

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 23, 2013 - 1:43 p.m.
Concord, New Hampshire

NHPUC OCT30'13 AM 9:46

RE: **DG 13-257**
NORTHERN UTILITIES, INC.-N.H. Division:
Winter 2013-2014 Cost of Gas.

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

Sandy Deno, Clerk

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

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

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Michael Sheehan, Esq.
Stephen Frink, Asst. Dir./Gas & Water Div.
Robert J. Wyatt, Asst. Dir./Safety Division

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

ORIGINAL

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

I N D E X

PAGE NO.

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

Direct examination by Ms. Goldwasser	7
Cross-examination by Ms. Hollenberg	19
Cross-examination by Mr. Speidel	24
Interrogatories by Cmsr. Scott	27, 37, 49
Interrogatories by Chairman Ignatius	43
Redirect examination by Ms. Goldwasser	51

WITNESS: **ROBERT J. WYATT**

Direct examination by Mr. Speidel	55
Interrogatories by Cmsr. Scott	57
Interrogatories by Chairman Ignatius	60
Redirect examination by Mr. Speidel	62

CLOSING STATEMENTS BY:

PAGE NO.

Ms. Hollenberg	64
Mr. Speidel	65
Ms. Goldwasser	67

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Winter 2013-2014 Cost of Gas filing, including tariff pages, testimonies and schedules, etc. (09-16-13)	8
2	Northern Utilities, Inc. N.H. Division Environmental Response Cost Report through June 2013	10
3	Northern NH Division Updated Cost of Gas filing (10-17-13) (Confidential and Proprietary)	11
4	Multi-page filing of the confidential information submitted with the original filing (09-16-13) (Confidential and Proprietary)	55
5	Testimony of Robert J. Wyatt, with attachment (10-18-13)	56

P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: Good afternoon. I'd
3 like to open the hearing in Docket DG 13-257. This is
4 Northern Utilities' cost of gas filing, which includes, as
5 well as the cost of gas rate, a number of other
6 adjustments to Northern's charges. And, it was all
7 occasioned by a filing made September 16th, 2013 by
8 Northern Utilities. By order of notice dated
9 September 19th, we called for a hearing this afternoon.

10 And, so, let's begin with appearances.
11 And, if we have anyone who is seeking to intervene, you
12 should introduce yourselves, and then we'll take up the
13 questions of interventions afterwards. I've seen nothing
14 in writing, but there may be someone here today.

15 MS. GOLDWASSER: Good afternoon. My
16 name is Rachel Goldwasser, from the law firm of Orr &
17 Reno. I represent Northern Utilities, Inc. With me are
18 the witnesses who filed testimony in this case, Francis
19 Wells, Christopher Kahl, and Joseph Conneely. Also here
20 from the Company are George Simmons, Ann Hartigan, and
21 Mary Downs.

22 CHAIRMAN IGNATIUS: Good afternoon.
23 Welcome, everyone.

24 MS. HOLLENBERG: Good afternoon. Rorie

1 Hollenberg and Jim Brennan here for the Office of Consumer
2 Advocate.

3 CHAIRMAN IGNATIUS: Hello.

4 MR. SPEIDEL: Good afternoon. Alexander
5 Speidel, on behalf of the Commission Staff. And, I have
6 with me Assistant Directors Robert Wyatt and Steve Frink,
7 and also co-counsel, Michael Sheehan.

8 CHAIRMAN IGNATIUS: Good afternoon,
9 everyone. Welcome. So, I don't see anyone here who is
10 seeking to intervene in the docket, and I see nothing
11 filed. Is there anything to take up before the beginning
12 of testimony? Ms. Goldwasser?

13 MS. GOLDWASSER: No. I don't think so.

14 CHAIRMAN IGNATIUS: I did hear talk in
15 the hallway a question about exhibits, and whether -- and
16 somebody checked with me if we had a particular document.
17 We have the -- Commissioners received the big blue folder
18 that is the cost of gas adjustment filing. We didn't get
19 the other blue folder that's the environmental report,
20 what's the title?

21 MS. GOLDWASSER: I think I can -- I can
22 respond to that, if that would be helpful?

23 CHAIRMAN IGNATIUS: Please do.

24 MS. GOLDWASSER: Typically, for the

[WITNESS PANEL: Wells~Kahl~Conneely]

1 winter cost of gas, the Company files two blue binders.
2 The first one is the one you referenced, the Cost of Gas
3 Adjustment Filing Winter Season, it shows "Winter Season
4 2013 to 2014". The Company also files an Environmental
5 Response Cost Report. Which typically ends up on the
6 Commission's docket website, and it's docketed with the
7 cost of gas. And, as I understand it, the Staff of the
8 Commission received that binder. My understanding, in
9 conversations with Attorney Speidel, is that sometimes the
10 Commissioners don't receive that cost report unless they
11 need to see it for some reason. It's sort of -- it's an
12 add-on to the cost of gas filing.

13 So, I think what we have determined is
14 that the docketbook may need updating, but that the Staff
15 did receive -- the Staff and the Office of Consumer
16 Advocate did receive those binders.

17 CHAIRMAN IGNATIUS: Great. That's fine.
18 If there's any pages from that you intend to refer to,
19 either just describe it in enough detail for us to
20 understand or we can photocopy an individual page. But
21 don't assume that we are able to flip to it. Thank you.

22 Anything to take up before we have
23 witnesses?

24 (No verbal response)

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 CHAIRMAN IGNATIUS: Seeing none, why
2 don't you go ahead and proceed.

3 MS. GOLDWASSER: Thank you. The Company
4 calls George Simmons -- I'm sorry. The Company calls Fran
5 Wells, Christopher Kahl, and Joseph Conneely. George is
6 going to --

7 MR. SIMMONS: That never happens.

8 (Whereupon **Francis X. Wells,**
9 **Christopher A. Kahl,** and **Joseph F.**
10 **Conneely** were duly sworn by the Court
11 Reporter.)

12 **FRANCIS X. WELLS, SWORN**

13 **CHRISTOPHER A. KAHL, SWORN**

14 **JOSEPH F. CONNEELY, SWORN**

15 **DIRECT EXAMINATION**

16 BY MS. GOLDWASSER:

17 Q. So, we'll start with Mr. Kahl. Please state your name
18 for the record.

19 A. (Kahl) Christopher Kahl.

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

22 A. (Kahl) I'm a Senior Regulatory Analyst with Unitil
23 Service Corp.

24 Q. And, do you have before you a document that's entitled

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 "Northern Utilities, Inc. New Hampshire Division Cost
2 of Gas Adjustment Filing Winter Season 2013 to 2014",
3 bearing the date "September 16th, 2013"?

4 A. (Kahl) Yes, I do.

5 Q. And, is this Northern's original Winter 2013-2014
6 Period Cost of Gas filing?

7 A. (Kahl) Yes, it is.

8 MS. GOLDWASSER: I'd like to ask that
9 the document be marked, that whole binder be marked as
10 "Exhibit 1". I believe that's "Tab 1" in the Commission's
11 docket. And, that document does include confidential
12 materials.

13 CHAIRMAN IGNATIUS: All right. We'll
14 mark that for identification.

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

18 CHAIRMAN IGNATIUS: And, the
19 confidential materials you've shaded or marked
20 appropriately?

21 MS. GOLDWASSER: Yes. And, they're
22 identified in the cover letter on the inside page of that
23 filing. And, the Commission has the redacted -- should
24 have the redacted filing on file and available on the

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 website.

2 CHAIRMAN IGNATIUS: Thank you.

3 MS. GOLDWASSER: And, I don't believe
4 there's anyone here today that doesn't have -- that
5 shouldn't have access to the confidential material. So,
6 I'm only marking those. And, if we have an issue, we can
7 address that.

8 CHAIRMAN IGNATIUS: Thank you.

9 BY MS. GOLDWASSER:

10 Q. Do you also have before you a document that's entitled
11 "Northern Utilities, Inc. New Hampshire Division
12 Environmental Response Cost Report through June 2013"?

13 A. (Kahl) Yes.

14 Q. And, is that Northern's original Environmental Cost
15 Report, which was included with the Cost of Gas filing?

16 A. (Kahl) Yes, it is.

17 MS. GOLDWASSER: I'd like to mark that
18 for identification as "Exhibit 2", and we provided the
19 Clerk with a copy of that.

20 CHAIRMAN IGNATIUS: All right. And,
21 that's something that the Consumer Advocate and Staff
22 obviously has?

23 MS. HOLLENBERG: Yes. Thank you.

24 CHAIRMAN IGNATIUS: All right. We'll

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 mark that for identification then as "Exhibit 2".

2 (The document, as described, was
3 herewith marked as **Exhibit 2** for
4 identification.)

5 BY MS. GOLDWASSER:

6 Q. Finally, do you have before you a document filed with
7 the Commission under cover letter dated October 17th,
8 2013, which contains the subject line "Northern
9 Utilities, Inc. Revised Proposed Cost of Gas Adjustment
10 for the 2013-2014 Winter Period, November 2013 through
11 April 2014, in Docket 13-257"?

12 A. (Kahl) Yes.

13 Q. And, what does that document include?

14 A. (Kahl) This is the updated cost of gas filing. It
15 reflects the NYMEX futures gas prices as of
16 October 14th, 2013, as well as other updates,
17 revisions, and corrections to the initial filing that
18 were discussed at the technical session held October
19 7th of 2013 in this docket.

20 MS. GOLDWASSER: And, I'd ask that this
21 be marked as "Exhibit 3" for identification. And, that's
22 in the Commission's file as "Tab 7".

23 CHAIRMAN IGNATIUS: And, that's also
24 marked "confidential"?

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 MS. GOLDWASSER: Yes.

2 CHAIRMAN IGNATIUS: So marked.

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

6 BY MS. GOLDWASSER:

7 Q. Does Exhibit 3 include clean and redline versions of
8 the tariff pages necessary to implement the proposed
9 COG rates for the winter period?

10 A. (Kahl) Yes.

11 Q. Mr. Kahl, did you also prefile testimony in this
12 docket?

13 A. (Kahl) Yes.

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

16 A. (Kahl) Yes.

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

19 A. (Kahl) Yes, it was.

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

22 A. (Kahl) Yes. To the extent my prefiled testimony is
23 inconsistent with the information contained in the
24 revised cost of gas filing that has been marked as

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 "Exhibit 3", the revisions in Exhibit 3 takes
2 precedence and supersedes any conflicting information
3 in my prefiled testimony.

4 Q. Subject to the changes necessitated by the revised COG
5 filing made on October 17th, do you adopt your prefiled
6 testimony today under oath?

7 A. (Kahl) Yes.

8 Q. Do you wish to add anything further to your testimony?

9 A. (Kahl) No.

10 Q. Mr. Wells, good afternoon.

11 A. (Wells) Good afternoon.

12 Q. Could you please state your name for the record.

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

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

16 A. (Wells) I am employed by Unitil Service Corp. And, I
17 am the Manager of Energy Planning.

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

19 A. (Wells) I did.

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

22 A. (Wells) Yes.

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

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 filed?

2 A. (Wells) Yes.

3 Q. Do you have any corrections or updates to your prefiled
4 testimony?

5 A. (Wells) Yes. To the extent that my prefiled testimony
6 is inconsistent with the information contained in the
7 revised COG filings that have been marked as "Exhibit
8 3", the revisions in Exhibit 3 take precedence and
9 supersedes any conflicting information in my prefiled
10 testimony.

11 Q. And, subject to those changes, do you adopt your
12 prefiled testimony under oath today?

13 A. (Wells) Yes.

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

15 A. (Wells) No. Thank you.

16 Q. And, Mr. Conneely, can you please state your name for
17 the record?

18 A. (Conneely) Good afternoon. My name is Joseph F.
19 Conneely.

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

21 A. (Conneely) I'm employed by Unitil Service Corp. And,
22 I'm a Regulatory Analyst.

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

24 A. (Conneely) Yes.

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 Q. Is that prefiled testimony contained under the tab
2 entitled "Conneely Testimony" in Exhibit 1?

3 A. (Conneely) Yes.

4 Q. To the best of your knowledge and belief, was that
5 prefiled testimony true and accurate at the time it was
6 filed?

7 A. (Conneely) Yes.

8 Q. Do you have any corrections or updates to your prefiled
9 testimony?

10 A. (Conneely) Yes. To the extent that my prefiled
11 testimony is inconsistent with the information
12 contained in the revised cost of gas filings that's
13 been marked as Exhibit 3, the revisions in Exhibit 3
14 takes precedence and supercedes any conflicting
15 information in my prefiled testimony.

16 Q. Subject to those changes, do you adopt your prefiled
17 testimony today under oath?

18 A. (Conneely) Yes.

19 Q. Given the revised COG filing that was marked as Exhibit
20 3, could you briefly summarize the rate impacts on a
21 typical residential heating customer for the upcoming
22 winters season.

23 A. (Conneely) Yes. A typical residential heating customer
24 using an average of 609 therms for the upcoming winter

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 season will see an increase -- or, that will amount to
2 \$906.93. This is an increase of \$80.81, or 9.8 percent
3 more than the 2002-2013 -- 2012-2013 winter season.

4 Q. Does the revised filing in Exhibit 3 include the
5 proposed \$70,000 increase to the Gas ENERGY STAR
6 Appliance Program that was described in correspondence
7 to the Commission on October 11th, in Docket 12-262?

8 A. (Conneely) Yes.

9 Q. And, have you calculated the changes to the demand-side
10 management component of the LDAC charge, which would
11 result from that budget increase?

12 A. (Conneely) Yes.

13 Q. Could you describe those changes?

14 A. (Conneely) Yes. The cost of gas filing provided the
15 Commission on September 16th, 2013, in Docket DG
16 13-257, proposed a DSM charge for the residential
17 classes of 0.0393 per therm. The \$70,000 budget
18 increase results in a DSM charge of 0.0043 per therm.

19 Q. And, what's the typical bill impact of that proposed
20 budget increase in the CORE docket?

21 A. (Conneely) A typical residential heating customer
22 consuming 609 therms during the 2013-2014 winter season
23 will see a bill increase of \$2.62 as a result of the
24 request to increase funding to the ENERGY STAR

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 Appliance Program by 70,000.

2 Q. And, that's over the course of the winter heating
3 season?

4 A. (Conneely) Yes.

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

6 A. (Conneely) Yes, I do. After speaking with Staff today,
7 we noticed a discrepancy on Revised Page 244 of 282.
8 This is the Revised Schedule 16-RLIARA.

9 CHAIRMAN IGNATIUS: Hold up here. Do
10 that again please.

11 WITNESS CONNEELY: Yes. It's Revised
12 Page 244. And, this is the calculation of the Residential
13 Low Income Assistance and Regulatory Assessment Costs.

14 CHAIRMAN IGNATIUS: Yes.

15 WITNESS CONNEELY: On Line 3, this is
16 the first and last block of the customer charges. These
17 are incorrect with the tariff pages that are seen on First
18 Revised Page 2 of Supplement 2. The correct rates here
19 for the calculation would be "0.2185" for the first block,
20 and "0.1953" for the last block. This actually changes
21 the estimated annual subsidy on Line 17. Approximately --
22 it will change the rate approximately 0.0002. After
23 speaking with the Staff today, we decided or propose that
24 this would be immaterial to the LDAC as this is a

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 reconciling item. And, any over-/undercollection from
2 this miscalculation would be included in next year's
3 reconciliation.

4 CHAIRMAN IGNATIUS: So, are you saying
5 the only change, there may be -- mathematically, there may
6 be a change to Line 17, but it's not material to the rate?

7 WITNESS CONNEELY: The rate will change,
8 but the rate -- delta or difference would be immaterial.
9 It will be about approximately 0.0002 decrease from Line
10 31, the "0.0065".

11 CHAIRMAN IGNATIUS: Maybe it would help
12 to have this one page resubmitted, because it sounds like
13 numerous numbers will change.

14 MS. GOLDWASSER: Yes.

15 CHAIRMAN IGNATIUS: But that the bottom
16 line is that you're not seeking a different rate and
17 you're sticking with this rate.

18 MS. GOLDWASSER: Yes. I think, in
19 conversations with Staff right before the hearing, we just
20 realized this issue this morning, and it didn't make sense
21 to try to refile the entire rate package with respect to
22 this. But we'd be happy, for informational purposes, to
23 provide replacement, you know, I don't know if I'd call it
24 a "replacement page", because it wouldn't actually change

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 the rate that we're proposing, but rather would identify
2 the correction and identify that we would reconcile this
3 issue in next year.

4 CHAIRMAN IGNATIUS: All right. Well, I
5 think it would be useful, if none of the math is going to
6 work, because some of the starting numbers are different,
7 and a substitute revised page might make sense, even
8 though you're still requesting the same rate.

9 MS. GOLDWASSER: Okay.

10 CHAIRMAN IGNATIUS: And, can I just ask,
11 I think I wrote something down wrong. Mr. Conneely, you
12 said that the DSM charge -- what's the new DSM charge that
13 you're seeking?

14 WITNESS CONNEELY: The proposed DSM
15 charge for the residential class is 0.0393.

16 CHAIRMAN IGNATIUS: I thought that was
17 the existing charge?

18 WITNESS CONNEELY: Are you looking at
19 the revised cost of gas or LDAC?

20 CHAIRMAN IGNATIUS: No. I'm just trying
21 to listen to your testimony. Tell me what is the going
22 forward rate you're seeking?

23 WITNESS CONNEELY: 0.0393.

24 CHAIRMAN IGNATIUS: Thank you. All

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 right. You may continue. Thank you.

2 BY MS. GOLDWASSER:

3 Q. Mr. Conneely, do you have anything else?

4 A. (Conneely) No.

5 MS. GOLDWASSER: The witnesses are
6 available for cross-examination.

7 CHAIRMAN IGNATIUS: Thank you.

8 Ms. Hollenberg.

9 MS. HOLLENBERG: Thank you.

10 **CROSS-EXAMINATION**

11 BY MS. HOLLENBERG:

12 Q. Just one clarifying question, Mr. Conneely. When I
13 look at your bill impact testimony, you used a typical,
14 and I can direct you, it's Bates Page 56 of Exhibit 1,
15 and this is not confidential information. On Line 17,
16 it says "Schedule 8 shows that a typical residential
17 heating customer consuming 743 therms". And, you used,
18 when you testified a few minutes ago, a typical number
19 of "609 therms". So, I just wanted to -- I think
20 you're ending up -- your ending rate impacts were the
21 same as they are in your testimony, but the number --
22 the consumption number was different?

23 A. (Conneely) The "609" number represents the winter
24 season.

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 Q. Oh, I see. So, that's an annual number?

2 A. (Conneely) We had 134 as the summer, which totals the
3 "743" seen on my typical bill analysis, Page 1 of 5.

4 Q. Okay. Okay. So, that was a -- the 609 is a component
5 of the 743?

6 A. (Conneely) Correct. That's the winter season alone.

7 Q. All right. Thank you. Mr. Wells, we talked yesterday
8 in another docket involving cost of gas about just
9 generally what the Company is seeing or hearing about,
10 in terms of the upcoming winter, and the issues -- the
11 regional issues that are continuing to evolve with
12 regards to the intersection of gas for purposes of
13 heating and the use of gas for purposes of generating
14 electricity. Do you have any -- could you provide the
15 Commission with a general sense of what you're hearing
16 and what you're expecting for this coming winter
17 please?

18 A. (Wells) Certainly. So, I think it's -- I think it's no
19 -- there's no new development that New England, as a
20 region, is becoming increasingly reliant upon natural
21 gas as a source for fuel for generating electricity.
22 And, as a sector, electric generation does not have
23 access to firm pipeline capacity for which to supply
24 their plants. You know, this situation has probably

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 been developing for some time. It has been recently
2 exacerbated by the fact that, whereas LNG would
3 typically come in, be imported into New England, in
4 order to alleviate the pipeline constraints that there
5 would be due to the generation load, this source of
6 supply has been decreasing quite steadily for the last
7 few years. And, so, without that offset of imported
8 LNG to sort of backstop the New England natural gas
9 market, this past winter we saw a pretty dramatic
10 increase in New England spot prices. We have seen
11 nothing that would say -- suggest that this situation
12 will be alleviated in the coming winter. I know that
13 the ISO has taken some steps with its Winter
14 Reliability Program, to try to assure, you know, the
15 reliability of the electric grid. But I'm not sure
16 that I've seen anything that will necessarily lead to,
17 you know, less price spikes for natural gas for those
18 parties that do not have access to liquid supply points
19 in the way of pipeline transportation contracts, such
20 as that are, you know, held in the Company's portfolio.
21 Q. Are you experiencing -- is the Company experiencing
22 greater challenges, in terms of supplying customers, as
23 a result of the increased reliance in the electric
24 industry for natural gas for purposes of generation?

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 A. (Wells) I would say that Northern has a unique
2 situation with -- as far as other New England LDCs are
3 concerned. We do purchase, you know, a peaking --
4 peaking supplies that are, you know, not necessarily
5 based on pipeline capacity. And, so, whereas, you
6 know, we don't have as much on-system LNG or propane
7 facilities to backstop the system, it, you know,
8 securing these pipeline -- these peaking contracts was
9 a little bit different this year than it has been
10 recently, due to the winter we just came out of. But,
11 you know, this is why we have an RFP relatively early,
12 to try to mitigate any potential that that, you know,
13 that that procurement could present.

14 And, you know, but, going into the
15 winter, now that we have all of our supplies lined up,
16 I feel, you know, confident that we have an adequate
17 portfolio for meeting our customers' requirements,
18 regardless of what's going on in the markets. You
19 know, unless some *force majeure* were to occur that is
20 out of the -- you know, out of anybody's control.

21 Q. And, is the Company, it sounds as though, but I'll have
22 you confirm, the Company is -- is the Company exploring
23 any ways of ameliorating the capacity constraint
24 situation? And, if so, generally what types of

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 activities is the Company engaged in?

2 A. (Wells) So, there are a few proposed expansions of
3 pipeline capacity into New England. And, we have been
4 meeting with all the parties who are interested in
5 these expansions. You know, the two active -- actively
6 pursued expansions are -- you know, there have been
7 expansions proposed by Tennessee, Algonquin, and
8 Portland, into New England, that would provide capacity
9 to, in essence, decrease the -- you know, if
10 successful, these expansions would have the potential
11 to decrease the volatility of New England spot market
12 pricing. We've been in active discussions with really
13 all of those parties. In addition, you know, the
14 Company has been participating in discussions with, you
15 know, other LDCs and parties that would be interested
16 in liquefying natural gas for the purpose of producing
17 LNG, to sort of reduce dependence on LNG that would be
18 imported into the United States.

19 Q. So, looking at not only possible capacity expansion,
20 but also other alternatives for liquid and natural gas
21 as well?

22 A. (Wells) Yes.

23 MS. HOLLENBERG: Okay. All right. I
24 don't have any other questions. Thank you.

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 CHAIRMAN IGNATIUS: Thank you.

2 Mr. Speidel.

3 MR. SPEIDEL: Thank you, Chairman.

4 BY MR. SPEIDEL:

5 Q. Mr. Wells, did Northern experience any operational
6 problems or supply disruptions during the last year?

7 A. (Wells) No.

8 Q. Could you distill and briefly summarize any changes in
9 the Company's supply portfolio from what was in place
10 last year?

11 A. (Wells) Yes. I think the most notable change in our
12 supply portfolio relates to our Tennessee long haul
13 asset management agreement. The Tennessee long haul
14 assets can be found on Schedule 12.

15 CHAIRMAN IGNATIUS: Are you in the
16 revised packet?

17 WITNESS WELLS: No. Schedule 12 in the
18 original filing.

19 BY MR. SPEIDEL:

20 Q. And, that would be Exhibit 1, correct? Yes.

21 A. (Wells) Yes. This would be Page 230 of the original
22 filing. So, and as you can see, under this capacity
23 path, Northern has really one long haul contract with
24 Tennessee, it's Number 5083. Oh, excuse me. It's Page

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 203.

2 CHAIRMAN IGNATIUS: Yes. 230 wasn't
3 giving us a lot of info. It's a giant gray sheet.

4 **BY THE WITNESS:**

5 A. And, so, this is from Tennessee Zone 0, and a capacity
6 amount of 4,605, and Tennessee Zone L, a capacity of
7 8,550 dekatherms. In the previous winter, we had
8 secured an Asset Management Agreement under which the
9 Company had the right to call for 30 days of supply at
10 a price equal to the Tennessee Zone L, the weighted
11 average indexes of what one could buy gas for in
12 Tennessee Zone L and in Tennessee Zone 0.

13 Based in part on the Staff's feedback,
14 we increased the number of days of supply to 151 days,
15 so that the entire winter, you know, we would have
16 access to that supply for the entire winter period.

17 Another major change in our winter
18 portfolio is that, whereas we had had a baseload supply
19 contract with Tennessee Zone 6, we are not contracting
20 for that baseload supply in this upcoming winter
21 period.

22 Another notable change is relating to
23 Page 204 in our capacity diagram. What we call the --
24 I see a typo on this, but that neither being here or

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 there, it's labeled "PNGTS", but it's actually our
2 Chicago citygate supply. Previously, this was -- there
3 was a portion of this supply that was based on the
4 Tennessee Zone 6 first-of-the-month index. We changed
5 that to be a -- to be based -- to utilize the capacity
6 to be basically based on Iroquois receipts, which is
7 just further upstream on the gas grid, closer to liquid
8 points of supply.

9 We have also, the other notable change,
10 we have new peaking arrangements, which we have
11 provided copies of to the Commission Staff.

12 And, then, finally, our LNG replacement
13 contract, we have, based on the high demand costs that
14 were proposed by our supplier of LNG, we decided to
15 reduce the amount of LNG volume that we would be
16 contracting for. And, so, we are covering more of our
17 requirement with off, you know -- you know, more of our
18 peaking requirement is coming from off-system pipeline
19 type peaking deals, rather than relying on the internal
20 LNG resource. So, the volume went from
21 approximately -- approximately, it was a 125,000
22 dekatherm contract, it's now a 10,000 dekatherm
23 contract.

24 And, that summarizes the major changes

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 in our portfolio going into the coming winter.

2 CMSR. SCOTT: Excuse me for
3 interrupting. Can you, while you're on the topic, can you
4 elaborate a little bit more on why shifting away from
5 Tennessee Zone 6 is good?

6 WITNESS WELLS: We felt that, you know,
7 one of the issues that we discussed last time with -- in
8 the cost of gas was that the Tennessee Zone 6 purchase was
9 a baseload must-take purchase, so that we would buy that
10 supply every day, whether or not -- regardless of the
11 conditions on our system. You know, Staff felt that there
12 was the potential for there being, you know, other
13 resources that access more liquid supply points that would
14 be under-utilized due to that baseload must-take purchase.
15 So, getting away from the Tennessee Zone 6 baseload, we've
16 been able to structure it in a way that we still feel that
17 we have adequate supply to meet our system requirements,
18 but it will be less dependent, you know, we will be less
19 dependent on other outside circumstances to be able to
20 utilize all of the supply that, you know, we pay for
21 through our pipeline contracts. You know, we do have --
22 we feel like this -- you know, the idea of having, though,
23 some fixed price protection from spikes in Tennessee Zone
24 6 hasn't been totally stripped out of our portfolio. One

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 of our peaking agreements actually provides that type of
2 protection. So, we have a fixed price -- a fixed contract
3 price for one of the peaking deals, but it's dispatchable.
4 So, that way, we can use it only when, you know, the
5 system load -- we can shape better how we dispatch that
6 system supply.

7 CMSR. SCOTT: Thank you.

8 BY MR. SPEIDEL:

9 Q. Thank you, Mr. Wells. Are all of the winter supply
10 contracts of significance in place at this time?

11 A. (Wells) Yes.

12 Q. Do you foresee any likelihood of Northern experiencing
13 any liquified natural gas or LNG peakshaving supply
14 issues for this winter period?

15 A. (Wells) We feel confident in the supplies that we have
16 arranged that they will be reliable. But, you know, as
17 I discussed earlier, there's always -- there's always
18 the possibility of an unforeseen event occurring. But
19 we believe that, you know, given, you know, we have
20 spread our supply around to different inlets to the
21 system. So, we're not dependent on any single supply
22 area.

23 Q. Thank you. Mr. Conneely, I have a series of questions
24 for you. And, when you answer with numerals, and this

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 goes for all the panelists, please make sure to answer
2 slowly, if you could. How does the proposed 2013-2014
3 peak period cost of gas rate compare to last year's
4 seasonal average rate?

5 A. (Conneely) Excuse me. The 2013-2014 proposed cost of
6 gas rate is an increase of 0.1143 per therm.

7 Q. And, that would be dollars, essentially. So, it would
8 be 11 cents and 43 hundredths?

9 A. (Conneely) Correct.

10 Q. Thank you. Or thousandths. What is the rate impact on
11 an average residential heating customer?

12 A. (Conneely) This will be an increase of \$80.81, or a
13 9.78 percent increase to a typical residential heating
14 customer.

15 Q. Now, Mr. Conneely, shouldn't Schedule 8 say, for
16 instance, on Bates Page 159, shouldn't that be headed
17 "average" instead of "typical" for usage and bill
18 impacts?

19 A. (Conneely) I'm sorry, say that again.

20 Q. Well, you have a heading here, you can see --

21 MS. GOLDWASSER: I'm sorry. Attorney
22 Speidel, what page were you on again?

23 MR. SPEIDEL: Bates Page 159.

24 MS. GOLDWASSER: Okay. And what line?

[WITNESS PANEL: Wells~Kahl~Conneely]

1 MR. SPEIDEL: Well, there's no line.

2 There's just a header. So, allow me to begin.

3 BY MR. SPEIDEL:

4 Q. That it reads, at the very top, "Northern Utilities,
5 Incorporated - New Hampshire Division". And, then, the
6 second line just below that reads "Typical Residential
7 Heating Bill", and then there's a dash and it reads
8 "743 therms per year". Shouldn't the heading "typical"
9 read "average" instead, given the change in the
10 Company's methodology?

11 A. (Conneely) Yes. We can put "average" in there.
12 "Typical" was, I guess, historical methodology. And,
13 we have changed to an actual weather-normalized
14 methodology. So, that would make sense. Thank you.

15 Q. Okay. Thank you. Approximately what percentage of the
16 gas supplies in this forecast are hedged,
17 pre-purchased, or otherwise tied to a predetermined
18 fixed price. And, anyone on the panel who has the
19 answer can answer.

20 A. (Wells) We have followed the hedging program to the
21 best of my knowledge that would provide the -- so that
22 would mean approximately 70 percent of our requirements
23 are hedged. Although, I will note, you know, I did
24 mention earlier the fixed price peaking agreement. I

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 don't recall that we actually took that into account in
2 calculating our hedging position. So, we may be a
3 little bit hedged above what, you know, what we would
4 have targeted. But, due to the timing of when those
5 hedges are taking place and when we were doing our
6 peaking procurement, I don't think it would have really
7 been possible for us to have realized that we were
8 going to be buying, you know, some fixed price peaking
9 supply that would have met that requirement. So, we
10 may be slightly over-hedged relative to the 70 percent
11 target.

12 Q. But that is your rough estimate, roughly 70 percent
13 around the target?

14 A. (Wells) Yes.

15 Q. Okay. Thank you. Do you know if the Audit Staff has
16 completed its review of the cost of gas reconciliation
17 from last winter?

18 A. (Conneely) Yes. They have completed it. And, no
19 exceptions were made.

20 Q. Thank you. Did the Company file updates to the LDAC
21 tariff page included in the revised cost of gas filing?

22 A. (Conneely) Yes.

23 Q. What type of environmental remediation expenses does
24 Northern still incur?

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 A. (Conneely) The remediation is basically just the upkeep
2 of the properties. There's still some small
3 remediation, but mostly maintenance.

4 Q. Has the Company provided the PUC Audit Staff with the
5 supporting documentation for environmental remediation
6 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) Yes. Excuse me. The Audit Staff has, and
12 there's no exceptions found.

13 Q. Thank you. These questions are directed to the panel
14 at-large. The Company filed a revised cost of gas
15 forecast package on October the 17th. The overall
16 impact to the cost of gas rate was a change from the
17 initially proposed rate of \$0.8567 per therm, to a
18 revised rate of \$0.8530 per therm. It appears the
19 revision to the NYMEX numbers was offset by some other
20 updates to the filing. Can we briefly go down the list
21 of changes located a couple of pages before Revised
22 Bates Page 1 of the revised cost of gas package?

23 CHAIRMAN IGNATIUS: And, Mr. Speidel,
24 that sounded like a trick question. What's the page prior

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 to Page 1?

2 (Laughter.)

3 MR. SPEIDEL: Yes. It's sort of --
4 there's a summary page, and it has a big bold heading that
5 reads "Northern Utilities, Incorporated - New Hampshire
6 Division", and then it simply reads "Updated 2013-2014
7 Winter Period Cost of Gas Filing DG 13-257". That would
8 be part of Exhibit 3, but it doesn't really have any
9 specific page numbers. You can see there's a column, a
10 single column that reads "Prepared by George H. Simmons,
11 Manager of Regulatory Services, Unitil Service Corp".
12 And, then, you have a number of bullet points that read
13 numbers 1 through 11. And, it's prior to the Table of
14 Contents.

15 MS. GOLDWASSER: If this might help,
16 it's about halfway -- you got it?

17 CHAIRMAN IGNATIUS: No, I'm looking at
18 the --

19 CMSR. SCOTT: Oh. Here it is.

20 CHAIRMAN IGNATIUS: -- what it looks
21 like.

22 MS. GOLDWASSER: It's about halfway
23 through the filing. After the revised tariff pages,
24 there's a Table of Contents. And, after that, so, if you

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 go to the last revised tariff page, Revised Page 170-b,
2 the next page after that is a Table of Contents, and the
3 next page after that is the summary, and the next page
4 after that is Revised Page 1 of 282. So, what you're
5 looking at is a package that includes two sets of
6 documents, in effect.

7 CHAIRMAN IGNATIUS: Better slow down.

8 MS. GOLDWASSER: Okay. The first set is
9 the revised tariff pages and the second set is the revised
10 filing pages, if that makes any sense.

11 WITNESS KAHL: Yes. This is a list of
12 our updates and revisions.

13 MR. SPEIDEL: Uh-huh.

14 WITNESS KAHL: Since it's not,
15 obviously, in the original filing, we put it right before
16 the first Bate page in the revised filing.

17 BY MR. SPEIDEL:

18 Q. Okay. So, regarding these bulleted changes, the NYMEX
19 prices increased with a net effect of about \$300,000,
20 is this correct?

21 A. (Kahl) Yes. That's correct.

22 Q. The increase in NYMEX was offset with the reduction in
23 hedging losses, correct?

24 A. (Kahl) Correct.

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 Q. There was a reduction in LNG liquids contract volumes
2 and costs, correct?

3 A. (Kahl) Correct.

4 Q. The Tennessee Gas Pipeline refund that is flowing back
5 to customers, as shown on a Revised Schedule 15,
6 Attachment F, and I presume that this attachment is
7 located on Revised Bates Page 242B?

8 A. (Kahl) That would be correct.

9 Q. All right. Was this refund included in the original
10 filing?

11 A. (Kahl) It was not. Let me clarify. This is the
12 Tennessee Gas refund balance. We initially started
13 flowing this back in the Summer of 2012, during that
14 cost of gas period, and in last winter's 2012-2013
15 period. We stopped flowing it back at the end of
16 April 2013, and this reflects the ending balances that
17 were there. So, those balances, we initially had
18 thought they were already included with our -- with our
19 demand commodity dollars, they were not. So, we made
20 sure that they were included in the revised filing.

21 Q. When do you think that this refund will be fully flowed
22 back to customers?

23 A. (Kahl) It's included in the cost of gas for this winter
24 period. So, basically, as of this winter period, fully

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 flowed through.

2 Q. Another change is described as a "Supplier refund
3 related to other costs and credits". What was the net
4 effect of these changes?

5 A. (Kahl) I assume we're talking about the PNGTS refund.
6 This is listed in Schedule 25, towards the end, and I
7 can get a Bates Page, it would be 281, if you could
8 find that. That was -- that schedule was revised in
9 order to allocate a greater portion of that refund to
10 the winter period, considering that PNGTS contracts are
11 mainly for storage, and those are paid only in the
12 winter period. So, we wanted to refund those dollars
13 consistent with the way they were paid out.

14 Q. Okay. All right, I'll defer from asking this question.
15 The LDAC rates have been revised to reflect an
16 additional month of actual data. Is this because of
17 how these rates are reconciled?

18 A. (Conneely) Yes. Correct.

19 Q. Thank you, Mr. Conneely. The DSM rate includes an
20 additional \$70,000 related in a proposed increase in
21 energy efficiency funds in the CORE docket, which is
22 filed under DE 12-262. An increase supported by Staff
23 and the parties in that separate proceeding, but not
24 yet approved by the Commission. If this increase is

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 not approved and results in an overrecovery, how will
2 that overrecovery be treated?

3 A. (Conneely) We would reconcile that in the next cost of
4 gas/DSM/LDAC docket.

5 MR. SPEIDEL: Thank you very much,
6 Mr. Conneely. Staff has no further cross-examination
7 questions at this time.

8 CHAIRMAN IGNATIUS: Thank you.
9 Commissioner Scott, questions?

10 CMSR. SCOTT: Sure. Thank you. You've
11 done well, and you've captured most of my questions.

12 BY CMSR. SCOTT:

13 Q. However, and, again, whoever feels most comfortable
14 answering, please do so. During the OCA questioning,
15 you were discussing, obviously, efforts to look at ways
16 to reduce some of the volatility we've seen in the past
17 year with the gas/electric issue. What I didn't hear
18 you say directly, and maybe you implied it, you said
19 you're "working with those looking at pipeline
20 expansions." In another docket, there was a
21 implication that some of the LDCs were working
22 collectively together in that capacity. Are you part
23 of that?

24 A. (Wells) Yes.

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 Q. Okay. And, I think the word they used is "consortium".
2 I don't know if that's an official title or --

3 A. (Wells) I don't believe there's an official title,
4 but --

5 Q. They could use the word "syndicate", but that may give
6 the wrong impression. So, in that capacity, the
7 thought again would be you could pool resources and
8 hopefully get a better deal, if you will?

9 A. (Wells) Yes. I mean, and I just want to stress, you
10 know, part of what I tried to allude to without being
11 too specific, is that, you know, the needs of the
12 utilities are going to be different from, you know,
13 based on where they are on the gas grid. You know,
14 Northern has needs for supply in areas different than
15 other -- really any other utility in Massachusetts.
16 So, the group that, you know, there is is primarily,
17 you know, Massachusetts and Connecticut LDCs. And, we
18 really serve the New Hampshire and even in the Maine
19 markets. And, so, our needs might be slightly
20 different from those utilities.

21 So, I just want to kind of condition the
22 parties that, you know, the solution that might be best
23 for one company might be -- it might be a better -- a
24 different solution might be right for, you know,

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 different solutions might be right for different
2 parties, depending on where they are and what the
3 different projects, ultimately, where the gas comes
4 from and where it can go to. And, so, you know, don't
5 be surprised if, really, you have utilities coming
6 before you with different solutions for their
7 particular customers, you know, because we have to get
8 gas all the way up into Maine. And, so, the solution
9 for that might be different for us.

10 Q. Yes, that makes sense, I think. Thank you. I was also
11 curious, to get an idea, obviously, you know, in your
12 filing you give what an average residential customer
13 is. Is that -- I was just curious, relative to demand,
14 is that -- or, historically, I assume that's gone down
15 over time?

16 A. (Wells) Yes.

17 A. (Conneely) Yes.

18 Q. And, your number of customers is roughly steady, I
19 assume?

20 A. (Wells) We have actually been adding customers. Just
21 that, you know, we have a lot of customer growth in
22 both New Hampshire and Maine, that is really due to
23 just the historic, you know, the historic discrepancy
24 between oil prices and natural gas prices, because

[WITNESS PANEL: Wells~Kahl~Conneely]

1 natural gas is a very desirable fuel for people looking
2 for an economic solution to, you know, heating. And,
3 also, you know, we have ongoing construction efforts,
4 just modernizing our distribution system, that provide
5 opportunities for adding customers. So, I would say
6 that, you know, the customer growth that we have seen
7 has been, you know, historically speaking, pretty --
8 pretty strong.

9 Q. I suppose that makes sense. I would assume, if I'm a
10 residential customer, it's very attractive to be on gas
11 right now, I would assume?

12 A. (Wells) Yes. That's right.

13 Q. And a commercial customer.

14 A. (Witness Wells nodding in the affirmative).

15 Q. Thank you. And, I think, lastly, I was just curious if
16 you could just explain a little bit more, you talked a
17 little bit about hedging, I just wanted to get a better
18 idea more exactly of some context. For instance,
19 yesterday, in a different docket, we talked about
20 hedging regarding NYMEX, and maybe that's not as
21 relevant, given the gas pipeline constraints in the
22 region.

23 A. (Wells) Right. I mean, the real -- the real hedge is
24 the pipeline capacity itself, as far as volatility in

[WITNESS PANEL: Wells~Kahl~Conneely]

1 the cost of gas. Whereas, when these hedging programs
2 were put into effect, I mean, and I note that we are in
3 the process of transitioning to a new one, where, you
4 know, rather than buying futures contracts, we are, in
5 fact, buying options for futures contracts. But the
6 underlying contracts are NYMEX. And, NYMEX basically
7 reflects the cost of gas in liquid supply points.
8 Obviously, there's a different dynamic when you're
9 trying to get gas into New England. And, it's really
10 about the constraints of the pipeline system, as
11 opposed to the availability of supply.

12 You know, ten years ago there was a lot
13 of volatility in the supply cost itself. You know,
14 supplies were generally declining in North America.
15 And, so, you know, naturally, that led to volatility in
16 that aspect of it. Well, right now, there seems to be,
17 you know, one thing that we all, in the natural gas
18 business, seem to be able to agree on is that there's
19 plenty of gas, it's just a matter of getting it to
20 where it needs to go. And, that's where the price
21 spikes come in, is the scarcity of pipeline capacity.

22 So, you know, we probably think that the
23 best way to hedge against that is to take control of
24 your, you know, costs by getting an appropriate amount

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 of pipeline capacity. And, it's not very often that
2 pipeline projects are introduced into New England.
3 And, this seems to be one of those times. And, so,
4 it's really, you know, important to the Company that
5 we, you know, we use this opportunity to try to make
6 sure that there's an adequate access to supply for our
7 customers in the future.

8 Q. So, and I apologize for taking up everybody's time, but
9 I'm trying to educate myself as much as anything. So,
10 is it an oversimplification, for at least this region,
11 what you're -- when you hedge, you're really trying to
12 buy firm transportation, more than the molecules
13 themselves?

14 A. (Wells) Well, and that may be a little bit of an
15 oversimplification, because we do have an approved
16 hedging program that's about hedging, you know, the
17 molecules. But, you're right, from a larger viewpoint,
18 you know, last winter, you think about, you know, the
19 NYMEX price never got over \$4.00. But, if you needed
20 to buy gas in New England, and you didn't have pipeline
21 capacity, you were paying well over \$10.00 most days.
22 And, so, you know, I feel as though it's important that
23 you have like an ongoing understanding that, you know,
24 the supply in North America, the supply balance in

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 North America, you know, right now it seems to be, you
2 know, in a surplus situation. But, eventually, over
3 time, that's going to rebalance. And, it's important
4 to have an aspect of your long-term outlook that hedges
5 that component. But, certainly, like right now, the
6 pressing need is to look at "how do you get the
7 molecules into where they're needed up here in New
8 England?"

9 CMSR. SCOTT: Okay. Thank you very
10 much.

11 WITNESS WELLS: You're welcome.

12 CHAIRMAN IGNATIUS: Just a few more
13 questions.

14 BY CHAIRMAN IGNATIUS:

15 Q. I think for you, Mr. Conneely, but whoever wants to
16 take this. I just want to confirm, of the increase
17 that we're looking at, it's a mix of the cost of gas
18 and LDAC increases, as well as the temporary rates that
19 Mr. Speidel spoke of previously, correct?

20 A. (Conneely) Correct. Yes.

21 Q. And, so, the amount that is attributable to just the
22 cost of gas and LDAC changes is 6.64 percent, is that
23 correct, increase?

24 A. (Conneely) The cost of gas by itself?

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 Q. Cost of gas and LDAC. I'm looking at your testimony,
2 Page 56 and 57.

3 A. (Conneely) So, this would be the -- I'm sorry, 56. So,
4 56 and 57 were the proposed rates as of September 16th.
5 The revised filing has updated NYMEX for the cost of
6 gas, and then it actually -- it has actuals for the
7 other LDAC components, the RLIARA, the DSM, and the
8 ERC. So, it actually includes another month of
9 actuals, which are estimated in the September 16th
10 filing. And, then, it also includes the proposed DSM
11 increase for 2013 for the budget for 70,000.

12 Q. So, can you break out -- you've given us in the Exhibit
13 3, the cover letter shows the all-in increase of
14 9.78 percent, compared to last winter's period,
15 correct?

16 A. (Conneely) Correct.

17 Q. But, of that 9.78 percent, that's not all attributable
18 to these charges. So, I was just looking for what is
19 it for just the charges that are changing with this
20 filing, what's the increase over last year's rate?

21 A. (Conneely) I don't have it broken out for the temporary
22 rate, the LDAC change, and the cost of gas. But it's a
23 mix of those three components that are the --

24 Q. Is it in a similar range to the original filing, so,

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 about a six and a half percent increase, between six
2 and seven increase over last year's, if you strip out
3 the surcharge -- I'm sorry, the temporary rates?

4 A. (Conneely) That I would have to -- I'd have to take a
5 look at it. I wouldn't be able to do it on the stand.

6 Q. Okay.

7 MS. GOLDWASSER: We'd be happy to
8 provide that in response to a record -- a bench record
9 request, if that would be helpful?

10 CHAIRMAN IGNATIUS: If you can calculate
11 that, yes. I mean, it's not -- it's not critical to this
12 determination, but it's part of the overall picture of
13 what customers will see, and why they're seeing the
14 increases that they're facing. So, that would be helpful.
15 Thank you.

16 WITNESS CONNEELY: So, just to carve out
17 the temporary rate increase, --

18 CHAIRMAN IGNATIUS: Yes.

19 WITNESS CONNEELY: -- the LDAC change,
20 and then the cost of gas change.

21 CHAIRMAN IGNATIUS: Sort of everything
22 except for the temporary rate, is what increased over last
23 winter's rate. So, why don't we reserve Exhibit 4 for
24 that.

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 **(Exhibit 4 reserved - later removed as**
2 **response was made orally at hearing.)**

3 CHAIRMAN IGNATIUS: And, I assume,
4 Ms. Goldwasser, that's something that could be done in a
5 matter of a day or two?

6 MS. GOLDWASSER: Yes, ma'am.

7 CHAIRMAN IGNATIUS: I know there is a
8 tight timeframe on these dockets, and I don't mean to hold
9 it up.

10 MS. GOLDWASSER: We'll get it to you
11 expeditiously.

12 CHAIRMAN IGNATIUS: Thank you.

13 BY CHAIRMAN IGNATIUS:

14 Q. The other thing I wanted just a little bit more
15 information on is on the environmental remediation
16 costs for manufactured gas sites. We don't have the
17 other packet, so, I'm sure that this detail is laid
18 out. And, just a general sense, and I guess this one
19 goes to Mr. Conneely, Page 54 of your testimony,
20 described the work still going on at Exeter and
21 Rochester, at about \$175,000 this past year on those
22 sites. Do you have any other locations that are active
23 that have any work being done?

24 A. (Conneely) That I don't know. I know there are four

[WITNESS PANEL: Wells~Kahl~Conneely]

1 sites that are included in the ERC filing. But I
2 couldn't say if there will be other things coming down
3 the road.

4 Q. What are the other two? This just mentions "Exeter"
5 and "Rochester".

6 A. (Conneely) There is the -- I don't have the ERC up
7 here, but Portsmouth is one and --

8 MR. SPEIDEL: Dover.

9 **BY THE WITNESS:**

10 A. (Conneely) Dover. Thank you.

11 BY CHAIRMAN IGNATIUS:

12 Q. And, you may not know this, but, if you do, are they at
13 the beginning stages, at the tail end, somewhere in
14 between?

15 A. (Conneely) My understanding is that they're at the tail
16 end. But, again, that's -- I think a yearly review is
17 done and re-evaluated. So, I'm not sure where in the
18 process those are.

19 Q. The last --

20 A. (Conneely) I believe -- actually, I'm sorry, but I
21 think, in the beginning of the ERC folder, there's a
22 summary for each. And, I know you folks haven't seen
23 it. There's a summary for each site. And, it gives a
24 little bit more detail from the folks that, actually,

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 the rubber hits the road, they --

2 (Court reporter interruption.)

3 **BY THE WITNESS:**

4 A. I'm sorry. The ERC, Exhibit 2, there is a summary for
5 each site. It details where in the process each of
6 these sites are, from the people who actually are, you
7 know, rubber hits the road, there's people who are
8 dedicated to the ERC projects.

9 BY CHAIRMAN IGNATIUS:

10 Q. And, the tail end of that discussion on Page 54, at
11 Line 14, says that the Company can provide more
12 information, if need be, "after the Commission Staff
13 has completed its review of these costs." Was that the
14 Audit Staff that you referred to earlier, which is now
15 complete, or was that the gas analytical staff?

16 A. (Conneely) We usually bring it, you know, everything to
17 the Audit Staff, but we can share it with Staff of the
18 Commission, our invoices, or a deeper summary, if
19 that's --

20 CHAIRMAN IGNATIUS: Or, I can ask
21 Mr. Wyatt that, if he's testifying later.

22 MR. SPEIDEL: Definitely. Just as a
23 general informational background matter, the Company
24 reaches out to OCA and Commission Staff, and provides, in

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 the summertime, it's traditionally kind of an assessment
2 or an outline of their ongoing projects. And, that is
3 also done on an ongoing basis, if there's a material
4 change in the status of those projects.

5 (Atty. Speidel conferring with
6 Mr. Wyatt.)

7 MR. SPEIDEL: Well, Northern did that a
8 long time ago, anyway. EnergyNorth still does it. But
9 we've heard about -- we've heard about updates over the
10 course of the year from the Company. It's not as formal
11 as it used to be. But, certainly, if there's any material
12 changes, we hear about them.

13 CHAIRMAN IGNATIUS: All right. Thank
14 you. You know, the hope is that we're getting to the end
15 of these things, and that's at least the hope. All right.
16 I have no other questions. Is there any redirect?

17 MS. GOLDWASSER: May I have a moment
18 please?

19 CHAIRMAN IGNATIUS: Yes. Oh, I'm sorry.
20 Commissioner Scott, another question.

21 CMSR. SCOTT: Real quick. Thank you.

22 BY CMSR. SCOTT:

23 Q. Again, for whoever feels best qualified. Obviously,
24 you discussed that there's different allocations

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 between the Maine and New Hampshire Divisions. Have
2 those allocations changed from previous filings? And,
3 why so, if they have?

4 A. (Kahl) They change, you know, we update them every
5 year, and they do change every year. And, it's a
6 function of both the type of assets we have under
7 contract, how much is pipeline, is storage, is peaking,
8 and what the projected, we call it, "design year
9 demand" is for each state.

10 Q. Uh-huh.

11 A. (Kahl) And, then, factor in the costs into our cost of
12 gas model, and then we'll calculate the percentages for
13 each division. The actual demand projection is
14 probably the biggest influence of what impacts that.

15 Q. And, how do the two divisions compare demandwise?

16 A. (Kahl) That's in the filing, on Schedule 21, Page 3.
17 And, I'll just pull up the -- what was in the revised
18 filing. And, that's on Revised Bate Page 267, showing
19 the New Hampshire allocation at 47.23 percent and Maine
20 at 52.77.

21 Q. And, here we discussed what the average residential use
22 is. Is that markedly different in Maine, in the Maine
23 Division to the New Hampshire Division?

24 A. (Conneely) I can answer that. They're pretty --

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 they're pretty close. Yes.

2 CMSR. SCOTT: Okay. Thank you.

3 CHAIRMAN IGNATIUS: All right. Any
4 redirect, Ms. Goldwasser?

5 MS. GOLDWASSER: I'd like to approach
6 the bench just for a moment.

7 CHAIRMAN IGNATIUS: That's fine.

8 MS. GOLDWASSER: "Approach the
9 witnesses", I should say.

10 (Atty. Goldwasser conferring with the
11 witness panel.)

12 MS. GOLDWASSER: Thank you for that
13 time. I have one clarification from actually my direct of
14 Mr. Conneely. We recognize that he may have misspoken a
15 number, which may have resulted in a lack of clarity. So,
16 I just want to get those numbers correct on the record.

17 CHAIRMAN IGNATIUS: All right.

18 **REDIRECT EXAMINATION**

19 BY MS. GOLDWASSER:

20 Q. Mr. Conneely, and this is going to the DSM budget
21 increase request, what was the DSM charge that was
22 proposed on September 16th, 2013?

23 A. (Conneely) My apologies, madam Chair. I think this is
24 where I confused you. It's 0.0350.

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 Q. And, what's the proposed charge, which includes the
2 adjustments that are included in the update and
3 includes the \$70,000 ENERGY STAR --

4 A. (Conneely) That is the 0.0393.

5 Q. Okay. So, those were the two -- those are the two
6 numbers. And, again, the resulting bill increase that
7 you described doesn't change, is that correct? It's
8 just the numbers were misspoken?

9 A. (Conneely) Correct.

10 MS. GOLDWASSER: Okay. Madam Chair, I
11 think I've got two different Northern representatives here
12 who are in the process of calculating the answer to the
13 question that you asked. And, so, what I'd like to do is
14 give Staff an opportunity to testify. And, then, if you
15 would take an offer of proof on what those numbers would
16 be, we can avoid a record request.

17 CHAIRMAN IGNATIUS: That's fine.

18 MS. GOLDWASSER: I just want them to
19 double check and make sure that they agree before I give
20 you a number.

21 CHAIRMAN IGNATIUS: Yes, that's the
22 danger. Two people might come up with two different
23 numbers.

24 MS. GOLDWASSER: So, if that will work

{DG 13-257} {10-23-13}

[WITNESS PANEL: Wells~Kahl~Conneely]

1 for you, I think we're all set.

2 CHAIRMAN IGNATIUS: That's fine. Any
3 problem with that from anyone?

4 MS. HOLLENBERG: No.

5 CHAIRMAN IGNATIUS: All right. Then,
6 why don't we shift gears then. You gentlemen are excused.
7 Thank you. And, we turn -- I assume, Ms. Hollenberg, you
8 do not have a witness?

9 MS. HOLLENBERG: Oh. Sorry. We were
10 talking about something.

11 CHAIRMAN IGNATIUS: You're not calling a
12 witness today?

13 MS. HOLLENBERG: No, ma'am. Thank you.

14 MS. GOLDWASSER: I'm sorry. I had one
15 other clarification. I think I misspoke at the very
16 beginning of the hearing. The blue binder, that's marked
17 as "Exhibit 1", does not contain the confidential
18 material. The confidential material was provided to the
19 Commission in a sealed envelop, separate and apart from
20 that binder. However, Exhibit 3 does include confidential
21 material. Just, again, to clarify the record. My
22 apologies.

23 CHAIRMAN IGNATIUS: And, we have the --
24 the bound volume does have grayed sections, and then we

{DG 13-257} {10-23-13}

1 have individual pages.

2 MS. GOLDWASSER: That is correct. Yes.

3 CHAIRMAN IGNATIUS: Thank you.

4 MS. GOLDWASSER: My apologies.

5 CHAIRMAN IGNATIUS: No problem.

6 Mr. Speidel.

7 MR. SPEIDEL: Just before we begin, just
8 a second please. Are we going to notice the confidential
9 inserts to Exhibit 1 or the original cost of gas filing as
10 a separate exhibit? Maybe we should do that as a
11 confidential exhibit or is that not necessary?

12 CHAIRMAN IGNATIUS: No, that's a good
13 point. We should do that.

14 MR. SPEIDEL: So, just to avoid having
15 to renumber everything, maybe we can have that reserved as
16 "Exhibit 4".

17 CHAIRMAN IGNATIUS: I think we held 4 as
18 the record request.

19 MS. GOLDWASSER: Which we may be able to
20 avoid.

21 CHAIRMAN IGNATIUS: Which may be
22 unnecessary. All right. Well, let's call that "Exhibit
23 4". And, then, if we do need the record request, we can
24 deal with that then. All right. So, 4 would be the

[WITNESS: Wyatt]

1 multi-page confidential sheets that accompanied the
2 redacted version, Exhibit 1. Correct?

3 MR. SPEIDEL: Excellent. Thank you.

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

7 CHAIRMAN IGNATIUS: Thank you for
8 pointing that out, Mr. Speidel.

9 MR. SPEIDEL: Thank you, Chairman. And,
10 Mr. Wyatt, I would like to request that Mr. Wyatt be
11 called to the stand.

12 CHAIRMAN IGNATIUS: Yes, please.

13 (Whereupon **Robert Wyatt** was duly sworn
14 by the Court Reporter.)

15 **ROBERT WYATT, SWORN**

16 **DIRECT EXAMINATION**

17 BY MR. SPEIDEL:

18 Q. Mr. Wyatt, could us please state your full name for the
19 record.

20 A. My name is Robert Wyatt.

21 Q. What is your occupation?

22 A. I am the Assistant Director of the Safety Division of
23 the Commission.

24 Q. Do you happen to recognize or recall a document that

[WITNESS: Wyatt]

1 was filed under a cover letter signed by me, dated
2 October 18th, 2013?

3 A. I do.

4 Q. What was that document?

5 A. That was prefiled testimony by me.

6 MR. SPEIDEL: I would like to request
7 that that be marked as "Exhibit 5".

8 CHAIRMAN IGNATIUS: So marked for
9 identification.

10 (The document, as described, was
11 herewith marked as **Exhibit 5** for
12 identification.)

13 MR. SPEIDEL: Thank you very much.

14 BY MR. SPEIDEL:

15 Q. Mr. Wyatt, did you prepare this prefiled testimony as
16 part of your responsibilities as Assistant Director of
17 the Safety Division?

18 A. I did.

19 Q. Thank you. Did you file this testimony for advisory
20 and informational purposes for the Commission's use and
21 the use of other parties in this proceeding?

22 A. Yes, I did.

23 Q. Do you have any corrections or amendments that you
24 would like to make to this prefiled testimony?

{DG 13-257} {10-23-13}

[WITNESS: Wyatt]

1 A. I have two minor nuisance edit-type corrections. On
2 Page 7, Line 12, right after the word "transactions",
3 there's a comma and a period. The comma should be
4 removed. And, then, on Line 19, the very first word in
5 the line, "the" should be removed.

6 Q. Thank you, Mr. Wyatt. Other than these minor
7 typographical changes, would you concur with the --
8 would you concur with the position or with the
9 expectation that this testimony is self-explanatory?

10 A. Yes, I would.

11 MR. SPEIDEL: Thank you very much.
12 Staff has no further direct questions of the witness.

13 CHAIRMAN IGNATIUS: All right. Ms.
14 Goldwasser, questions?

15 MS. GOLDWASSER: No questions. Thank
16 you.

17 CHAIRMAN IGNATIUS: Ms. Hollenberg?

18 MS. HOLLENBERG: Thank you. No
19 questions.

20 CHAIRMAN IGNATIUS: Commissioner Scott,
21 questions?

22 CMSR. SCOTT: Good afternoon.

23 BY CMSR. SCOTT:

24 Q. On Page 3 of your testimony, Lines 17 and 18, it says

{DG 13-257} {10-23-13}

[WITNESS: Wyatt]

1 "Staff will review the revised cost of gas forecast
2 prior to the hearing and note the results of that
3 review at the hearing."

4 A. Yes.

5 Q. Did you do so?

6 A. I did. I reviewed the revised schedules last night.
7 And, everything is as expected. I believe everything
8 is correct.

9 Q. Great. And, on Page 4 of your testimony, Lines 10 to
10 12, and I think this was addressed in the last panel, I
11 just wanted to, if you wouldn't mind talking to it.
12 The last line said "the demand requirements did not
13 appear to support the need for" -- okay, I think I'm on
14 in the wrong place. I'm sorry. Strike that. How
15 about Page 6. My apologies. Line 19 to 20. Your
16 statement is "Northern will be able to fully utilize
17 its pipeline capacity without restriction, in each
18 supply path back to more liquid supply points." Do you
19 feel that's now the case?

20 A. Yes, I do. Northern has some legacy contracts, and
21 they are grouped in different paths. And, these
22 contracts or these contract paths allow Northern to
23 pull gas from supply sources such as the Gulf of Mexico
24 and the Texas region, which has very stable pricing,

{DG 13-257} {10-23-13}

[WITNESS: Wyatt]

1 and also the Chicago markets. And, both of those, if
2 you look closely in Tab 6 of the filing, you can see
3 the basis differentials between NYMEX and the
4 average --

5 (Court reporter interruption.)

6 **CONTINUED BY THE WITNESS:**

7 A. You can look in Schedule 6 of the filing and compare
8 the NYMEX price to the average delivered cost of these
9 supplies. And, you can see the attractive nature of
10 these capacity contracts.

11 BY CMSR. SCOTT:

12 Q. So, more specifically, what's changed from last year --
13 what has changed from last year to now that allows the
14 Company to utilize the full pipeline capacity?

15 A. Well, the Company had a winter baseload contract last
16 year. And, at the same time, and Mr. Wells I think
17 explained a little bit about the structure of the Asset
18 Management Agreement with the Tennessee long haul
19 contract back to the Gulf, that allowed Northern to
20 utilize those supplies from the Gulf at Gulf prices for
21 30 days of the winter period. This year, they will be
22 able to use it for the full 151 days of the winter,
23 November through March.

24 CMSR. SCOTT: Thank you. That's all I

[WITNESS: Wyatt]

1 have.

2 CHAIRMAN IGNATIUS: Thank you.

3 BY CHAIRMAN IGNATIUS:

4 Q. Mr. Wyatt, do you have an update on the -- really, in a
5 very general overview, of where we are on the
6 manufactured gas sites? Are we winding down for this
7 company or are there other big problems still looming?

8 A. I'll be honest with you, I don't put a lot of focus
9 into Northern's environmental remediation costs. I
10 leave that to the Audit Staff. But, generally, I
11 believe Northern is close to being over the hump on
12 this stuff, except for the normal upkeep and
13 maintenance that Mr. Conneely referred to earlier.

14 Q. All right. And, in your testimony you described a
15 number of fine-tuning changes and adjustments that you
16 think has been effective, and that Staff and the
17 Company have been able to work out. The one area you
18 still wanted to resolve, everybody wanted to resolve,
19 but didn't have a solution yet, had to do with the
20 timing of these cases coming in with a lot of
21 complexity and short turnaround time, I assume is the
22 problem?

23 A. Yes.

24 Q. Are the winter cost of gas filings more complex than

{DG 13-257} {10-23-13}

[WITNESS: Wyatt]

1 the summer period filings?

2 A. Yes, they are.

3 Q. Is that one way to smooth out the process, to put some
4 of the other adjustments that aren't related to winter
5 supply into the summer filing? Would that help or hurt
6 or it be the same problem, just shifted to the summer?

7 A. Well, on the surface, it sounds as though that would
8 work. But it's really not quite that simple. Because
9 contracts are set up in such a way that the impact of
10 these contracts usually start around November 1st, and
11 the effective date of November 1st. And, that pretty
12 much requires us to deal with these in the winter cost
13 of gas filings.

14 That said, we still have discussed what
15 our options might be. We haven't gone very far down
16 that road, because we're all very busy. And, I don't
17 know if we're going to be able to find an easy solution
18 to this or not.

19 Q. Are any of the components of what's finally rolled up
20 into these multiple changes, are any of the components
21 resolved or could they be resolved earlier, so that
22 you've had a chance to work through them before the
23 actual pricing-related information comes in for the
24 cost of gas?

{DG 13-257} {10-23-13}

[WITNESS: Wyatt]

1 A. Yes. And, that is one area that Staff and the Company
2 plan to sit down, in subsequent meetings between these
3 cost of gas periods, to work on things. For instance,
4 a little bit additional detail when the reconciliations
5 are filed, which is 90 days after the period closes,
6 that's like halfway between filings. And, I spent a
7 tremendous amount of time reviewing the reconciliation
8 this year. But, unfortunately, I didn't get to start
9 reviewing it at the end of July, because I was busy
10 with duties in my new job. The Company also had spent
11 a tremendous amount of time and resources in responding
12 to data requests from me, because I was trying to
13 figure out how the cash or the -- the credits and costs
14 were flowing through the reconciliation. And, they
15 were providing me the information. But it was very
16 time-consuming. And, we all want to see a way --
17 there's got to be a better way to do this. And, that's
18 what we're going to work on.

19 CHAIRMAN IGNATIUS: All right. Thank
20 you. I have nothing else. Any redirect, Mr. Speidel?

21 **REDIRECT EXAMINATION**

22 BY MR. SPEIDEL:

23 Q. It's not strictly speaking redirect, but, Mr. Wyatt,
24 have you been engaged in ongoing collaboration with the

[WITNESS: Wyatt]

1 Company and the OCA regarding these issues described in
2 your testimony?

3 A. Yes, I have.

4 Q. And, do you have an expectation that this collaboration
5 will continue over the next year?

6 A. Absolutely.

7 MR. SPEIDEL: Thank you. No further
8 questions.

9 CHAIRMAN IGNATIUS: Thank you. Then,
10 you're excused. Thank you, Mr. Wyatt. I assume we have
11 no other witnesses, correct?

12 MS. GOLDWASSER: We have no other
13 witnesses. We do have, hopefully, an offer of proof with
14 respect to your question, subject to check, --

15 CHAIRMAN IGNATIUS: Sure.

16 MS. GOLDWASSER: -- a back-of-the-
17 envelop analysis here. And, please let us know if this
18 doesn't answer your question. But, of the \$906 increase
19 for the average -- the average residential heating
20 customer, 2564 -- 25.64 is rebated -- I'm sorry, is
21 related to temporary rates, which leaves \$880 to the other
22 charges that the Chairman was asking about. And, that's
23 approximately a 6.7 percent increase. In comparison with
24 Mr. Conneely's testimony from September, which indicated a

{DG 13-257} {10-23-13}

1 6.64 percent increase.

2 CHAIRMAN IGNATIUS: So, you strip out --
3 the temporary rate amount was?

4 MS. GOLDWASSER: 25.64.

5 CHAIRMAN IGNATIUS: \$25.64. And, that
6 leaves you with 880 for the winter term, is that right?

7 MS. GOLDWASSER: Uh-huh. Yes.

8 CHAIRMAN IGNATIUS: And, that's a
9 6.7 percent higher figure than last winter's term?

10 MS. GOLDWASSER: Yes.

11 CHAIRMAN IGNATIUS: All right. Thank
12 you. Appreciate that. Then, we don't need a separate
13 record request, and thanks for doing the calculations
14 while we're here. Is there anything else to take up?

15 (No verbal response)

16 CHAIRMAN IGNATIUS: Any objection to
17 striking the identifications and making all five exhibits
18 permanent exhibits?

19 MS. HOLLENBERG: No, ma'am.

20 CHAIRMAN IGNATIUS: Seeing none, we'll
21 do that. Then, I think the only thing left then would be
22 closing statements. Ms. Hollenberg.

23 MS. HOLLENBERG: Thank you. The Office
24 of Consumer Advocate appreciates the Company's efforts and

1 the Staff's efforts in investigating the cost of gas
2 filing. We do not oppose the proposed increase to the
3 cost of gas or the LDAC.

4 CHAIRMAN IGNATIUS: Thank you.
5 Mr. Speidel.

6 MR. SPEIDEL: Staff supports the
7 Northern proposed 2013-2014 peak period cost of gas rates
8 as filed and updated. The Commission Audit Staff has
9 reviewed the 2012-2013 peak period cost of gas
10 reconciliation and found no exceptions. The sales
11 forecast for the 2013-2014 peak period cost of gas are
12 consistent with past experience. And, though Staff, as
13 testified to by Assistant Director Wyatt, will continue to
14 examine matters related to Northern's technical accounting
15 and asset management practices over the coming year, in
16 collaboration with the OCA and the Company. In general
17 terms, the Company's supply plan is based on the
18 principles of a least cost planning and management, and
19 the direct gas costs are based on actual or hedged prices
20 and projected pricing that reflect market expectations.

21 Staff also appreciates Northern's
22 ongoing efforts in responding to Staff's concerns
23 regarding matters discussed in Mr. Wyatt's testimony.

24 Staff also acknowledges that there will

1 be a reconciliation of forecasted and actual gas costs for
2 the 2013-2014 peak period that will be filed prior to next
3 winter's cost of gas proceeding. Any concerns that may
4 arise related to the 2013-2014 gas planning and dispatch
5 practices of Northern may be raised and addressed in the
6 2014-2015 peak period cost of gas proceeding.

7 The Local Delivery Adjustment Charge is
8 comprised of a number of surcharges, all of which have
9 been established in other proceedings, and the actual rate
10 determined in the winter cost of gas and effective for one
11 year. Staff recommends approval of these charge
12 components.

13 Audit Staff has completed its review of
14 environmental remediation costs, and Staff acknowledges
15 Northern's making adjustments to these costs through this
16 year.

17 Staff has also reviewed the proposed
18 supply balancing charges, the company gas allowance
19 factor, and the capacity allocator percentages, including
20 Maine/New Hampshire interstate aspects, and recommends
21 Commission approval for these charges.

22 Staff thanks Northern personnel and the
23 OCA staff for their ongoing cooperation and effort with
24 Commission Staff in the preparation and review and

1 updating of Northern's cost of gas filings, and for
2 Northern's prompt response to Staff inquiries. Thank you.

3 CHAIRMAN IGNATIUS: Thank you. Ms.
4 Goldwasser.

5 MS. GOLDWASSER: Thank you. Northern
6 respectfully asks that the Commission put into place the
7 rates that the Company requested for the winter period
8 cost of gas, as reflected in the updated filing made on
9 October 17th, 2013. The Company has included in those
10 rates the proposed increase to the 2013 residential gas
11 energy efficiency budget. And, if part of that budget
12 proposal is not approved, the Company submits that the
13 difference can be reconciled next year.

14 The Company appreciates the efforts of
15 Staff and the Office of the Consumer Advocate in this
16 docket, and looks forward to continuing to work with those
17 offices going forward.

18 CHAIRMAN IGNATIUS: Thank you. I know
19 the request is for rates effective November 1st, and which
20 is quick, but we will meet that deadline. We'll take all
21 this under advisement. And, we're adjourned. Thank you.

22 **(Whereupon the hearing was adjourned at**
23 **3:12 p.m.)**
24