some -- have sometimes
2 been a little bit fluid in terms of scope of issues. So,
3 I don't think that the Company has a hard-and-fast sense
4 of all the issues that may be discussed. But, certainly,
5 those that were outlined in the last settlement are those
6 that we intend to spend time on.

7 I'll note that we have begun discovery
8 in the case. The Staff has issued its first set of
9 discovery questions, approximately 60 questions. And, we
10 have responded, I think, as of today, I believe to all of
11 them. There might be a few stragglers involved.

12 As I mentioned earlier, there is the
13 parallel docket in Maine. And, so, sometimes there is a
14 little bit of crossover, in terms of issues; issues that
15 are raised there, may become issues here, and issues that
16 are raised here, may become issues in Maine. So, again,
17 it's hard to put a firm finger on the entire scope of the
18 case.

19 But, certainly, the Company, as
20 indicated by our attendance here, we're very much looking
21 forward to participating with the Staff, available to
22 answer their questions. If there are particular issues
23 that the Commission would like to be briefed on, we're
24 available and we'll certainly attend to that.

1 CHAIRMAN IGNATIUS: All right. Thank
2 you. Maybe we'll hear from Ms. Thunberg, and then there
3 may be questions from the Commissioners on where we're
4 going.

5 MS. THUNBERG: Thank you. As noted in
6 the Order of Notice, Northern's IRP is being reviewed both
7 in Maine and New Hampshire. And, as Attorney Epler has
8 noted, Northern has responded to Maine's discovery. If
9 Northern has responded to New Hampshire's discovery in
10 total today, then I guess we'll find out at the tech
11 session. But, just to emphasize, that both Maine and New
12 Hampshire have gotten a good start in discovery, haven't
13 waited for a procedural schedule. And, the Company is
14 already responsive to the discovery. So, that's a good
15 start on this.

16 As far as guidelines: Staff is looking
17 back to the seminal order, 19,546, where the Commission
18 laid out criteria for integrated resource plans; that is
19 completeness, comprehensiveness, integration, feasibility,
20 and adequacy of the planning process. So, that's the
21 broad umbrella of guidance that we are going to be
22 reviewing the IRP under.

23 Also, as Attorney Epler noted, in the
24 last IRP docket, which was DG 06-098, there were very

1 specific criteria that the present IRP should meet. There
2 were also some guidelines, as far as the conduct of the
3 proceeding. One of them was that Maine and New Hampshire
4 Staff would try to work together in the interest of
5 economy and efficiency. And, Staff has already had one
6 meeting with Maine, to try to simplify issues, so that we
7 can simplify discovery.

8 In the prior IRP, there was a
9 recommendation that the Commission complete its initial
10 review in nine months. And, we will strive, in the tech
11 session following this, to develop a procedural schedule
12 that meets or attempts to meet that deadline, so we don't
13 have a protracted review.

14 The last IRP order set out very specific
15 standards for demand forecasts, the resource balance, the
16 planning standards, and supply-side resource assessments,
17 demand-side resource assessment, *etcetera*. And, we will
18 be -- Staff will be looking at the elements of the IRP to
19 make sure it's complied with those sections.

20 Initially, we know that we will be
21 diving more into the issue of the integration of
22 supply-side and demand-side, because this is the IRP that
23 Northern will be -- is expected to fully develop that
24 area. So, it's, I guess, a first instance for them. So,

1 Staff has already noted that there are some issues that
2 Staff wants to discuss with the Company about how they did
3 it. But, other than that, we don't, at this point, see
4 any major problems, may come up through our thorough,
5 continued discovery, but none at this point.

6 So, again, Staff will have an opinion to
7 the Commission or recommendation to the Commission, and we
8 will put that formally in a procedural schedule, and it
9 will probably take the form of testimony. So, thank you
10 very much.

11 CHAIRMAN IGNATIUS: Thank you. Are
12 there questions? Commissioner Harrington.

13 CMSR. HARRINGTON: Maybe just a comment.
14 I haven't read through this document as yet. But, you
15 know, one of the things that's going to be affecting New
16 England, and it has been already, is, because of the
17 historic low price of natural gas and the high price of
18 oil, there's been the -- much more of our electricity is
19 coming, a higher and higher percentage, is from natural
20 gas. And, over this period, if there were to be electric
21 generation plants built, it would more than likely be
22 natural gas plants, which would even put more of a
23 competition for the existing gas out there. And,
24 hopefully, that's being accommodated here, this

1 possibility of this. And, you know, we add into that, if,
2 and this may be more Bob's thing, from his former job, but
3 some of the EPA rules and low usage could cause some oil
4 plants to shut down. Which, again, if they're going to be
5 repowered or replaced, it would be with natural gas. So,
6 you may have more competition through the -- using gas in
7 electric production than we have seen in the past. So,
8 it's something that needs to be considered.

9 CHAIRMAN IGNATIUS: Thank you
10 Commissioner Scott.

11 CMSR. SCOTT: Yes. Thank you. I'll
12 pick up on that. So, and again, I've only just scanned
13 this, so, if it's in there, that's terrific. I was also
14 interested in, I'll preface this by saying my guess is the
15 impact is relatively minor, but, when you look at demand
16 growth, I was interested if there are analyses being
17 looked at for displacement, meaning, home heating oil
18 prices, as they go up, I assume there would be some
19 demand, to those who can, would prefer to go on gas, a
20 residual fuel for C&I customers. Potentially, even as
21 gasoline prices go up, more demand for natural gas for
22 vehicles, that type of thing. So, I was curious to see
23 some sort of look at that. Again, maybe it's in there.
24 If it is, that's terrific.

1 Similarly, as Commissioner Harrington
2 mentioned, some of this would require a crystal ball. So,
3 I don't expect you to have all the answers. But increases
4 in environmental regulations, for example, the sulfur
5 content of different oils is coming on. There's a new
6 National Ambient Air Quality Standard for sulfur dioxide,
7 which is going to drive some of the larger facilities in
8 the region to try to look for alternative fuels, where
9 available. Those are the type of things I was hoping to
10 get some feel for.

11 And, finally, and maybe this is a
12 question for the Chair, I don't know. Given this is a
13 joint docket with Maine and New Hampshire, is there a
14 mechanism where we can see each others' comments, since
15 it's the same document we're looking at?

16 CHAIRMAN IGNATIUS: Any responses to
17 those?

18 MR. McCLUSKEY: Commissioners, with
19 regard to Mr. Harrington's comment about the increasing
20 demand on the generation side for natural gas, that is not
21 really addressed in the IRP. The primary focus of the
22 integrated resource plan is having sufficient resources to
23 meet the current and future demand for retail customers of
24 Northern. Clearly, any growth in the demand for natural

1 gas on the power side will have, one would think, an
2 impact on prices, if demand throughout the country does
3 not respond. So, there will be some impact that way.
4 But, directly, no. That issue, the ISO-New England issue
5 that's being studied is not addressed in the IRP directly,
6 explicitly.

7 CMSR. HARRINGTON: And just, maybe to be
8 clear, what I was kind of alluding to is the fact that
9 there's going to be more competition for getting the gas
10 supply. So, as far as that would -- may make it -- would
11 there be times that maybe you simply get outbid by a power
12 plant and make it more difficult to get the supply,
13 because there's only a limited amount of delivery methods
14 for gas? That's, I guess, what I was looking at. Or,
15 maybe that's not an issue. That was what I was concerned
16 about there.

17 MR. McCLUSKEY: Sure. As I said, there
18 will be a price effect. I am not anticipating, certainly,
19 with the growth in supplies from shale resources, that
20 there would be a limit in the quantity of gas available.
21 So, it will not be outbid, in the sense there will be no
22 gas available. But, certainly, there could be price
23 effects from any growth in the use of natural gas.

24 Now, with regard to the environmental

1 benefits of natural gas versus oil: Natural gas is,
2 obviously, competing with fuel oil. That's a major fuel
3 source for New Hampshire. And, that is actually addressed
4 in the "load forecast" section of the IRP, which is
5 developed by Northern's consultants at Concentric that are
6 here today. There's an element of that forecast, it's
7 called the "marketing adjustment", which essentially
8 responds to low price, environmentally sound resource, and
9 there's another factor, which escapes me at the moment.
10 But the kind of issue that you raised is addressed, if not
11 explicitly, it's in there, and that will be developed more
12 as we review the IRP. There will be certainly a lot of
13 discovery devoted to that component of the load forecast.

14 CHAIRMAN IGNATIUS: On the relationship
15 between the Maine and the New Hampshire proceedings, and
16 how much each of the states coordinate during discovery, I
17 think you've addressed that a bit, maybe a little bit
18 more, you can explain a little more on how that works.
19 And, then, when it moves to the hearings process and
20 ultimate ordering period, where the states may have some
21 different issues that arise during the hearings, I know
22 we've been through this somewhat before. Can you describe
23 what you -- how you think that would play out.

24 MR. EPLER: Well, we have an informal

1 process. Where the Company has established a
2 password-protected website, where we are posting all the
3 filings from both states, and including discovery, and
4 then giving access to parties in the case. We've done
5 that, actually, in a number of cases. We most recently
6 did it in the rate cases, because both states were
7 interested in seeing the progress of the rate proceedings
8 in each other's state. So, we've done that. And, that
9 has worked fairly successfully, to give parties ready
10 access to all the filings in one location.

11 That we -- we don't post the
12 confidential material. Confidential material would go
13 through the normal process of filing confidentially with
14 appropriate motions and protective orders and so on, you
15 know, within the states.

16 There are also, as counsel for Staff
17 mentioned, there are, again, informal dialogues between
18 the Staffs of the State and the Office of Public Advocate,
19 in Maine. And, then, there are joint meetings. We will
20 hope to have joint technical sessions, and so on, so
21 parties can share information.

22 My understanding is that, in the past,
23 there have been joint Commission proceedings. But I don't
24 think that that has happened recently. At least not since

1 Unitil acquired Northern Utilities.

2 CHAIRMAN IGNATIUS: It seems to me I
3 recall, although they weren't joint hearings, there was a
4 period where a copy of the Maine order came to the New
5 Hampshire Commission to evaluate, and probably vice versa,
6 before either order became final in the home states. Is
7 there -- or, did one state sort of approve it, subject to
8 the second state? And, we just don't want to get in a
9 loop where we can't until Maine does, and Maine can't
10 until New Hampshire does, and nobody can get to their
11 final order.

12 MR. EPLER: Yes. I think we're -- the
13 Company and the other parties are sensitive to that issue.
14 So, we do try to coordinate that. And, for example, in
15 the acquisition, there was, as we were getting closer and
16 closer to settlement, each side wanted to make sure that
17 we weren't giving one side something different than the
18 other side. So, there is that kind of coordination. And,
19 I think we'll definitely endeavor to make sure that that
20 is very clear and transparent to the Commissions in both
21 states, so that issues don't get pressed on to one state
22 or another state.

23 CHAIRMAN IGNATIUS: Good. Anything
24 further from the parties?

1 MR. FURINO: Excuse me, I could make a
2 comment, if I have the opportunity.

3 CHAIRMAN IGNATIUS: Please.

4 MR. FURINO: Commissioner Harrington, in
5 response to your observation about competition coming from
6 the power gen. sector? The Company, as Mr. McCluskey
7 states, the filing does not directly reflect any analyses
8 with regard to that. But I would just make the comment
9 that Northern Utilities, as a local distribution company,
10 is planning, in a long-term basis, to reliably meet its
11 requirements. And, as such, it plans to provide for firm
12 transportation for its needed supplies into the future.
13 That contrasts with the current state of the market on the
14 electric side, whereby electric power generators are
15 relying on interruptible transportation or other available
16 pipeline capacity. And, so, at this point, while there
17 may be competition for supply, the LDAC will be the party
18 that's in place with the ability to deliver and access
19 that supply.

20 CMSR. HARRINGTON: I would just comment
21 that that's correct, but there are some companies -- some
22 generating facilities in New Hampshire that have firm
23 supply. And, that there's been a revisitation on that
24 through the ISO New England process, where there be more

1 companies, more generating facilities looking at firm
2 supply. It's just something, a trend that may or may not
3 occur, but it's possible.

4 MR. FURINO: Yes. Yep. The Company
5 agrees, and has been aware of the ongoing dialogue between
6 ISO-New England and the Northeast Gas Association on this
7 subject.

8 CMSR. HARRINGTON: Thank you.

9 CHAIRMAN IGNATIUS: All right. Well, if
10 there's nothing further?

11 (No verbal response)

12 CHAIRMAN IGNATIUS: Then, I guess we
13 await a recommendation for a procedural schedule. And,
14 appreciate your time today. We'll stand adjourned.

15 **(Whereupon the prehearing conference**
16 **ended at 2:02 p.m., and the parties**
17 **conducted a technical session**
18 **thereafter.)**