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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 16, 2013 - 10:04 a.m.
Concord, New Hampshire

NHPUC APR24'13 AM 9:44

RE: DG 13-083
NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION:
2013 Summer Cost of Gas.

PRESENT: Commissioner Michael D. Harrington, Presiding
Commissioner Robert R. Scott

Clare Howard-Pike, Clerk

APPEARANCES: **Reptg. Northern Utilities, Inc.:**
Rachel A. Goldwasser, Esq. (Orr & Reno)

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

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

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

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I N D E X

PAGE NO.

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 CHRISTOPHER A. KAHL
 JOSEPH F. CONNEELY

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Northern Utilities, Inc. New Hampshire Division Cost of Gas Adjustment Filing Summer Period 2013 (<i>Redacted for public use</i>) (03-15-13)	7
2	Confidential material submitted relating to the filing regarding the Cost of Gas Adjustment for the Summer Period 2013, consisting of various schedules (17 pages in total) (CONFIDENTIAL & PROPRIETARY)	8

P R O C E E D I N G

1
2 CMSR. HARRINGTON: Good morning. We're
3 here this morning on a hearing for DG 13-083, Northern
4 Utilities 2013 Summer Period Cost of Gas Adjustment. On
5 March 15th, 2013, Northern Utilities filed with the New
6 Hampshire PUC the proposed cost of gas for the summer
7 period from May 1st through October 31st. And, when all
8 is said and done, it comes out to be about an increase of
9 11 and a half percent compared to last summer, according
10 to the specifics.

11 Anything administrative we need to take
12 care of first? Otherwise, we'll just go to appearances.

13 MS. GOLDWASSER: Good morning. My name
14 is Rachel Goldwasser, from the law firm of Orr & Reno. I
15 am here to represent Northern Utilities. With me are
16 George Simmons, Ann Hartigan, Joe Conneely, here at
17 counsel's table, and behind me are Francis Wells and
18 Christopher Kahl, all from the Company.

19 MS. HOLLENBERG: Good morning,
20 Commissioners. Rorie Hollenberg and Donna McFarland here
21 for the Office of Consumer Advocate.

22 MR. SPEIDEL: Good morning,
23 Commissioners. Alexander Speidel representing the Staff
24 of the Commission. And, I have with me Bob Wyatt and

[WITNESS PANEL: Wells~Kahl~Conneely]

1 Steve Frink of the Gas and Water Division.

2 CMSR. HARRINGTON: Okay. I guess, let
3 me go ahead, and you have witnesses, I assume?

4 MS. GOLDWASSER: Yes. Northern would
5 like to call a panel of Francis Wells, Christopher Kahl,
6 and Joe Conneely.

7 CMSR. HARRINGTON: You can have them be
8 sworn in. Yes. With regards to the request for
9 confidential treatment, take that up. Although, we don't
10 have to do anything with that, correct?

11 MR. SPEIDEL: Yes, Commissioners.
12 Pending a request for the information from a member of the
13 public or any party, the materials shall be kept
14 confidentially by the Commission. Upon request of any
15 member of the public or an outside party, there would be a
16 91-A balancing test engaged by the Commission, followed by
17 an order at that point.

18 CMSR. HARRINGTON: All right. Thank
19 you. Steve, you want to go ahead and swear them in.

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

24 **FRANCIS X. WELLS, SWORN**

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 **CHRISTOPHER A. KAHL, SWORN**

2 **JOSEPH F. CONNEELY, SWORN**

3 **DIRECT EXAMINATION**

4 BY MS. GOLDWASSER:

5 Q. Good morning. Mr. Kahl, would you please state your
6 name for the record.

7 A. (Kahl) Christopher Kahl.

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

10 A. (Kahl) I am a Senior Regulatory Analyst with Unitil
11 Services Corp.

12 Q. Do you have before you a document that's entitled
13 "Northern Utilities Inc. New Hampshire Division Cost of
14 Gas Adjustment Filing Summer Period 2013", bearing the
15 date "March 15th 2013"?

16 A. (Kahl) Yes, I do.

17 Q. Is that document redacted to exclude confidential
18 materials?

19 A. (Kahl) Yes, it is.

20 MS. GOLDWASSER: I'd like for that
21 document to be marked for identification as "Exhibit 1".

22 CMSR. HARRINGTON: Okay.

23 MS. GOLDWASSER: And, that's the --

24 CMSR. HARRINGTON: Exhibit one is the

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1 blue file?

2 MS. GOLDWASSER: The big blue file.

3 CMSR. HARRINGTON: Okay. So marked.

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

7 BY MS. GOLDWASSER:

8 Q. Also before you, do you have a document that states
9 "CONFIDENTIAL" at the top of the page, and references
10 "Schedule 5A" in the upper right-hand corner?

11 A. (Kahl) Yes, I do.

12 Q. Can you please identify this document?

13 A. (Kahl) This is the confidential information associated
14 with this cost of gas filing.

15 Q. And, were those materials referenced in Mr. Simmons'
16 cover letter dated March 15th, which is included in
17 Exhibit 1?

18 A. (Kahl) Yes, ma'am. Yes, it is.

19 MS. GOLDWASSER: I'd like to ask that
20 this additional filing, which states "CONFIDENTIAL" on the
21 top center of the page, and has an indication of
22 "Schedule 5A" in the upper right-hand corner of the page,
23 be marked for identification as "Exhibit 2". And, as the
24 Chair indicated earlier, I ask that these materials be

[WITNESS PANEL: Wells~Kahl~Conneely]

1 maintained confidentially, as they fall within the
2 provisions of Rule 201.06. And, the Company is relying on
3 the procedures, which Attorney Speidel outlined earlier,
4 to maintain the confidentiality, unless and until a member
5 of the public requests otherwise.

6 CMSR. HARRINGTON: Okay. Fine. We'll
7 do that. It will be marked as "Exhibit 2".

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

11 MS. GOLDWASSER: Thank you.

12 BY MS. GOLDWASSER:

13 Q. Mr. Kahl, did you assist in developing Northern's
14 Summer 2013 Cost of Gas filing that has just been
15 marked?

16 A. (Kahl) Yes, I did.

17 Q. Did you prefile testimony in this docket?

18 A. (Kahl) Yes, I did.

19 Q. Is that prefiled testimony contained under the tab
20 entitled "Kahl Testimony" in Exhibit 1?

21 A. (Kahl) Yes, it is.

22 Q. To the best of your knowledge and belief, was that
23 testimony true and accurate at the time it was filed?

24 A. (Kahl) Yes.

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 Q. Do you have any corrections or updates to your prefiled
2 testimony or the exhibits in Exhibit 1?

3 A. (Kahl) Yes. I have two corrections. First, on Bates
4 Page 13, Line 9 of my testimony, the word "net" should
5 be stricken. Second, on Schedule 1A, Bates Page 54,
6 Line 76. On the far right side of the page, the number
7 "\$420,336" is indicated in a column titled "Summer".
8 This "420,336" number is a typo. This is really a
9 percentage column. It's supposed to just be showing
10 percentages.

11 CMSR. SCOTT: Can you direct us there
12 again? You're --

13 CMSR. HARRINGTON: This is Line 76
14 you're referring to?

15 WITNESS KAHL: Yes.

16 CMSR. SCOTT: What page?

17 WITNESS KAHL: It should be Bates Page
18 54.

19 CMSR. HARRINGTON: So, what you're
20 saying is Line 76 should just be, where it says "420,336",
21 that should just be lined through?

22 WITNESS KAHL: That should be a blank.
23 There should be nothing there.

24 (Commissioner Scott and Commissioner

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 Harrington conferring.)

2 (Court reporter handing a document to
3 Commissioner Scott.)

4 CMSR. SCOTT: Sure. Thank you. I'm
5 missing a couple pages in my binder, so --

6 MS. GOLDWASSER: Oh.

7 CMSR. HARRINGTON: Just bear with us for
8 a second.

9 CMSR. SCOTT: Ah. Here it is.

10 MS. GOLDWASSER: Commissioner Scott,
11 we'd be happy to review the filing that you received, to
12 make sure that any missing pages are provided, if
13 Mr. Patnaude's needs to go back with him.

14 CMSR. SCOTT: Okay. Well, right now,
15 I'm all set. Thank you.

16 MS. GOLDWASSER: Okay.

17 BY MS. GOLDWASSER:

18 Q. With those two corrections, Mr. Kahl, if you were asked
19 the same questions today under oath as those in your
20 prefiled testimony, would the answers be the same?

21 A. (Kahl) Yes, they would. I just want to make one
22 additional clarification. That that number, "420,336",
23 does not have any impact on the rates that were
24 calculated.

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 Q. Do you have anything else that you'd like to add to
2 your testimony?

3 A. (Kahl) No.

4 Q. Okay. Mr. Wells, can you please state your name for
5 the record?

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

7 Q. Where are you employed and what position do you hold?

8 A. (Wells) I am employed by Unitil Service Corp. The
9 position I hold is Manager of Energy Planning.

10 Q. Did you prepare prefiled testimony in this docket?

11 A. (Wells) I did.

12 Q. And, is that prefiled testimony contained under the tab
13 entitled "Wells Testimony" in the document that has
14 been marked for identification as "Exhibit 1"?

15 A. (Wells) Yes, it is.

16 Q. To the best of your knowledge and belief, was your
17 prefiled testimony true and accurate at the time it was
18 filed?

19 A. (Wells) It was.

20 Q. Do you have any corrections or updates to your prefiled
21 testimony or exhibits?

22 A. (Wells) Yes. Bates Page 73 of the filing indicates
23 that the commodity price forecast is based on the NYMEX
24 Settlement for January 24th, 2013. The reference to

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 the "January" date is a typographical error. The
2 correct date is "February 28th, 2013". None of the
3 numbers provided in the filing are impacted as a result
4 of this typographical error.

5 CMSR. SCOTT: Do you have that?

6 MS. GOLDWASSER: Oh-oh.

7 CMSR. HARRINGTON: I've got 72 to Page
8 70.

9 WITNESS WELLS: Page 73.

10 CMSR. HARRINGTON: I'm going backwards
11 here. Okay. Now, I've got it. And, you're just changing
12 the date on this?

13 WITNESS WELLS: The date is a
14 typographical error.

15 CMSR. HARRINGTON: And, what should it
16 be?

17 WITNESS WELLS: February 28th, 2013.

18 CMSR. HARRINGTON: But the numbers are
19 all correct, it was just a typo?

20 WITNESS WELLS: That's correct.

21 CMSR. HARRINGTON: Okay.

22 MS. GOLDWASSER: Are the Commissioners
23 all set with that?

24 CMSR. HARRINGTON: Yes. I just had -- I

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 have a couple of repetitive pages, that's all.

2 CMSR. SCOTT: And, I was letting -- Mr.
3 Patnaude's doesn't have all the pages either. But, I
4 think, between the three, we have all the pages.

5 CMSR. HARRINGTON: I have a couple of
6 Page 57s and --

7 MS. GOLDWASSER: Okay. Well, perhaps
8 after the hearing, we can address the issue with making
9 sure that the Commissioners have the filings with all of
10 the pages in it.

11 CMSR. SCOTT: Thank you.

12 BY MS. GOLDWASSER:

13 Q. Mr. Wells, with that correction, if you were asked the
14 same questions today under your oath as those in your
15 prefiled testimony, would your answers be the same as
16 those in your prefiled testimony?

17 A. (Wells) Yes, they would.

18 Q. Do you have anything else that you would like to add to
19 your testimony?

20 A. (Wells) No thank you.

21 Q. Mr. Conneely, would you please state your name for the
22 record.

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

24 Q. Where are you employed and what position do you hold?

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 A. (Conneely) I'm employed by Unitil Service Corp. And,
2 I'm a Senior Regulatory Analyst.

3 Q. Did you prepare prefiled testimony in this docket?

4 A. (Conneely) Yes.

5 Q. Is that prefiled testimony contained under the tab
6 entitled "Conneely Testimony" in the document that is
7 marked for identification as "Exhibit 1"?

8 A. (Conneely) Yes.

9 Q. To the best of your knowledge and belief, was that
10 prefiled testimony true and accurate at the time it was
11 filed?

12 A. (Conneely) Yes.

13 Q. If you were asked the same questions today under oath
14 as those in your prefiled testimony, would your answers
15 be the same as those in your prefiled testimony?

16 A. (Conneely) Yes.

17 Q. Mr. Conneely, would you please provide an explanation
18 of the effect of Northern's proposed COG filing on the
19 bills of a typical residential heating customer
20 consuming 318 therms during the summer period?

21 A. (Conneely) Yes. This, Schedule 8 provides information,
22 it's Bates Page 152 of 251. And, this shows the effect
23 of the cost of gas on residential customers. A typical
24 residential heating customer consuming 318 therms

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 during the 2013 Summer Period will see a bill of
2 \$416.73 for the entire summer period of May through
3 October. This is \$43.02, or 11.51 percent higher than
4 the bill for the same usage during the 2012 Summer
5 Period.

6 Q. Do you have anything further to add to your testimony?

7 A. (Conneely) No.

8 MS. GOLDWASSER: The witnesses are
9 available for cross-examination.

10 CMSR. HARRINGTON: Ms. Hollenberg.

11 MS. HOLLENBERG: Thank you.

12 **CROSS-EXAMINATION**

13 BY MS. HOLLENBERG:

14 Q. Just one quick question, Mr. Conneely. The bill impact
15 that you were just reporting, is the 318 therms the
16 system average for the summer for Northern?

17 A. (Conneely) No. That's the historical analysis number
18 that we've been using.

19 Q. Okay. Do you happen to know what the system average is
20 for the summer?

21 A. (Conneely) I do. And, that was part of the discovery
22 for -- at the tech session we discussed. It's 157
23 therms for the season is the actual, what we've
24 experienced last summer.

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 Q. Okay. And, so, roughly, because I'm not a person that
2 typically does math, the bill impact then for the
3 average customer would be half of the bill impact of
4 the 318 therm --

5 A. (Conneely) Roughly half, correct.

6 MS. HOLLENBERG: Okay. Thank you. I
7 don't have any other questions.

8 CMSR. HARRINGTON: Mr. Speidel.

9 MR. SPEIDEL: Thank you, Commissioner.

10 BY MR. SPEIDEL:

11 Q. Seguing off of Ms. Hollenberg's question, Mr. Conneely,
12 is the Company considering a change in how it
13 calculates the residential bill impacts in future cost
14 of gas cases?

15 A. (Conneely) Yes.

16 Q. And, does it have any preliminary thoughts about that?

17 A. (Conneely) After reviewing the actual usage that we've
18 seen from residential customers, we believe it's more
19 appropriate to reflect in the analysis of the typical
20 bill going forward the actual usage per month for each
21 unit.

22 Q. Would that methodology change be expected for the Fall
23 2013 Cost of Gas, or thereafter at some point?

24 A. (Conneely) With permission from the Staff and the

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 Commission, we'd go forward using that new methodology
2 of actual customer usage.

3 Q. Okay. So, the Company wouldn't necessarily object if
4 the Commission were to give the green light to this new
5 methodology as part of this proceeding?

6 A. (Conneely) Correct. We'd be willing to change the
7 methodology.

8 Q. Thank you. Mr. Conneely, in your testimony, on Bates
9 Page 48, you reference the updates to LDAC-specific
10 components. Is it normal for the Company to make
11 changes to the LDAC that are effective at the start of
12 the summer cost of gas period?

13 A. (Conneely) No. The LDAC components are historically
14 set in the winter cost of gas period. And, they're not
15 changed in the summer cost of gas.

16 Q. Why does the Company think it necessary to change the
17 LDAC at this time?

18 A. (Conneely) In Docket Number 11-069, Order 25,352,
19 issued on April 24th, 2012, the Commission ordered the
20 Rate Case Expense and the Reconciliation of Permanent
21 Changes in Delivery Charges components for the LDAC to
22 go to zero effective May 1st, 2013. The Rate Case
23 Expense component recovered expenses approved by the
24 Commission for the rate case. The Reconciliation of

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 Permanent Changes in Delivery Charges component
2 reconciled revenues between the temporary rates and the
3 permanent rates. As required by this order, the
4 Company will file reconciliations for both components
5 by July 31st, 2013.

6 Q. Thank you. Mr. Wells, on Bates Page 42 of your
7 testimony, you note a modification to the Maine
8 Division's hedging policy. Would you be able to tell
9 us as to whether the Maine Division policy was similar
10 to that of the New Hampshire Division of the Company
11 prior to this modification?

12 A. (Wells) The hedging policy for both the Maine and New
13 Hampshire Division were exactly the same.

14 Q. Does the Company anticipate any problems managing
15 separate, distinctly different policies in each of the
16 two jurisdictions?

17 A. (Wells) We do not anticipate any problems in managing
18 two separate policies. Although, I would note that the
19 Company has been in discussions with Staff, and has
20 agreed to file a new hedging plan for the New Hampshire
21 Division, which would be equal to the proposed plan in
22 the Maine Division.

23 Q. And, so, the Company, it hasn't agreed to anything
24 definitively, but it would at least respond favorably

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 to an endorsement by the Commission to ongoing work
2 with Staff to adjust the hedging policy, is that fair
3 to say?

4 A. (Wells) I would say, I would go further than that, and
5 say that we plan to file the Maine proposal. It's a
6 little further along in the regulatory process in
7 Maine. We plan to file it with New Hampshire, so that
8 both Maine and New Hampshire would have the same
9 hedging policy.

10 Q. So, it would be a congruent policy for both states?

11 A. (Wells) That's correct.

12 Q. Thank you. Mr. Wells, on Bates Page 43, beginning on
13 Line 14 of your testimony, you reference the March
14 21st, 2013 FERC decisions in Dockets RP10-729-000 and
15 RP08-306-002. These dockets are PNGTS Pipeline rate
16 cases. Are you able to update the Commission as to the
17 expected impact on Northern's cost of gas rates
18 resulting from the FERC decision?

19 A. (Wells) At this time, the FERC has issued a order on
20 rehearing in the 2008 PNGTS rate case. That order on
21 rehearing is still subject to a further federal
22 regulatory process and review. The Company is
23 participating in the 2008 rate case through the
24 Portland Shippers Group, and is working within the

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 Portland Shippers Group to follow whatever regulatory
2 process that case will have towards conclusion. I
3 would say, however, that that case is probably closer
4 to conclusion than the 2010 rate case. As the orders
5 on rehearing have been issued by the FERC, so that that
6 case is just closer to a final order. If there is
7 finality in that rate case, then we would anticipate it
8 be reflected in our 2013 Winter Cost of Gas filing.

9 The 2010 rate case, we anticipate that
10 the litigation on that case will go further, as the
11 FERC Commission has just recently issued its order on
12 the initial decision in that case, the initial decision
13 of the Administrative Law Judge. And, so, the 2010
14 rate case, we, based on our experience in the 2008 rate
15 case, believe that case may take longer to resolve.
16 And, we don't anticipate that there's a high likelihood
17 of that case -- of the resolution of that case being
18 reflected in the Winter Cost of Gas filing. However,
19 if a resolution ultimately is achieved between now and
20 then, we will, of course, reflect it.

21 Q. Thank you. And, Mr. Wells, on Bates Page 45 of your
22 testimony you reference the 2012 and 2013 TCPL, or
23 TransCanada Pipeline Tolls Applications filed with the
24 NEB, or the National Energy Board of Canada. Have

[WITNESS PANEL: Wells~Kahl~Conneely]

1 there been any new developments related to these
2 applications that will impact this and future Northern
3 cost of gas filings?

4 A. (Wells) Yes. The NEB issued a ruling on the
5 TransCanada Tolls Application on March 27, 2012. We
6 believe that that -- that there was a lot of favorable
7 outcome in that ruling. Some of the issues that I had
8 discussed previously before this Commission included
9 TCPL's proposal to carve out certain facilities that
10 were on Trans Quebec/Maritimes' pipeline. The Company
11 prevailed on that issue, so that the TQM facilities
12 will not be carved out.

13 Also, we had some -- some support for
14 TransCanada's proposal to have a single delivery
15 pressure toll for the entire system. The Company
16 prevailed, that -- that proposal was ultimately upheld
17 by the National Energy Board. Procedurally speaking,
18 the TransCanada has until May 1st, 2013 to file
19 basically its compliance filing with the National
20 Energy Board order, and then the other parties have 14
21 days to respond to that.

22 The Company participates in the National
23 Energy Board case through ANE, its membership of ANE,
24 and will pursue whatever -- whatever avenues it must,

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 in order to preserve or to protect its -- defend its
2 rights through this case in that proceeding.

3 I would say, however, that there's a
4 much higher likelihood that a resolution of this case
5 will occur between now and the winter cost of gas
6 filing, and the results of that case will be reflected
7 in that filing.

8 Q. Now, "ANE" stands for?

9 A. (Wells) "Alberta Northeast". It's a group of
10 TransCanada shippers that is through -- of Northeast
11 Utilities.

12 Q. Thank you. Mr. Kahl, I have a few questions for you.
13 Are any of the gas supplies in this off-peak cost of
14 gas forecast hedged, prepurchased, or otherwise tied to
15 a predetermined fixed price?

16 A. (Kahl) I'll defer to Mr. Wells on that question.

17 A. (Wells) Yes. The only prepurchased or hedged positions
18 that are reflected in this filing are found on -- the
19 results of which are found on Schedule 7, which is the
20 projected results of our hedging program.

21 However, the cost of gas has not
22 generally been fixed. It's either any -- any costs
23 get -- excuse me. Any gas purchased to satisfy our
24 requirements in the upcoming summer period are either

[WITNESS PANEL: Wells~Kahl~Conneely]

1 indexed to NYMEX or indexed to a first-of-month index,
2 which has not been -- which has not been converted to a
3 fixed price of any sort.

4 Q. Could you elaborate just a little bit. Would you say
5 that the preponderance of gas tends to track the NYMEX
6 price roughly?

7 A. (Wells) Yes.

8 Q. Okay. Thank you. And, I'll just throw this out to the
9 panel. On Tab 15, beginning on Bates Page 212, this
10 section of the filing provides the 2012 Summer Period
11 Cost of Gas reconciliation. Does the Company know if
12 the results of this reconciliation have been audited by
13 PUC Audit Staff?

14 A. (Kahl) Yes, they have. A Final Audit Report was
15 released yesterday.

16 Q. And, no exceptions were found, I believe, is that
17 correct?

18 A. (Kahl) Correct. I can read the summary. It's very
19 brief.

20 Q. Sure.

21 A. (Kahl) Three sentences. "Audit verified 100 percent of
22 the off-peak related expenses to the documentation
23 photocopies provided. Expenses, revenues, and interest
24 were verified to the general ledger Accounting Model

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 without exception. There are no recommended
2 adjustments to be made to the 2012 Summer Cost of Gas
3 reconciliation as filed."

4 MR. SPEIDEL: Thank you. Staff has no
5 further questions for these witnesses.

6 CMSR. HARRINGTON: Okay. Anything on
7 redirect?

8 MS. GOLDWASSER: May I have a moment
9 please?

10 CMSR. HARRINGTON: Sure. Oh, I'm sorry.
11 I forgot about the guy over here.

12 CMSR. SCOTT: Yes. I'll be quick.

13 MS. GOLDWASSER: Okay.

14 CMSR. SCOTT: Thank you.

15 CMSR. HARRINGTON: Sorry. Commissioner
16 Scott.

17 CMSR. SCOTT: And, good morning. Quick,
18 a couple questions.

19 BY CMSR. SCOTT:

20 Q. You discussed with the Office of Consumer Advocate the
21 summer average and how you're looking at changing how
22 you're maybe reporting that. I was curious what the --
23 if you had the yearly average, what that was?

24 A. (Conneely) Again, the methodology that, using the

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 actuals, it's roughly half of what historically we've
2 used for the typical bill analysis.

3 Q. Do you have a ballpark figure of what that is?

4 A. (Conneely) I think it was -- using the new methodology,
5 the total annual actual is around 776.

6 Q. Thank you. Obviously, in the past, especially this
7 past winter, there's been a -- at least from my
8 observation, a fairly marked change on gas variability
9 for costs, and a lot of that has been driven by power
10 generation in the Northeast. Do you agree with that?

11 A. (Wells) Yes. I do agree with that.

12 Q. Has that had an impact on this filing in any way?

13 A. (Wells) It has no direct impact on our summer cost of
14 gas. The Company actually came out of the winter quite
15 well. Our exposure to any spot prices that were New
16 England-based was actually quite limited. We actually
17 were able to enter into substantial off-system sales,
18 and actually able to lower costs, because of the
19 increase in prices, due to the hedged position we have,
20 due to our portfolio of pipeline contracts. Was able
21 to reduce the Company's exposure to New England-based
22 prices and access more liquid supply points, so that
23 the Company was actually able to achieve some
24 off-system sales margin that was able to -- we

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 anticipate being able to actually reduce costs in the
2 winter period because of those off-system sales. So,
3 we were quite on the other side of the exposure to the
4 high New England prices that were experienced this past
5 winter.

6 I would say that indirectly, however,
7 the cost of, you know, any New England-based supply
8 that needs to be purchased in the summer period is
9 higher, due to the fact that we just came out of a very
10 high priced cost or a high price winter, at least as
11 far as parties that needed to buy gas who was based in
12 New England. You know, obviously, we still have
13 historically low prices in North America for gas that
14 is not purchased within New England. But, due to the
15 pipeline constraints going into New England, the
16 reduction of LNG imports into New England, and then
17 also, as you mentioned, the increased utilization of
18 natural gas for the production of electricity, those
19 factors combined have had -- have actually increased
20 the cost of New England-based supplies.

21 So, we do have some New England-based
22 supplies within our summer portfolio. And, so, the
23 cost of those are probably somewhat higher due to the
24 fact that we are -- you know, because of the price

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[WITNESS PANEL: Wells~Kahl~Conneely]

1 environment from which we are coming out of for this
2 winter.

3 Q. Thank you. So, obviously, this is in your mind as you
4 go for the next filing, as you think about the next
5 filing for --

6 A. (Wells) Absolutely. That's correct.

7 Q. Okay. Thank you. And, maybe you could help educate me
8 a little bit more. On Bates 20, there's a discussion
9 with Mr. Kahl's testimony regarding the refund from the
10 Tennessee Gas Pipeline. I was just curious, briefly,
11 if you could talk about that a little bit?

12 A. (Kahl) It's pretty straightforward. We started flowing
13 through the refund dollars last June, June 1st of 2012.
14 And, we wanted to conclude that by the end of the
15 winter period, the '11/12 Winter Period. So, that
16 charge will drop out after April, once we get to the
17 May rates. And, any over- or undercollection at that
18 point will simply go into the reconciliation of 2013.

19 CMSR. SCOTT: Thank you. That's all I
20 had.

21 CMSR. HARRINGTON: Just a couple of
22 quick questions then.

23 BY CMSR. HARRINGTON:

24 Q. Getting back to the hedging, I think it was on Tab 7,

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1 where you had that little chart, Bates Page 150 then.

2 And, if I'm reading this correctly, your hedging has
3 resulted in gains for the Company, I think that's what
4 you're projecting?

5 A. (Witness Kahl nodding in the affirmative).

6 A. (Wells) As of February 28th, we were projecting a gain.
7 Generally speaking, the NYMEX price has been increasing
8 since we filed somewhat. So, I would presume that we
9 are also -- we are continuing -- we would continue to
10 show a gain if we were to rerun the schedule based on
11 prices today.

12 Q. And, well, I guess that means that that seems to be
13 somewhat successful, you're showing a gain in all the
14 time frames listed there. But you're saying now that
15 you're going to go do something different, you're
16 developing a different way of hedging in Maine, and
17 then that may be becoming applied to New Hampshire.
18 What is the new method of hedging going to do for us?

19 A. (Wells) Generally speaking, our experience on the
20 hedging program has typically resulted in losses since
21 the Company has, you know, instituted the current
22 hedging program. So, --

23 Q. Excuse me, just - but you said -- but that's the same
24 program you're talking about in Tab 7 that's now

[WITNESS PANEL: Wells~Kahl~Conneely]

1 projected to have gains?

2 A. (Wells) Yes.

3 Q. Okay.

4 A. (Wells) Yes. That is correct. So, really, the Company
5 began working with the Maine Staff on preparing a
6 hedging program that would generally change the
7 objective a bit on what we were trying to accomplish
8 with the hedging program. To convert from a program
9 that is less about achieving price certainty, to one
10 that is more of an insurance type of product. And, so,
11 the proposal in Maine is to, instead of buying FERC
12 futures contracts, as our current program does, we
13 would enter into out-of-the-money options futures
14 contracts, or, excuse me, I think it's "futures options
15 contracts". So, we have an option for the futures
16 contracts. And, the purpose of those options contracts
17 would be to insure the Company against a price spike,
18 without giving up the downward mobility that there
19 might be in prices. So that, if prices go up, the
20 Company would realize a gain; if prices go down, the
21 Company could still lock in at the lower prices.
22 Whereas the current program, when the prices go down,
23 we are still, you know, we've taken a fixed price
24 position.

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1 Q. Okay. And, that would be anticipated for what time
2 frame would you be looking at seeing that?

3 A. (Wells) So, the current -- the current hedging program,
4 we actually have hedges that are through this coming
5 winter. So, the proposed hedging program would not be
6 in effect for at least the next -- until at least the
7 next winter, is when we would be proposing that that
8 new hedging program would actually be instituted and
9 take effect.

10 Q. Okay. Thank you. Just one other question, and just to
11 make sure I understand your terminology. "Off-system
12 sales", does that mean you're buying low and selling
13 surplus gas at a higher price when the price goes up?

14 A. (Wells) Yes. That would be a fair way to characterize
15 our off-system sales activity.

16 CMSR. HARRINGTON: Okay. That's all the
17 question I have. We'll try this again. Any redirect?
18 And, you can have your moment, if you'd like?

19 MS. GOLDWASSER: Thank you.

20 (Atty. Goldwasser conferring with the
21 witnesses.)

22 MS. GOLDWASSER: Just a couple of quick
23 questions to make sure that the record is clear.

24 **REDIRECT EXAMINATION**

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1 BY MS. GOLDWASSER:

2 Q. Mr. Wells, with respect to the revised hedging policy
3 in Maine, has that been approved by the Maine
4 Commission yet?

5 A. (Wells) It has not been approved by the Maine
6 Commission yet.

7 Q. Okay. Thank you. Mr. Conneely, you were asked several
8 questions about addressing the "average" usage in the
9 residential -- in residential homes. Is that "average"
10 a normalized average? Can you just explain how you
11 calculated it?

12 A. (Conneely) Yes. Just to clarify, that's a
13 weather-normalized average by month.

14 MS. GOLDWASSER: Okay. That's all we
15 have. Thank you.

16 CMSR. HARRINGTON: Okay. I guess go to
17 closing statements then. Ms. Hollenberg.

18 MS. HOLLENBERG: Thank you. The Office
19 of Consumer Advocate has no objection to the Company's
20 proposed cost of gas rate for the Summer Period of 2013.
21 Thank you.

22 CMSR. HARRINGTON: Well, that was quick.

23 MR. SPEIDEL: Well, Commissioner, I hope
24 I can be quick as well. Staff supports the approval of

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1 the Northern Utilities' Cost of Gas Summer filing as
2 filed. We note that our PUC Audit Staff has found no
3 exceptions within its report. And, we would also like to
4 thank the Company for its cooperation, and the OCA for its
5 participation, during this filing review period. Thank
6 you.

7 CMSR. HARRINGTON: The Company.

8 MS. GOLDWASSER: Northern would
9 respectfully ask that the Commission put into place the
10 rates that the Company has requested for the Summer Period
11 COG. And, notes that neither Staff nor the Office of
12 Consumer Advocate has any objection to those rates. And,
13 we thank the other parties for their participation in this
14 docket.

15 CMSR. HARRINGTON: Okay. Right. If
16 there's no objection, we'll strike the exhibits as marked.
17 And, I don't think there's anything else we have to deal
18 with. We'll take this under advisement. We realize we
19 have a fairly short turnaround on this. And, the hearing
20 is closed. Witnesses are dismissed.

21 **(Whereupon the hearing ended at 10:43**
22 **a.m.)**