STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 23, 2014 - 9:06 a.m.
Concord, New Hampshire

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RE: **DG 14-239 NORTHERN UTILITIES, INC.**
NEW HAMPSHIRE DIVISION:
Winter 2014-2015 Cost of Gas.

PRESENT: Alexander F. Speidel, Esq.
(Presiding as Hearings Examiner)

Clare Howard-Pike, Clerk

APPEARANCES: **Reptg. Northern Utilities, Inc.:**
Gary Epler, Esq.

Reptg. Global Montello Group Corp. and Sprague Operating Resources, LLC:
Edward (Ned) Sackman, Esq. (Bernstein Shur)

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

Reptg. PUC Staff:
David K. Wiesner, Esq.

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

ORIGINAL

I N D E X

E X H I B I T S

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3	Northern Utilities New Hampshire Division Environmental Response Cost Report through June 2014 (09-15-14)	8
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P R O C E E D I N G

MR. SPEIDEL: This morning we're beginning a hearing for the Northern Winter Cost of Gas 2014-2015 filing in Docket Number DG 14-239. I will be the presiding officer at today's hearing. We're having a little bit of a personnel issue with the Commissioners. There's a certain thing known as the "Scrubber trial" that's going on not too far from here. So, I will be making recommendations to the Commission regarding this matter and they will be acting.

And, I can note that the filing was made by the Company, Northern, on September the 16th. The Order of Notice was published on September the 22nd, and an affidavit of publication was provided by the Company on October the 1st. Also, the Office of the Consumer Advocate filed a letter of participation on October the 2nd.

Now, before I take appearances, I would like to ask a couple of small housekeeping matters. Number one, please speak into the microphones carefully, given that we're in a small hearing room, and the court reporter needs to hear concisely and clearly what everyone is saying. And, also, I would like to ask, if there's a representative of the intervenors, the joint intervenors, Global Montello Group and Sprague Operating Resources, LLC?

MR. SACKMAN: Hi. Good morning. My name is Ned Sackman. I'm here from Bernstein Shur, on behalf of Global and Sprague. And, I am filling in for Trish French this morning.

MR. SPEIDEL: Okay. You may take a seat. I would like to advise you that, given the fact that I'm a Hearings Examiner, I do not have the unilateral ability to approve your intervention request. However, I think we can work out the scope of your participation in today's hearing, as your intervention request was timely. And, I would incorporate into my Hearings Examiner Report a recommendation regarding your intervention request. So, we'll work on that in a few minutes.

But, first, I'd like to take appearances from the remaining parties today.

MR. EPLER: Good morning. Gary Epler, on behalf of Northern Utilities.

MR. SPEIDEL: Thank you.

MS. HOLLENBERG: Good morning. Rorie Hollenberg, on behalf of New Hampshire Office of Consumer Advocate.

MR. WIESNER: And, David Wiesner for

Commission Staff. With me today are Stephen Frink, Assistant Director of the Gas and Water Division, and Al-Azad Iqbal, an Analyst with the Division.

MR. SPEIDEL: Thank you. Mr. Epler, I see that there's a panel of witnesses from the Company. Would you be able to just run through us regarding your plans for having witnesses appear today?

MR. EPLER: Yes. I'd be happy to. Thank you. First of all, we do have a panel of three witnesses. And, we also have a number of exhibits. The witnesses, I can, if you want, we can have them sworn and they can introduce themselves. And, then, the exhibits, if you wanted to premark them, I can go through them now?

MR. SPEIDEL: That would be fine.

MR. EPLER: Okay. The first exhibit to premark as "Exhibit", I guess, "Hearing Exhibit Number 1" would be the September 16th filing of the 2014-2015 Winter Season Cost of Gas and associated charges filing. And, that is in a large binder. It contains the cover letters, the tariffs, the testimonies, and all the schedules of the witnesses. So, if that could be premarked as "Exhibit Number 1".

MR. SPEIDEL: Is that the public version or the confidential version?

MR. EPLER: That would be the confidential version.

MR. SPEIDEL: Okay. Thank you. So, confidential, "Exhibit 1" would be the confidential filing here.

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

MR. EPLER: And, I guess then maybe the public version could be "Exhibit Number 2".

MR. SPEIDEL: Okay.

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

MR. EPLER: And, then, there is a separate binder filing, that's dated "September 15th", I don't know if was -- if you received it at the same time, and that is the "Northern Utilities Environmental Response Cost Report through June of 2014". And, that consists of a number of schedules and attachments.

MR. SPEIDEL: Yes. I was made aware of the fact that I would have to serve as Hearings Examiner, so I provided that to Mr. Sheehan, Attorney Sheehan, and I think Attorney Sheehan might have handed it over to

Attorney Wiesner. If not -- well, sorry. I'm familiar with that filing, yes.

MR. EPLER: Okay. So, that would be Exhibit Number 3.

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

MR. EPLER: And, then, there was an additional filing made on October 13th, 2014, with the same heading, and it contains a schedule that was inadvertently omitted from the initial filing submitted on September 16th. It's "Schedule 5B". That's a confidential schedule. A redacted and confidential version was filed.

MR. SPEIDEL: So, was the entire Environmental Cost Report filed *in toto* or is that the September 16th filing?

MR. EPLER: The September 16th -- I'm sorry. The Environmental Cost Report was filed under separate cover, it's dated "September 15th".

MR. SPEIDEL: Okay.

MR. EPLER: That I think we premarked as "Exhibit Number 3".

MR. SPEIDEL: Yes.

MR. EPLER: This would be actually "Exhibit Number 4".

MR. SPEIDEL: Right.

MR. EPLER: Which is just one schedule, Schedule 5B.

MR. SPEIDEL: Just the schedule.

MR. EPLER: That should have been filed, was intended to be filed with the initial filing, what we've marked as "Exhibit Number 1". It was omitted. So, I think, probably for clarity, we give it a separate number, "Exhibit Number 4".

MR. SPEIDEL: Very good. Thank you for that explanation.

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

MR. EPLER: And, I believe that's the total exhibits we have. And, --

MR. SPEIDEL: Do any -- go ahead please.

MR. EPLER: I'm sorry. And, with that, I'm at your pleasure ready to proceed with the witnesses.

MR. SPEIDEL: All right. Do any other parties intend to add exhibits to this list?

MR. WIESNER: Staff intends to offer an

exhibit, which is a data request response provided by the Company.

MR. SPEIDEL: Was the data response made by one of these Company personnel folks seated here?

MR. WIESNER: Yes. It was made by Mr. Wells.

MR. SPEIDEL: Okay. Excellent. So, you can offer that during the course of your questioning, I believe, your cross-examination of the witnesses. I'll have that penciled in as "Exhibit 5". We'll use these designations for the time today during our hearing. And, I will recommend that the Commission accept these exhibits as we go along during my report.

Now, I would like to ask a brief question of the representative of the filed intervenors. Do you intend to have cross-examination questions for these witnesses today?

MR. SACKMAN: I do.

MR. SPEIDEL: You do? As you are not officially an intervenor yet, I would caution that the questions that you should ask should involve the cost of gas filing, and they should be the types of questions that I would be willing to ask from the Bench myself. So, I also would recommend to the Company, if it feels that any given question is objectionable, that they make that known. And, I might caution you that a given question is inappropriate, given the scope of this proceeding as noticed in the Order of Notice. So, I think we can proceed on that basis.

But I would like at the present time to have the witnesses sworn and introduced by the Company.

MR. EPLER: Just before we do that, one other point that may not be an issue. There is an issue of confidentiality that may arise, and it may not, --

MR. SPEIDEL: Certainly.

MR. EPLER: -- depending on the nature of the subjects we get into and the scope of the cross-examination. As you know, given your experience on these matters in previous dockets, the Company purchases gas on a regular basis in the market. The intervenor party, not yet certified, is also active in the market. And, so, there are a number of matters that the Company feels is confidential and would not want to disclose to the intervenor. So, I just raise that as a potential issue. It may not arise. We can certainly deal with it when it does arise. I just wanted to bring that to your attention.

MR. SPEIDEL: That's very good. I would

expect that all the participants here would know as to when they are referring to confidential information. If we have questions that pertain to confidential information, they should be brought to my attention. And, at that point, we would begin a confidential phase of this hearing, and request that parties that do not have a confidentiality agreement or statutory responsibility of confidentiality vis-a-vis the Company's proprietary information head out of the hearing room at that point. But we'll just feel our way along as we go.

And, I would like to invite the Company to introduce the witnesses after they are sworn. Mr. Patnaude.

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

CHRISTOPHER A. KAHL, SWORN

FRANCIS X. WELLS, SWORN

JOSEPH F. CONNEELY, SWORN

DIRECT EXAMINATION

BY MR. EPLER:

Q. Okay. Starting with the panel member who's closest to me, can you please state your name and your position with the Company?

A. (Kahl) Christopher Kahl. I'm a Senior Regulatory Analyst with Unitil.
A. (Wells) Francis Wells. I am a Manager of Energy Planning for Unitil.
A. (Conneely) Joseph Conneely. I'm a Senior Regulatory Analyst with Unitil Service Corp.
Q. Mr. Kahl, turning to you first. First of all, have you testified before this Commission previously?
A. (Kahl) Yes, I have.
Q. And, can you please turn to the documents that have been premarked as exhibits? And, in particular, first, if you could turn to the large binder that's been premarked as "Exhibit Number 1". And, turn to the tab marked "Kahl Testimony". And, was this prefiled testimony prepared by you?
A. (Kahl) Yes, it was.
Q. Do you have any changes or corrections?
A. (Kahl) No, I do not.
Q. Are there particular schedules associated with this testimony?
A. (Kahl) Yes, there are.
Q. Could you identify them please. You can just identify them by number.
A. (Kahl) Yes. The schedules that I prepared were

Schedule 1A, 1B, Schedule 3, Schedule 4, Schedule 9, Schedule 10A, Schedule 10B, Schedule 10C, Schedule 14, Schedule 15, Schedule 18, Schedule 21, Schedule 22, Schedule 23, and Schedule 24.

Q. Okay. Thank you. And, were you responsible for any of the schedules in what's been marked as "Exhibit Number 3", the Environmental Response Cost Report?

A. (Kahl) No, I wasn't.

Q. Okay. And, were you responsible for the October 13th filing, Schedule 5B?

A. (Kahl) No, I wasn't.

Q. Okay. Thank you. So, looking at those schedules, do you have any changes or corrections to those or any changes or corrections to your testimony?

A. (Kahl) No, I do not.

Q. And, with respect to your testimony, if you were asked those questions today, would your answers be the same?

A. (Kahl) Yes, they would.

Q. And, do you adopt this prefiled testimony and the corresponding schedules as your testimony in this proceeding?

A. (Kahl) Yes, I do.

Q. Thank you. Mr. Wells, good morning.

A. (Wells) Good morning.

Q. Could you please -- first of all, you've testified before the Commission previously?
A. (Wells) Yes. That is correct.
Q. And, can you please turn to what's been marked as Exhibit Number 1?
A. (Wells) I have.
Q. And, turn to the tab that's marked "Wells Testimony". Was this prepared by you?
A. (Wells) It was.
Q. And, do you have any changes or corrections?
A. (Wells) I do not.
Q. Okay. And, can you please indicate which schedules in Exhibit Number 1 were prepared by you?
A. (Wells) Certainly. Schedule 2, Schedule 5A and the attachment, Schedule 5B, Schedule 6A, Schedule 6B, Schedule 7, and then the three attachments to Schedule 10, Schedules 11A, B, C, D, and E, as well as Schedule 12, 13, and 14.
Q. Okay. Now, you referred to "Schedule 5B". So, that would be the schedule that was filed on October 13th?
A. (Wells) That's correct.
Q. And, that's been marked as "Exhibit Number 4"?
A. (Wells) Correct.
Q. And, do you have any changes or corrections to these?

A. (Wells) I do not.
Q. Okay. And, if you were asked the same questions in your prefiled direct testimony today, would your answers be the same?
A. (Wells) They would.
Q. And, do you adopt your prefiled testimony and the schedules as your testimony in this hearing?
A. (Wells) I do.
Q. Okay. Thank you. And, lastly, Mr. Conneely, good morning.
A. (Conneely) Good morning.
Q. Now, can you do the same, turn to the tab that's marked "Conneely Testimony". And, was this prepared by you?
A. (Conneely) Yes, it was.
Q. And, do you have any changes or corrections?
A. (Conneely) I do have one correction.
Q. Okay.
A. (Conneely) It's not to the testimony, it's to one of these attachments.
Q. Okay. Well, why don't you, --
A. (Conneely) I'll hold off.
Q. -- before you get to that, --
A. (Conneely) Okay.
Q. -- if you could just list the schedules that were

prepared by you or under your direction.
A. (Conneely) I prepared Schedules 8, 16, and Schedule 15, Attachment C.
Q. Okay. And, were you also responsible for the Environmental Cost Report?
A. (Conneely) I was.
Q. Okay. And, you're sponsoring that?
A. (Conneely) Correct.
Q. All right. Now, the correction that you referenced?
A. (Conneely) I included for the docket a "Revised Page 180 of 221", which is the "Revised Attachment C". This is the environmental response costs reconciliation for the previous year.
Q. Okay. Is that -- have you prepared a separate page replacement for that?
A. (Conneely) I have.
Q. And, has that been distributed?
A. (Conneely) It has.
Q. Okay. Do you happen to have an extra copy for the intervenor?
A. (Conneely) I do.

(Atty. Epler handing document to Atty. Sackman.)

MR. SACKMAN: Thanks very much.

MR. SPEIDEL: Is there an extra copy for my use?

WITNESS CONNEELY: Yes.

(Document handed to Atty. Speidel.)

MR. SPEIDEL: Thanks.

MR. EPLER: I'm sorry. I didn't realize you didn't have one.

BY MR. EPLER:

Q. Okay. Could you just describe what the revision was?

A. (Conneely) Yes. On the "Firm Sales and Transportation" column, the months of the quantities were transposed one month off. So, all of the rest of the ending balances were correct. The copy-and-paste error of the months and quantity has been corrected.

Q. Okay. Thank you.

MR. SPEIDEL: If I may just briefly interrupt, has Staff already marked its data request with the numeral "5" for its exhibit? It has not?

MR. WIESNER: No.

MR. SPEIDEL: Excellent. I would recommend that this be included as a potential "Exhibit 5" by the Company, if it's all right? Thank you.

MR. EPLER: Sure. Thank you. Okay. So, that would be "Exhibit 5" is Revised --

MR. SPEIDEL: Attachment C.
MR. EPLER: -- Attachment C.
(The document, as described, was herewith marked as **Exhibit 5** for identification.)
BY MR. EPLER:
Q. If you, Mr. Conneely, if you were asked the same questions as appear in your prefiled direct testimony today, would your answers be the same?
A. (Conneely) Yes.
Q. And, do you adopt your testimony and the schedules you referenced as your testimony in this proceeding?
A. (Conneely) Yes.
MR. EPLER: Thank you, Mr. Hearing Officer. The witnesses are available for cross-examination.
MR. SPEIDEL: Thank you. And, I had forgotten this morning to mention that you can just refer to me as "Attorney Speidel", that's fine. What I would suggest is that we began with the Office of Consumer Advocate, followed by Staff, for the cross-examination questions. In case questions are asked that the intervenor or the potential intervenor wanted to ask, and we will avoid redundancy that way, and then the third

group would be the potential intervenor group.

So, I would invite Ms. Hollenberg to begin.

MS. HOLLENBERG: Thank you. I actually have no questions this morning. Thank you.

MR. SPEIDEL: Okay. Attorney Wiesner.

MR. WIESNER: Good morning. I will -- I'll address these questions to the panel as a whole, and invite whichever individual is best able to respond to them to address the question.

CROSS-EXAMINATION

BY MR. WIESNER:

Q. First question. How did the proposed 2014-2015 Winter Period cost of gas rates compare with last year's seasonal average rate?

A. (Conneely) Good morning. I could answer the question.

A. (Kahl) Joe, I think we'll both take a stab at this. You have some information on one of your schedules, I have some on mine. I can refer you to Schedule 9 of the filing. This schedule shows the proposed rate compared to last year's average rate, incorporating rate adjustments that happened last year. I think, as we all know, Northern can adjust its rates on a monthly basis. There were, I believe, two adjustments made last winter. So, taking those into account, we see a rate of approximately about 81 cents.

Q. Mr. Conneely, did you have anything to add?

A. (Conneely) I would refer, and this is a different way of looking at it, but I would refer everyone to Schedule 8, Page 1 of 5. And, this has the typical residential heating bill. So, a customer using 633 therms for the winter period, we propose a $1 and -- $1.1069 proposed cost of gas. And, looking at last winter, if you did the weighted average cost of gas, we'd have a 0.9016 rate. So, the difference would be 0.2053 cent increase per therm.

Q. And, that is the rate impact for a typical residential heating customer of the Company?

A. (Conneely) Correct.

Q. Thank you. What are the major factors accounting for the rate increase this year?

A. (Conneely) I can take one, one aspect of the rate increase, would be the distribution rate increase. And, that's shown on the same schedule. The customer charges and the distribution rates have increased year-over-year. I can let one of the other two on the panel here discuss the cost of gas increases.

A. (Wells) So, referring to Schedule 9, as you can see, it provides a year-over-year comparison of demand costs, purchased gas, and storage and peaking gas on the cost of gas rate. And, so, as you can see, demand charges have increased significantly, having an impact of approximately 8 cents on the cost of gas. Purchased gas costs have also increased, about 5 cents, 5 and a half cents. And, also, the cost of storage and peaking gas has increased approximately 7 cents impact on the cost of gas.

And, also, you know, there had been a projected hedging gain in the -- or, there was a hedging gain in the prior winter's cost of gas, where we are projecting a modest cost, and that is about a one cent impact on cost of gas.

I also believe that, in my written testimony, I do have some discussion on the reasons for increases in, you know, both demand costs and commodity costs. The detailed discussion of that I can refer to you -- I apologize, I want to make sure I have the correct citation.

A. (Kahl) While Mr. Wells was checking on his citation, just from a high level, on the fundamentals of the market, we are looking at both higher demand costs and higher commodity costs for this winter compared to last winter.

And, I think Mr. Wells can provide a little more detail on that.

A. (Wells) Beginning on Page 13 of my written testimony, I discuss there is a significant increase in demand costs projected from the increase -- an increase in the projection of demand costs in '14-15 winter's cost of gas compared to prior year, of about $6 million for Northern total, a portion of which is allocated to New Hampshire Division. And, those cost increases are attributable mostly to, you know, projected increases in TransCanada costs and increases in Granite.

Also, referring to Page 16 of my written testimony, I discuss the increase in commodity costs. The increase in commodity costs are attributable to higher forecasted volumes, and also to higher unit commodity costs. And, higher unit commodity costs are based -- a significant portion of the increase in higher commodity unit costs are due to the higher New England baseload supply volumes and associated unit costs of those supply volumes.

A. (Kahl) I would also like to add that, on Page 20 of my testimony, I do mention that, the prior year reconciliation balance. So, the 2012-2013 balance was a credit that was actually larger than this past year's credit. So, I don't have the numbers in front of me, but I think the magnitude was about a million dollars.

Q. How do current NYMEX natural gas futures prices compare to those used in the Company's cost of gas filing?

A. (Kahl) Yes. I reran our cost of gas numbers earlier this week, using a NYMEX closing price of either last Friday or this past Monday, and calculated that the difference in the cost of gas projection was less than 2 percent. I came up with a number of somewhere in the ballpark of about 1.7 percent. Realizing that that's not really that significant an amount and can be adjusted in monthly adjustments, if that -- if that difference does exceed 2 percent.

MR. SPEIDEL: In what direction? Up or down?

WITNESS KAHL: Down.

MR. SPEIDEL: Down. Thank you.

BY MR. WIESNER:

Q. And, that difference in the proposed cost of gas would work out to what, in terms of the actual rate? Can you estimate that? Would it be a similar percentage decrease?

A. (Kahl) The same. It would be about a 1.7 change in the rate.

Q. Okay. Thank you. Do the proposed maximum cost of gas rates allow enough flexibility for the Company to absorb normal price fluctuations through monthly rate adjustments without adjusting the proposed rate at this time?

A. (Kahl) Yes, they do.

Q. Thank you. How does the demand forecast for this winter period compare to last winter's forecast?

A. (Wells) Again, referring to my testimony, the demand forecast is about $6.2 million higher than the prior year for Northern total company, inclusive of both Maine and New Hampshire Divisions. And, as I discussed previously, the majority of that increase is attributable to a proposed TransCanada Pipeline rate increase that would be effective January 1st.

Q. And, what about the volumes forecast?

A. (Wells) Oh, I apologize. When you said "demand forecast", I assumed you were referring to "demand cost forecast". I understand you mean our "sales forecast"?

Q. Yes. That's correct.

A. (Wells) Okay. I do provide, in one of the attachments to Schedule 10B, Attachment 1, which is on Bates stamp Page 117 of the initial filing. Sort of a -- this represents billed distribution service sales. So, this is inclusive of both sales service volumes and transportation service volumes. And, so, you know, this exhibit was prepared with actual data through March 2014, and which was weather-normalized. But -- and, so, my point in saying so is that April 2014 is actually a forecast when this was prepared. However, it represented approximately a 6 percent increase in distribution sales over prior winter. And, we are in a period of pretty significant growth, especially relative to, you know, our history. You know, historically, prior to, you know, recent activity, growth rates would bounce between essentially zero and 1 percent. And, so, both of our divisions are in a period of pretty robust growth. And, so, that, you know, our demand forecast is reflective of that.

Q. How much of the change in forecast demand is due to organic growth and how much is due to transportation customers switching to firm sales service, commonly referred to as "reverse migration"?

A. (Wells) Sure. I believe we have issued a data response that, thank you, provides some data that is responsive to that, that question. So, and this provides -- this is a revised Attachment 1-20, which was filed, I believe, this week. And, it provides -- well, no. I just wanted to see the question, so we can -- that I believe everybody has. Thank you.

So, in the request, we were asked to provide billed sales of customers that switched from firm transportation -- or, switched to firm sales from firm transportation prior winter. And, so, just looking at -- yes, there are -- the exhibit begins with "Maine Division". And, on Page 2, as you can see, approximate -- so, basically, the last six, you know, the last six rows of data are November through April billed sales for prior year. And, so, we've got, you know, billed sales ranging from 24,000 ccf, which is approximately, not good at math in my head, on the stand, especially, but if you take these numbers on Attachment 10 and divide them by 10, that would give you a dekatherm equivalent approximately. And, so, I believe those numbers are, if you were to add these numbers up, you would get approximately what our Maine Division impact of reverse migration was last winter. And, so, the sales forecasts builds off of this trend. And, so, I don't believe we have any like, you know, I don't have --

(Witnesses Kahl and Wells conferring.)

BY THE WITNESS:

A. (Wells) Okay. But, if we look at those sales in relation to just the total new customers, in the Maine Division, it looks to be roughly 50/50 last winter. And, then, in the New Hampshire Division, it also appears to be roughly 50/50, just based on last winter. And, so, our sales forecast, while we didn't necessarily estimate these areas of growth in sales service directly, would have been reflective of this history. And, so, if I were to venture an estimate, approximately 50 percent of the, you know, sales growth would be attributable to organic north of the distribution system and 50 percent attributable to customers, you know, there is a trend in both Maine and New Hampshire of customers moving back into sales service.

Q. So, the 50 percent estimate is good for both divisions, New Hampshire and Maine, roughly?

A. (Wells) You know, just based on my cursory review of Staff 1-20, and, you know, because that's reflective of the history that we used to build the sales forecast, that would be my, you know, it would be a good factor, a good rule of thumb for both.

Q. Good. Thank you. Please explain the operational and supply risks associated with reverse migration, specific to both capacity-assigned customers and capacity-exempt transportation load.

A. (Kahl) I just want to clarify. We're looking at the risks to transportation customers that have no capacity assigned to them. And, we're looking at transportation customers that do have load assigned to them.

Q. Yes.

A. (Kahl) And, we're looking at those two groups, right?

Q. That's correct.

A. (Kahl) Okay.

A. (Wells) Well, --

(Witnesses Kahl and Wells conferring.)

MR. EPLER: Is it possible, could I have the court reporter read back the question?

MR. SPEIDEL: Yes. That's a good idea.

(Whereupon the court reporter read back the last question asked.)

MR. EPLER: Thank you.

BY THE WITNESS:

A. (Wells) Why don't I start with just the operational risks. I'll try to address those issues separately. Or, rather, the operational supply risks, take them separately. The operational risks, I mean, so, Northern, by both its Maine and New Hampshire Division tariffs, requires ten business days notice before a customer can be, you know, moved into any different pool, including sales service. So, the Company gets sufficient notice of new customer loads. Whether they be, you know, and I would say that the operational risks are no different than, you know, the operational risks that would be assumed by the Company just from organic customer growth, from growth of the distribution system. Those, you know, any time you're adding customers, there are, you know, risks. And, I think our portfolio is reflective of trying to, you know, best manage those risks. We've got a very dynamic market, as well as a dynamic -- on both the distribution level, as in customers making choices about what fuel they're going to use in, you know, in order to heat their homes, you know, run their businesses and that type of thing, and also operational risks, you know, due to customers, you know, moving to and from.

And, I would say that the operational risks, if you will, from -- are really no different based on, you know, capacity-assigned status. You know, if a customer comes on line and is capacity-assigned and we didn't realize it, I mean, that could pose just as much operational risk as, you know, a customer coming without -- coming back without capacity.

So, really, to me, the operational is more about communication. I think the communication of both returning capacity-assigned customers and returning capacity-exempt customers is sufficient. You know, we have the supplier services and the gas supply function under, you know, it's all managed under the Energy Contracts Department at Unitil. So that, when customers are moving to and from default service, that can get communicated directly to those who are responsible for purchasing the supply. And, so, there's a good connection on this area of our business operationally.

The second portion of the question discussed "supply risks". Well, again, I think that, you know, communication is the key. Certainly, if -- certainly, there are some -- there are supply advantages to, you know, returning capacity-assigned customers, in that, you know, that, from a capacity standpoint, the Company will have, you know, should be getting capacity back from the marketers who are returning those customers in sufficient quantities to meet that customer's loads. And, so, therefore, you know, the supply areas that we would need to buy incrementally tend to be more liquid or, you know, we'll have store -- you know, we'll get storage inventory, will tend to have just a lower cost supply, if you will, coming back with, you know, capacity-assigned customers. Whereas, if we are, you know, if capacity-exempt customers were to be returning, then one of two things would happen.

First, of course, you know, if there was any spare capacity on our system, we would use that first. You know, it would -- first, we would, of course, use the -- you know, because we have an aggregated portfolio, we would, of course, first use whatever, you know, whatever spare resources there were on the system before we would engage in any incremental purchase activity. So, if, you know, it gives us an opportunity, because there's some notice provision in the tariff to be able to evaluate where we are, what the impact that will be on our daily sendout requirements, and whether or not the portfolio has sufficient resources in and of itself to absorb incremental, you know, sales without -- without capacity.

And, so, only after we have optimized all of those resources would we then look at purchasing incremental supply requirements. And, as is discussed in, you know, some of the data responses, you know, we're not really looking at particular customer segments. What we do is try to aggregate all of our requirements, and then we take into account how much less supply we'll be getting from marketers due to reverse migration, and then we dispatch the system on a -- on a single system, more of a top-down approach, rather than looking at the supply requirements of every individual segment of our obligation, we sort of try to aggregate the entire supply obligation, and then look at it on a more holistic approach.

BY MR. WIESNER:

Q. Can you please compare the impact on last winter's demand forecast as filed in the cost of gas proceedings in Maine and New Hampshire with actual demand as a result of any reverse migration?

A. (Wells) I think I'm going to need to take that as a record request. You know, that seems to be a question that requires a little bit more careful analysis. And, so, I would -- I'd like to take that as a record request, to get back with the people who are probably a little bit closer to those numbers than I.

Q. Thank you. Can you please explain why reverse migration is more prevalent, actually much more prevalent in Maine than in New Hampshire?

A. (Wells) So, there are a number of factors that may cause reverse migration rates to be higher in Maine than in New Hampshire. I mean, just starting with the fact that transportation itself, as a starting point, is higher in Maine than New Hampshire. So, you know, without doing a -- you know, those decisions are really not under the Company's control. Those are decisions that are made by customers and their suppliers as to whether or not they continue with delivery service or choose to enter into sales service.

And, so, there are a number of things that could be different in Maine. One issue is the Capacity Assignment Program. You know, I think it's well documented that Maine's Capacity Assignment Program is 50 percent of capacity, whereas New Hampshire's is 100 percent for capacity-assigned customers. Although, there are also capacity-exempt customers in New Hampshire, you know, but there are other -- there are a myriad of other factors that can impact those decisions, including, you know, just the market conditions in Maine and New Hampshire can vary. You know, there could be other reasons that impact these decisions that, you know, we are not privy to.

Q. And, can you please explain how, under the current Capacity Assignment Programs, Company-managed supplies provided to New Hampshire transportation customers are fully recovered from those customers and why that may not be the case in Maine?

A. (Wells) Okay. I have to, at first, disagree in part with the premise of the question. In that, you know, we currently have a proposal, the Capacity Assignment Program in Maine is currently being, you know, is currently being decided in a proceeding, you know, right now. So, what exactly the nature of that program will change for this COG period, or changes to that COG period are being considered. So, I'd like to just answer the question in response to what, you know, putting in the conditional aspect that changes that address some of the issues that we've had in the history -- with the currently approved Maine Capacity Assignment Program are very likely to change for this winter period. So, I just want to put that qualifier on my response.

But, in general, in New Hampshire, when there are supplies that are -- excuse me -- when capacity resources that are assigned or designated as Company-managed, and taking one step back, in New Hampshire, when a customer that is capacity-assigned chooses a supplier, a portion of their capacity is assigned to their marketer via capacity release. And, so, what that means is that we provide the supplier the physical transportation, you know, a portion of the transportation and storage contracts that the customer is responsible for from a capacity cost standpoint.

There are certain aspects of our portfolio that do not currently lend themselves to capacity release. These include the Chicago City-Gates capacity and the Washington 10 capacity paths, because those capacity paths actually utilize TransCanada capacity. And, so, TransCanada has some different capacity release rules. And, so, historically, those contracts have -- or, supply resources that utilize TransCanada capacity have been assigned via a Company-managed process.

Also, the Company has certain peaking supply arrangements and also an LNG plant. Which, due to the nature of the fact that they are supply arrangements that are not releasable under, you know, by contract, you know, Northern is the party responsible, and the contract doesn't allow for the type of assignment that a transportation contract might. Also, the LNG plant is an on-system resource. And, so, you know, it's not practical to release physical capacity on an LNG plant. You know, the construct of Company management was created in order to assign the cost responsibility, as well as the commodity benefit, if you will, of these types of resources that do not lend themselves to capacity release.

And, so, the question asks, you know, how the Company, through those -- through the respective tariffs, assures recovery of Company-managed costs from the marketing companies that are assigned the capacity. And, in New Hampshire, it's based on -- New Hampshire is all based on the direct cost of that resource. So, as an example, if we take the Chicago City-Gates path, each marketer is assigned the cost, on the demand-side, the cost of that capacity as though they had been released that capacity at the demand rate that the Company is charged. And, from a commodity standpoint, they pay the rate that the Company pays under its contract for that -- its asset management agreement for that capacity. And, then, further, any asset management revenue that pertains to that particular capacity path is attributed -- a prorated portion is attributed to each marketer on the basis of their responsibility for the entire capacity path. And, so that process continues for each one of our supply arrangements.

What we have proposed in Maine is a similar process. So, the Company-managed resources would be assigned to marketers on a cost basis. And, so that, if marketers are to -- were to nominate, you know, say Washington 10 supply on a given day, they would pay Northern's direct cost for that resource as though they were in direct control of that asset themselves. And, the same thing with our peaking supply contracts. And, so, our proposal in Maine is to unify this, the process for a calculation of the commodity supply rate, so it is the result of what the direct cost or an estimate of the direct cost of the resources that are utilized back that the Company-managed capacity would be otherwise.

You know, under the currently approved Maine Capacity Assignment Program, the Company utilizes an estimate. And, so, it is possible that, on any given day, Maine's, you know, the cost of those underlying resources may be different than the actual price that's charged. And, that can be higher and lower. And, so, you know, we really feel that the appropriate thing, the less complicated thing, the simpler thing is to have, you know, going forward capacity-assigned commodity and demand costs be reflective of the costs of the resources that are being assigned. And, so, that's what we are hoping we can, you know, very hopeful that we can have accomplished in Maine for the upcoming winter period.

MR. SPEIDEL: Before we continue, would the court reporter need a break?

(Brief off-the-record discussion ensued.)

MR. SPEIDEL: Okay. Let's go on.

BY MR. WIESNER:

Q. Are the actual supply costs in Maine different from those in New Hampshire?

A. (Wells) Northern supply costs are allocated on a prorated basis, on the basis of sales -- on the basis of sendout attributable to both sales service loads and Company-managed sales loads. And, so, on a monthly basis, the average unit cost for both Maine and New Hampshire are equivalent.

Q. Is there -- you described supply costs assigned in Maine based on an estimate, rather than actual cost. Is there any type of reconciling mechanism that then pegs actual costs and assigns them?

A. (Wells) Under the current approved Capacity Assignment Program, no. But the purpose of our current filing in Maine is to address that, that issue.

Q. That's a feature --

(Court reporter interruption.)

MR. WIESNER: I'm sorry.

BY MR. WIESNER:

Q. I said, "that's a feature of the proposed settlement?"

A. (Wells) The proposed settlement would go to a direct cost -- would make the price of Company-managed sales equivalent to the direct cost of the underlying resources, so the true-up that you mentioned would be unnecessary.

Q. Thank you. How are New Hampshire gas costs impacted, if the costs of Company-managed supplies in Maine are not fully recovered from Maine transportation customers?

A. (Kahl) I just want to clarify. You're saying "from

Maine transportation customers"? You mean assigned or exempt Maine transportation customers?

Q. Can you explain the distinction in this context?

A. (Kahl) I mean, a brand new customer in Maine signs up for transportation. I believe they would not be required to take any capacity from Northern Utilities.

A. (Wells) Yes. That's correct.

A. (Kahl) Yes. So, in that case, there would not be any impact for a customer like that.

A. (Wells) Okay. So, I think the direct answer to your question is, one of the aspects of the Maine program, which the Company sought to change for 2014-15, was the fact that, you know, under the currently approved Maine Capacity Assignment Program, the Company is required to estimate a fixed price for capacity-assigned resources for the commodity they're aware of that may or may not be the correct price. It could be higher, it could be lower. And, so, currently, when there are differences between the higher and lower prices, the allocation is still based on system average costs. So that, if there are, you know, one of our issues with the program is it does create an adverse incentive to actually dispatch capacity at a price other than the cost. And, so, there's no -- there's no doubt that there are inefficiencies that impact both, both Maine and New Hampshire. You know, this issue is not just isolated to New Hampshire. It's also, you know, if, as an example, the price of -- the price of a peaking supply for a supplier is estimated to be $15, and the actual -- the actual cost of the underlying contract is greater than $15, and the Company -- and the Company needs to actually dispatch that gas in order to serve the demand, then there is certainly a shortfall in revenue that is -- that the cost of which -- the cost of that supply is allocated like other supplies in Northern's portfolio. And, it would be on the basis of a prorated portion of costs. And, so, you know, we're not proposing to change the allocation of costs. We're proposing to address the issues of the Maine Capacity Assignment Program. And, that's what we've done. And, so that, you know, I think we've done a good job of managing the situation. But the best way to manage the situation, in our view, is to fix the underlying program, so that these types of discrepancies don't happen in the future.

Q. Have you determined what the result of those inefficiencies you described has been in Maine? And, what portion of any under-recovery may have been allocated to New Hampshire customers?

A. (Wells) We have not undertaken a formal analysis of that issue. I just know, being fairly familiar with the data, that we didn't end up in situations where we were exposed to, you know, much higher prices than we ended up recovering from Maine transportation -- than we would have been charging under the Maine Transportation Assignment Program.

You know, but the point is is that it shouldn't be our supply management process that we rely on in order to address those issues. It should really be the structure of the program needs to be, you know, changed in order to address it on the front-end. So, you know, the fact that we didn't have to go out and buy expensive gas in order to meet Maine transportation service Company-managed loads didn't mean that the program didn't need to be changed. It was more about addressing the risk, because those strategies and, you know, there was a lot that went into making sure that the program didn't result in financial results that impacted, you know, sales service customers in both states. And, so, our view was to try to address this on the front-end. And, I think there are a lot of -- I think there's a lot of support for addressing it on the front end. You know, the proposal I speak to, as the Staff knows, is the subject of a settlement with the Public Advocate in Maine. And, so, I think there's a lot of support for addressing the Maine Capacity Assignment Program issues. And, I think we've done a good job of trying to get that issue before the Maine Commission, while, you know, also trying to be as candid as we can be with, you know, with minimizing the impacts on other -- on other parties. You know, unfortunately, one of the challenges that we phase, and that we're trying to address, is that we have one portfolio, two states, two different Capacity Assignment Programs. And, so, you know, we -- it's not going to be an easy process. But our vision is to try to align those programs and to align our planning obligation to ultimately address this issue, so that we don't have to have conversations about the cost impacts of one Capacity Assignment Program on another set of customers. You know, we want to -- our end state vision is to really have very clearly defined planning obligation and capacity obligations in both states that are, you know, I think reasonable and acceptable to both Maine and New Hampshire Commissions. You know, and the challenge that we have right now is that we have extremely tight supply market in -- for New England. And, you know, the exposure on the current Maine Capacity Assignment Program is real. And, so, -- but I think, you know, at least in regards to this narrow issue of Company-managed supplies, the proposal that we have before the Maine Commission, you know, would address that issue, if it's approved.

Q. Thank you. To satisfy demand requirements greater than those planned for and presented in the winter cost of gas filing, the Company may be forced to purchase supplemental supplies during the winter period. And, in fact, that was the case last winter. Is that correct?

A. (Wells) Yes. That's correct. I mean, it's certainly true that we made mid-winter purchases that were attributable to demands being higher than forecasted. And, so, our experience last winter, you know, was very instructive to us on our supply portfolio for this winter. And, I think, you know, I'm sure, I know Staff does -- always does a very thorough review of our cost of gas filings, and I respect and understand that. And, you know, I'm sure you are aware that our portfolio really reflects the experience last winter, and tries to address, you know, to minimize the need for, you know, the probability that we would need to make incremental purchases in the winter.

However, I want to also point out that, you know, last winter was extremely cold, relative to the normal winter planning requirements. And, so, even with the best planning, you know, we can't control the weather. And, you know, I don't --

A. (Kahl) Yes. I'd like to just clarify one thing. The cost of gas filing, we are, you know, projecting demand over a normal winter. And, you know, some reports I heard was, you know, this past winter was the coldest winter we've had in the last 20 years. We do look at the effective degree days for each month. We have a normal distribution for each month of the winter. Each month exceeded normal. And, I know that the month of March even exceeded a design plan March. So, you know, it -- and, I think we all lived through it, we all experienced it, but just to reiterate that. You know, we plan for a normal winter. We also --

A. (Wells) We plan for a design winter. Okay? I want to be --

A. (Kahl) Just the cost of gas is based on a normal winter. The rates are planned for with the ability to satisfy demand conditions.

Q. Thank you. No, I'm sorry --
A. (Wells) Thank you.
Q. No, go ahead.
A. (Kahl) So, I cut you off a little bit.
A. (Wells) No, that's fine. Thank you. That was very helpful.

MR. WIESNER: Now I would like to refer to the Technical Conference Data Request Number 5, which I believe we have specified will be marked for identification as "Exhibit 6". And, I'll distribute copies of that.

(Atty. Wiesner distributing documents.)

MR. WIESNER: I apologize, it was stapled out of order. But we have folded it so it appears in the correct order. And, it is marked at the bottom "Page 1", "2", "3", "4".

MR. SPEIDEL: I'm hearing from the Clerk that she believes that this would be marked "7". I disagree. I think it would be marked "6".

MS. HOWARD-PIKE: We have a record request.

MR. SPEIDEL: Well, I was going to address the record request a little bit later. So, this will be Exhibit 6.

MS. HOWARD-PIKE: Okay. Thank you.

MR. WIESNER: And, Attorney Speidel, I note this is a confidential data request. Is it appropriate to share this with counsel for the intervenor?

MR. SPEIDEL: It would not be.

MR. WIESNER: The prospective intervenors?

MR. SPEIDEL: No.

MR. EPLER: If I can just check, I think -- can we just go off the record for a moment?

MR. SPEIDEL: Yes.

MR. EPLER: Thank you.

(Brief off-the-record discussion ensued.)

MR. SPEIDEL: Okay. We're on the record.

MR. EPLER: Yes. Just to clarify. The narrative of the response is not confidential. And, a copy was forwarded last evening by e-mail to counsel for the intervenors.

MR. SPEIDEL: I see.

MR. EPLER: I don't know if -- it was not this particular counsel. But we can provide a physical copy of the narrative. It's just the exhibit --

the last page of the response that's confidential.

MR. SPEIDEL: Okay. What I would recommend is that we have a copy of this narrative removed from the confidential attachment. And, the confidential attachment has a legend "Attachment TC-5". So, the public non-confidential narrative data response will be marked as "Exhibit 6", the confidential attachment will be marked as "Exhibit 7", "confidential Exhibit 7". That will be my recommendation.

(The documents, as described, were herewith marked as **Exhibit 6** and **confidential Exhibit 7**, respectively, for identification.)

MR. SPEIDEL: It's a little bit of overkill, just as an aside. I think, as a Hearings Examiner, I probably do have the inherent authority to approve exhibits, but you never know. But, as a working, operative list, we have confidential Exhibit 7 and non-confidential Exhibit 6.

Will there be any discussion of the material within the confidential Exhibit 7, Attorney Wiesner?

MR. WIESNER: I don't intend to ask questions about the schedule or the notes contained in the schedule.

MR. SPEIDEL: Okay. How many questions are we talking here regarding this data request roughly from Staff?

MR. WIESNER: Really just one.

MR. SPEIDEL: Just one? Okay. Let's get into it then.

BY MR. WIESNER:

Q. So, Mr. Wells, the document that I just distributed that's been marked for identification as "Exhibit 6", this is a Technical Conference -- Technical Conference Data Request Number 5. Which I believe you prepared, is that correct?

A. (Wells) That is correct.

Q. Okay. Thank you. And, in this confidential data request, Northern attempted to quantify the incremental gas costs related to reverse migration in the Maine Division that was allocated to the New Hampshire Division at Staff's request. Would you agree that the amount as calculated by Northern is material, although relatively small, compared to the total of winter supply costs?

A. (Wells) I mean, the amount, I suppose, which is -- I don't believe is confidential, I believe it's, you know, in the -- I think the easiest way to answer that question, in the written response, we estimate that -- or, the estimate that we provide of the incremental cost, you know, at the request of Staff, we came up with a number of approximately $153,000. And, so, again, that represents about 0.25 percent of Northern's '13-14 Winter Period reconciliation supply costs. So, I would -- I guess I would agree with the characterization that it was "material, but not significant".

Q.   Thank you. It is Staff's intention to consider a disallowance related to recovery of the costs resulting from the capacity assignment requirements in Maine and assigned to New Hampshire. Does the Company object to a further review of the 2013-14 winter costs and to addressing those costs in a future proceeding?

A.   (Wells) I don't think that's a question -- I'm not at liberty to answer that question. That sounds like a legal question to me.

MR. EPLER: And, I'm not quite sure I understand what is being asked. Could you clarify?

MR. SPEIDEL: Yes. It would appear that it's a little bit of an inquiry as to what the Company's position on a Staff position is.

MR. WIESNER: Maybe a little context for the question might helpful. In the past, parties have taken the position that, once a cost of gas proceeding is concluded, that those -- that it will not be revisited in the future. And, Staff has, in prior proceedings, from my understanding, Staff has reserved the right to continue to review this issue, and to consider recommending a disallowance.

MR. SPEIDEL: So, what is the question, Attorney Wiesner?

MR. WIESNER: So, the question would be, is it -- is it Northern's position that such a disallowance would not be appropriate with respect to last winter's costs?

WITNESS WELLS: I can say that our --

MR. EPLER: Well, --

WITNESS WELLS: Go ahead.

MR. EPLER: -- I think that's a legal question. And, I'm hearing I think two things, and possibly I'm not interpreting the position of Staff correctly. One issue is, and perhaps maybe I can restate it, the Company has come forward asking for certain approvals for its cost of gas filing. And, is the Staff asking that it has a particular item that it wants to continue to investigate, that its recommendation would be that the Commission approve the filing subject to further investigation of this particular item? Is that the question that the Staff is asking the Company?

MR. WIESNER: I believe that is Staff's position.

MR. EPLER: Okay. And, so, the second question then, what our position is on that item, if we were to -- if the Commission were to agree to accept the Company's filing as made, and continue this one item for further investigation, I don't think we would have to address that second question. We could address it in the subsequent investigation. Would that be correct?

MR. WIESNER: I believe that's correct.

MR. EPLER: Okay.

MR. WIESNER: And, with that clarification, I don't believe we need to require a response from the panel.

MR. EPLER: Okay. The Company's position on this is the Company has put forward its filing and is asking for approval. Clearly, the Commission, if on the recommendation of Staff desires to have further investigation of a particular item, so, the approval would be subject to that further investigation, the Company would participate in that further investigation, and put forward its position, and, ultimately, the Commission would rule.

So, while we would prefer having the entirety of the filing approved, if the filing -- if the Commission decides to approve it subject to further investigation, the Company will participate.

MR. SPEIDEL: Thank you for that clarification, Attorney Epler. I think, from my own perspective, I would much prefer that, if Staff is trying to establish via direct testimony and questioning of a witness, of their own witness, regarding a particular matter requiring the Commission's attention, that they put on a witness on the panel. That's a better way of doing things, than to have the Company witnesses responding to a Staff inquiry regarding something that has a few moving parts and really relates to a Staff issue.

So, I think we're all set. Does anyone have any further clarifications or objections to what has transpired? Is the Company satisfied?

MR. EPLER: I mean, I think, ultimately, we will have to hear in the Staff's closing to understand what their position is.

MR. SPEIDEL: Right.

MR. EPLER: But I think we understand.

MR. SPEIDEL: Okay. Well, I think, given that we're not going to have a direct company response to Staff's initial question, I think we can let the matter lie. I don't know if it's strictly necessary to have the question stricken from the record.

But, certainly, I would like to place the caveat that a Staff position will probably be proffered in a closing statement regarding this matter, and the Commission will be able to consider that as part of their analysis.

Does Staff have any further questions?

MR. WIESNER: Not as to that issue. We do have further questions. And, I think we should move on. Although, it's 10:30.

MR. SPEIDEL: How many questions do you have?

MR. WIESNER: We have about ten more questions.

MR. SPEIDEL: Ten more questions?

MR. WIESNER: Yes.

MR. SPEIDEL: Okay. I would recommend that we take a 15-minute break in that instance. We will reconvene at 10:45 thank you.

(Recess taken at 10:30 a.m. and the hearing resumed at 10:48 a.m.)

MR. SPEIDEL: All right. We'd like to reopen our hearing. We've come back from break. And, I believe that Staff had a series of questions of our witness panel from the Company. So, Attorney Wiesner, I invite you to begin.

MR. WIESNER: Thank you.

BY MR. WIESNER:

Q. Besides the instances we've previously discussed regarding risks imposed by Maine's capacity assignment requirements on New Hampshire ratepayers, are there any other risks you can identify?

A. (Wells) No.

Q. In its 2014-15 cost of gas filings in Maine and New Hampshire, did Northern make any adjustments to incremental gas cost resulting from the Maine capacity assignment requirements?

A. (Wells) I apologize. Can you please repeat that question?

Q. In the cost of gas -- well, I should repeat it the same way I read it. In its 2014-15 cost of gas filings in Maine and New Hampshire, did Northern make any adjustments to incremental gas cost resulting from the

Maine capacity assignment requirements?

A. (Wells) No.

Q. Has Northern taking any steps to address the risks that we've discussed today?

A. (Wells) I would say that the Settlement that we've entered into with the OPA is the step we've taken to address the risks that we've discussed today. And, the overall filing that we've made in Maine to address ultimately all of the capacity assignment and planning issues are the steps that we have taken to mitigate the overall risks associated with the discussion that we've had today.

Q. And, would you describe the proposal that Northern originally filed with the Maine Commission to resolve the capacity assignment issue and the terms of the settlement reached with the Maine Office of Public Advocate, and highlighting any differences between the original proposal and the terms of the proposed Partial Stipulation.

MR. EPLER: This question is a fairly broad question. I don't know if it can be fully addressed here in the hearing. We have prepared documents that we filed in Maine that I think would include the settlement agreement, and summaries of the settlement -- of the proposed settlement agreement that has been filed, summaries of that settlement agreement, and comments on that settlement agreement. We would be happy to make copies available and provide them here for review. And, those undertake a full description probably better than the witnesses can do right now. And, so, we'd be happy to make those filings available.

MR. SPEIDEL: My impression of the Staff question, though, is that it relates to a general understanding of the implications of the settlement agreement, not necessarily the terms of the settlement agreement itself. Is that fair, Mr. Wiesner?

MR. WIESNER: Yes. Not focusing on every detail, but the key points, if you will, the material provisions originally proposed by the Company, and any changes to those material provisions, whether they're in or out or how they might have been modified in the settlement that was finally agreed to and is put before the Maine Commission.

MR. SPEIDEL: Oh, I see.

MR. WIESNER: Sort of a high-level summary, I guess is what we're looking for. Is that fair to say?

MR. SPEIDEL: So, you're asking,

Mr. Wiesner, about what really amounts to actually a settlement negotiation in Maine, and whether certain elements were included in the settlement or excluded from the settlement on the basis of those negotiations or is that a little bit over broad?

MR. WIESNER: We understand that there was an original proposal filed by the Company, and now a settlement has been filed. So, we're not looking to get into parties' positions or negotiations back and forth, and how those were undertaken. Just a very high-level comparison between the original filing, the original proposal of the Company, and what was ultimately included in the Partial Stipulation that was recently filed.

MR. SPEIDEL: So, a factual comparison, not a position comparison?

MR. WIESNER: A factual comparison of the material terms of the -- I mean, Mr. Wells has already described, I think, most of the changes that would be implemented if the Partial Stipulation is approved in Maine. I think what we're interested in is comparing -- having a high-level summary comparison of what was included in the original filing, which it either does not appear in the final settlement as filed or has been modified. Again, not how you got there, but just what it is.

MR. SPEIDEL: Right. Well, Mr. Epler, would you mind -- I can offer actually a two-three minute recess, and would you like to confer with your witnesses and see whether they would be prepared to offer such a high-level summary?

MR. EPLER: To the extent the witnesses can provide a summary of what was filed and then a summary of the settlement agreement, that would be fine.

MR. SPEIDEL: Okay. So, no need for that?

MR. EPLER: No need for -- no need for a witness. If either the Staff or the Commission desires more detail, we can tender these materials, because they're public documents, and they, we believe, fully explain the -- both what was originally requested and the settlement.

MR. SPEIDEL: I think, actually, that is a very good idea. And, I believe that this would be Record Request 1 from the Bench and hearing Exhibit 8, the Settlement documents.

(Exhibit 8 reserved)

MR. SPEIDEL: And, I would like to invite the witnesses, I believe you have a general understanding what Mr. Wiesner is asking. I invite you all to address the question in a way that you see fit.

MR. WIESNER: Mr. Speidel, just to clarify. Would Exhibit 8 -- and, I believe Exhibit 7, that would be the first record request?

MR. SPEIDEL: No. We'll get to that later.

MR. WIESNER: All right.

MR. SPEIDEL: Everyone keeps getting ready. Seven (7) is actually "confidential Exhibit 7", which is the TC-5 confidential attachment. And, it's that summary table. It was detached for the purposes of this hearing review, because the TC-5 response that's public is "Exhibit 6", and then "confidential Exhibit 7" is the summary table, Attachment TC-5 in the back that's confidential.

So, I'll go through a list of the exhibits at the end, so everyone has it all down.

MR. WIESNER: And, just to further clarify, the record request from the Bench is for the settlement documents recently filed with the Maine Commission, as well as the original Company proposal?

MR. SPEIDEL: Yes.

MR. WIESNER: Thank you.

WITNESS WELLS: To be clear, just so I understand. There's been a lot of discussion since the question was asked, I want to make sure I'm answering the correct question. I've been asked to provide a high-level comparison of what the Company filed as an interim proposal in the Maine capacity assignment case to the settlement, is that correct?

MR. WIESNER: Yes. That's correct.

WITNESS WELLS: Okay.

BY THE WITNESS:

A. (Wells) So, on May 9th, 2014, the Company filed a capacity assignment proposal in Maine, which had interim proposal that was proposed to be effective for November 1st, 2014. And, that interim proposal would have held the TCQ, the Total Contract Quantity, commonly known as the amount of capacity to be assigned, for existing delivery service customers would remain unchanged under the interim proposal. That provision of the settlement agreement would stay in place. So, existing TCQs would be unchanged under both the settlement and the initial proposal.

Under the initial proposal for new delivery service customers, the Company had proposed a 100 percent capacity assignment, so the TCQ was equal to 100 percent of the customer's design day. Under the settlement agreement, that provision did not change. And, so, the TCQ calculation provisions of the current system in Maine would remain unchanged, namely, that design day would be equal to 50 percent of a customer's load, and new customers to the distribution system would be eligible for capacity-exempt status in the interim period.

The initial proposal was that the resources that would be assigned would be a slice of Northern's system, similar to the capacity assignment provisions of the New Hampshire Division. Under the settlement agreement, the resources that are assigned remain unchanged. And, so, that only storage and off-system peaking resources are assigned under the current agreement -- or, under the settlement agreement, rather.

Lastly, the demand price would have been equal to the direct cost as billed each month by Northern -- or, by Northern's vendors, and then passed through to suppliers, similar to New Hampshire, for a 12-month period each year. That provision was replaced rather with an estimate of the cost of only the assigned resources for -- recoverable over the five-month period, similar to the way the Maine program works today. However, based on the individual cost of those resources, rather than the average system cost, as is currently under the current Maine approved program.

And, then, commodity costs for Company-managed, the Company had proposed that the costs be reflective of the direct cost of commodity under the assigned Company-managed resources. And, that provision is included in the settlement agreement.

There may well be other provisions of the interim proposal that I have overlooked. But I believe that it's the major provisions of our interim proposal, and then how the settlement proposal compares to those provisions.

BY MR. WIESNER:

Q. Thank you. Has Northern considered other means it could take to address the unresolved risks related to the Maine capacity assignment? If so, what might those other means be?

A. (Wells) I think the ultimate means of addressing the issues raised in the Maine capacity assignment filing are to continue on the path of negotiating a settlement ultimately of our end state proposal. So, those are the actions that we are undertaking. Completion of the settlement process, the Partial Stipulation, we are making progress on that. We are hopeful that the Maine Commission will approve that. And, then, our plan is to continue negotiating, to continue on the process set forth in that docket for ultimate resolution of all of our proposals relative to end state. And, then, finally, you know, it is our plan to -- also to address the long-term planning issues with the New Hampshire Division delivered service terms and conditions under a separate filing before the New Hampshire Commission, to make adjustments to the New Hampshire program that we believe are needed in light of recent developments in the market.

Q. Can you identify the issues you would address in an end state proposal that are not covered by the Partial Stipulation filed in Maine?

A. (Wells) Well, the end state proposal, you know, deals with the contracting of long-term resources that would not come on line until November 2017 at the earliest. And, so, any agreement on end state proposal now would not address the issues that are currently raised. The issues that the Company faces right now are less about the Capacity Assignment Program than they are about access to reasonably priced supplies. And, so, a Capacity Assignment Program -- we could have a perfect Capacity Assignment Program exactly what we proposed in the end state proposal, but it wouldn't address the underlying issue, which is simply that the Company needs additional capacity in the longer term.

And, so, we are doing everything we can to address that, by working with parties that are interested in building that capacity, to address the longer term supply issues that we are currently experiencing.

Q. If the proposed changes provided for in the Maine proposed settlement are approved, how would those changes impact New Hampshire ratepayers?

A. (Wells) Well, I can address that from two perspectives. The first is on the issue of demand costs. So, demand cost allocation between the states would not be affected by the Stipulation. So, the settlement agreement that we are currently operating under stays in effect for allocation of demand costs between the states. For a commodity cost perspective, currently, under the current approved Maine Capacity Assignment Program, one of the concerns that the Company has and raised related to that program, was that the price charged to marketers was not equal to the cost of the underlying resources. And, so, it created a discrepancy between the fact that marketers may want to dispatch that supply at a time when the actual underlying contract would not be necessarily economic.

And, so, the indirect impact on New Hampshire ratepayers to ultimate approval of the Partial Stipulation would be removing that adverse incentive. So that marketers would only request that supply when they believe that supply to be economic, and the underlying contract would be reflective of the cost that Northern would incur in order to supply that service.

Q. Did Northern experience any operational problems or supply disruptions during the last year?

A. (Wells) Yes, we did. There were several issues this past winter related operationally in supply. One issue, in general, there were lower-than-normal operating pressures on Tennessee Gas Pipeline for sustained periods of time during the past winter.

The second issue, there was a force majeure on Tennessee Gas Pipeline last winter pertaining to the unscheduled maintenance that was required on certain compressor stations, that required, ultimately, interruption of even in-path nominations. And, so, the impact of that was, of course, that Northern needed to take its supply under its long-term contracts on a primary impact basis. So that we would have the highest priority through those restrictions that were created by the force majeure situation relative to the need for unscheduled maintenance.

Q. What was the duration of that force majeure event?

A. (Wells) I believe the duration of that was several weeks, in the month of February, in particular. One thing that we have -- one thing that we have done since, in order to address that issue, we have actually entered into some changes in primary receipt points on our long-haul contract, to make sure that the places where gas is most commonly traded, the pools, are our primary receipt points on those contracts, so that they will be, you know, assured that we have the most liquid places to buy gas in the event that this were to ever occur again.

Q. And, have there been any material changes in Northern's supply plan for this winter, as compared to last winter? And, if so, please explain any such changes.

A. (Wells) In our supply plan?

Q. In your plan for this winter period.

A. (Wells) I would say that the resources that we have this year rely -- we have, you know, there are a number of resources that are long-term and continuing resources in our portfolio. Let me explain further. Washington 10, Tennessee long-haul capacity, I believe I refer to it in my testimony as "Tennessee production", Niagara capacity, also the Chicago City-Gates capacity, and Algonquin receipts capacity are all continuing parts of our portfolio. So, those remain in place from year-to-year.

The material changes in our portfolio, if you will, would be the replacement of certain baseload supplies. We had what we refer to as a "Lewiston baseload supply" the prior year, this year we have a Maritimes --

(Court reporter interruption.)

CONTINUED BY THE WITNESS:

A. (Wells) -- Maritimes delivered baseload supply. Thank you. And, so, these baseload supply, and we also have a PNGTS delivered baseload supply. These supplies, you know, can be delivered into our Granite capacity. Also, we have replaced our LNG contract and our peaking contracts over the prior year, as those were all one-year agreements.

BY MR. WIESNER:
Q. Are all of the Company's winter contracts of significance in place at this time?
A. (Wells) Yes, they are.
Q. And, approximately what percentage of gas supplies in the Company's forecast are hedged, pre-purchased, or otherwise tied to a fixed predetermined price?
A. (Wells) Consistent with our hedging program, approximately -- our target I believe is still 70 percent. And, so, in the summer cost of gas filing, we come up with the plan for hedging. And, in that plan, we account for, you know, our underground storage, which would be the one area in our portfolio that has physical fixed price protection. Also, there is the -- one of the peaking contracts offers fixed price protection. But, overall, and combined with that, the hedging instruments, the option -- well, the option contracts themselves do not offer a fixed price. They actually would not be fixed price. So, if I were to look at -- looking at -- okay. Looking at Page 2 of Schedule 6A.
MR. SPEIDEL: And Bates Page?
WITNESS WELLS: Bates Page 77.
MR. SPEIDEL: Thank you.

WITNESS WELLS: You're welcome.

CONTINUED BY THE WITNESS:

A. (Wells) Storage accounts for approximate -- total storage accounts for approximately 2,300,000 of our overall supply. Our Peaking Contract 2 is approximately 300,000 of our overall supply. And, so, for a total of about 2.6 million dekatherms of fixed price supply, relative to a total commodity requirement under the plan of about 8 million dekatherms. So, that seems to be roughly 25 to 30 percent of fixed price supply.

BY MR. WIESNER:

Q. So, approximately 70 percent subject to hedging, if you will, but 25 percent at a fixed price?

A. (Wells) That's correct.

MR. WIESNER: Thank you.

(Short pause.)

MR. WIESNER: Thank you. No further questions from Staff.

MR. SPEIDEL: Before we move on, I would like to interject regarding one of the Staff record requests. It had not been buttoned down as an exhibit number, because I've been concerned that the question regarding the impact on last winter's demand forecast due to reverse migration, it was a very broad question, and it be very difficult to get an answer within this very telescoped, very tight time frame hearing pendency, between the hearing pendency and the Commission's expected issuance of an order by November the 1st.

Would the Staff be willing to perhaps withdraw that and re-ask that in the context of any informal examination of this issue that it might undertake in the near future?

MR. WIESNER: Yes. We will withdraw that question.

MR. SPEIDEL: Thank you. That's most appreciated.

Mr. Sackman, have your questions been addressed today by the questions asked by the Staff?

MR. SACKMAN: No, they have not. And, so, I guess what I would propose is, I understand that we can't, at least today, reach a final ruling on our Petition to Intervene. I do note that it's not opposed by the Company. So, what I would propose to do is, since we're all here, and we're all sort of ready to go and on the record, I ask the couple of questions that I have, and then they can, you know, be subject to whatever the final determination of the Commission is.

MR. SPEIDEL: Okay. Well, I did notice in your colleague's, Attorney French's, Petition to Intervene that OCA was also quizzed on their position regarding the petition, and they had no objection, is that correct, Ms. Hollenberg?

MS. HOLLENBERG: I did not receive any inquiry about the OCA's position. But it is possible that our office received an inquiry that was directed to the Consumer Advocate and I'm not aware of it. I guess, if the Company doesn't oppose the petition, I don't oppose it.

MR. SPEIDEL: Okay. And, how about Staff? What is Staff's position regarding the Petition to Intervene?

MR. WIESNER: Staff does not oppose the Motion to Intervene.

MR. SPEIDEL: And, Mr. Epler, just to reconfirm, the Company does not oppose the Motion to Intervene?

MR. EPLER: Yes. That's correct. And, we would also be willing to proceed as the attorney for the intervenor has suggested. It does make sense. We are all here. And, my guess would be that the Commission would approve the intervention.

MR. SPEIDEL: Fair enough.

MR. EPLER: So, we should proceed.

MR. SPEIDEL: Okay. Well, Mr. Sackman, I invite you to ask your questions of these witnesses.

MR. SACKMAN: Thank you very much. I appreciate that. So, I'll address my questions to the panel as well. And, I want to just ask some questions about some of the schedules that have been submitted.

BY MR. SACKMAN:

Q. So, I'll first direct attention to Schedule 1B. It looks like that's "13 of 221". And, can you just confirm that I'm correct that -- I want to wait for everyone to get there -- on Line 29 there, of Page 13 of 221, it shows that the peaking supply cost per therm are $2.00 per therm, approximately?

A. (Kahl) Yes. That's what it shows.

Q. Thank you. And, please turn to Schedule 2, Page 1 of 1.

MR. SPEIDEL: That would be Bates Page 16 of 221, Mr. Sackman?

MR. SACKMAN: I'm assuming that's accurate. I actually don't have the Bates on this particular schedule. But it looks like, just looking on the pages I do have, that you're right. It's the redacted

"Estimated Delivered City-Gate Commodity Costs and Volumes".

MR. SPEIDEL: Okay. Thank you.

BY MR. SACKMAN:

Q. And, my question is, can you confirm that the anticipated total delivered city-gate volumes for "Peaking Contract 1" are "3,410 dekatherms", and for "Peaking Contract 2", 298,950 dekaterms [sic] -- dekatherms? Excuse me.

A. (Wells) This forecast is assuming a normal winter sales forecast. And, under a normal winter sales forecast, yes, the projected city-gate requirement for "Peaking Contract 1" is "3,410 dekatherms", as you describe in your question.

Q. And, for "Peaking Contract 2", the projected is "298,950 dekatherms"?

A. (Wells) Yes. That's correct.

Q. Thank you. Can we go to Schedule 6B please. And, I'm interested in --

A. (Kahl) Which page of Schedule 6B?

Q. Page 17 of 19 of Schedule 6B.

MR. SACKMAN: And, if someone can help out our Hearing Officer on the Bates, I would greatly appreciate it.

MR. SPEIDEL: "95 of 221".

MR. SACKMAN: Thank you.

BY MR. SACKMAN:

Q. And, my question is, Line 10 there, does that not show that the "Monthly Commodity Price" for winter peak period under your optimization program is $21.67?

A. (Wells) Yes, it does.

Q. And, is this your best estimate?

A. (Wells) It is the contract cost.

Q. So, do I take it to be then your best estimate?

A. (Wells) Yes.

Q. Let's go to Schedule 11E. And, Bates for this is "141 of 221". And, I'd like to direct your attention to the heading "Maximum Supply Capability". And, do I read it correctly that combining Peaking Supply 1 and Peaking Supply 2, the maximum supply capability is approximately 39,800 dekatherms per day?

A. (Wells) Yes.

Q. Thank you. Now, as I understand it, in Maine, Northern's presentation of actual peaking commodity costs for Peaking Contract 2, in winter, was $50 per dekatherm. Do I have that correct?

A. (Wells) Yes.

Q. And, the Company is a signatory to a contract that I think we've heard some discussion of here, that, if approved in Maine, would provide for transport customers to pay $50 per dekatherm, correct?

A. (Kahl) Excuse me. Can you repeat the question?

MR. SACKMAN: Can I have the court reporter read back the question please?

(Whereupon the court reporter read back the last question asked by Mr. Sackman.)

BY THE WITNESS:

A. (Wells) That is technically not correct. If approved in Maine, for that particular contract, Maine transportation customers would pay a cost equivalent to that which would be incurred under the contract. In this case, that would be -- that would be equal to the Tennessee Zone 6 Gas Daily midpoint, plus variable transportation costs for delivery to Northern city-gates. So, that would not be equal to $50. It could be higher or lower.

BY MR. SACKMAN:

Q. But the presentation of the Company, the actual peaking commodity cost for Peaking Contract 2 was $50 per dekatherm in the winter, correct?

A. (Wells) That was an estimate that was provided. It was not the actual peaking contract costs.

MR. SACKMAN: Thank you. That's all I have.

MR. SPEIDEL: Attorney Epler, any redirect?

MR. EPLER: May I just take a moment?

MR. SPEIDEL: Sure.

MR. EPLER: Thank you.

(Short pause.)

MR. EPLER: Okay. Thank you. I have no redirect.

MR. SPEIDEL: All right. Very well. I think, before we begin our closing statements, I'll just read through the expected exhibit list one more time, so everyone has it and has it clearly. Just one moment please. You have to forgive me. Ah, here it is.

Very well. The confidential Exhibit 1 is the confidential September 16th 2014-2015 cost of gas filing by the Company. Exhibit 2 is the public version, redacted, of the September 16th cost of gas filing. Exhibit 3 is the Company's September 15th filing of the Northern Utilities Environmental Cost Report. Exhibit 4 is an additional Schedule 5B that had been adjusted, filed on October the 13th, which is a companion exhibit to confidential Exhibit 1 and Exhibit 2. Exhibit 5 is the

Revised Attachment C that was distributed by the Company today. Exhibit 6 is the public narrative element of Staff Data Request TC-5, distributed in the hearing room today. Exhibit 7 is the confidential attachment to that same Staff Data Request TC-5. And, Exhibit 8 is the Bench record request regarding the Maine initial proposal by the Company regarding capacity assignment, and also the settlement agreement that has been filed in Maine that the Company will supply.

I think we're all set on that front. Does anyone have anything else to add?

(No verbal response)

MR. SPEIDEL: Very well. I'd like to invite closing statements. Attorney Sackman, do you have a closing statement you'd like to provide?

MR. SACKMAN: I do not.

MR. SPEIDEL: Okay. Attorney Hollenberg, any closing statements from the Office of Consumer Advocate?

MS. HOLLENBERG: Thank you. None other than the Office of Consumer Advocate would not oppose the proposed cost of gas rate pending before the Commission, with the understanding that Staff has asked to reserve an issue for further discussion and investigation in a later case. Thank you.

MR. SPEIDEL: Thank you.

MR. WIESNER: And, on behalf of Staff, I'll offer a closing statement. Staff recommends Commission approval of Northern's proposed cost of gas rates on the condition that 2013-2014 winter costs misallocated to the New Hampshire Division will be subject to further Commission review and potential disallowance. Based on Staff's preliminary investigation of the issue, the impact on last winter's gas costs, although material, would have only a small impact on the cost of gas rates.

Staff will continue its investigation into the capacity assignment issues discussed today, and appreciates Northern's efforts in analyzing and addressing this complex and difficult matter. It is staff's intention to address any misallocation of gas costs related to the Maine capacity assignment requirements prior to next winter's cost of gas hearing and, if appropriate, proposed a credit in that proceeding.

The Local Delivery Adjustment Charge is comprised of a number of surcharges, all of which have been established in other proceedings, with the actual rate determined in the winter cost of gas proceeding and effective for one year beginning November 1st. Staff recommends approval of these charge components and the resulting LDAC rate.

Staff has also reviewed the proposed supply balancing charges, the Company gas allowance factor, and the capacity allocator percentages, including Maine-New Hampshire interstate aspects, and Staff recommends Commission approval of those charges as well.

Finally, Commission Audit Staff has reviewed the 2013-2014 peak period cost of gas reconciliation and environmental remediation costs and found only one minor exception.

Staff thanks the Company for its cooperation in reviewing the issues raised by this proceeding and addressing the questions implicated by the rate filing. Thank you.

MR. SPEIDEL: Before I invite the Company to make its closing statement, I would request that, if Staff has a written version of this, that it forward it to my attention, and also forward a copy of the audit report to my attention to be used in my report. Thank you.

MR. WIESNER: We will do that.

MR. SPEIDEL: Thank you. Attorney Epler.

MR. EPLER: Is there -- is the attorney for the intervenors going to be making a closing statement?

MR. SPEIDEL: No. He said "no".

MR. EPLER: Okay.

MR. SACKMAN: I will, I guess, interject here, just for lack of a better place to do it, that, if the schedule permits it, we would like the opportunity for a short brief to submit afterwards.

MR. SPEIDEL: A brief?

MR. SACKMAN: Yes.

MR. SPEIDEL: On what matter?

MR. SACKMAN: On the difference between the cost per dekatherm in Maine and New Hampshire.

MR. SPEIDEL: Hmm. I must confess that this is all rather late in the process, in that, as you know, this is a very telescoped proceeding. We have an expectation that any sort of order produced in these cost of gas proceedings comes out on November the 1st. Your Motion to Intervene was timely. But there is a bit of a spectrum in terms of the ability of an intervenor to participate meaningfully in a given proceeding, and the amount of time between his intervention request and the closing of the case through a dispositive order. So, obviously, the intervenors have not participated in any data requests or technical sessions. I would imagine that is the case, given the lateness of their intervention.

MR. SACKMAN: We have not.

MR. SPEIDEL: To style such a statement as a "brief" would be a bit much, frankly, in that I don't think it's necessarily on the Commission's radar screen, in terms of the scope of the proceeding. However, a written statement may always be filed by any party, whether they're an intervenor or not, and it's given the weight that it's due by the Commission. So, I would caution that, if there's any expectation of substantive decision-making on the basis of this "brief", as you call it, it might be unrealistic in this cost of gas proceeding. However, you're welcome to file a written statement.

Attorney Epler, do you have any thoughts on that or would you like to proceed with your closing statement?

MR. EPLER: No, I think, Attorney Speidel, you've addressed the matter sufficiently. And, I'll let that rest.

MR. SPEIDEL: Okay. And, you may make a closing statement, if you wish, Attorney Epler.

MR. EPLER: Okay. Thank you. As indicated, the Company made its filing on September 16th. I won't go through all the requests for approval that are in the docket, just rely on the petitions there. I will address the one point that the Staff has raised.

There was a reference to a "misallocation" in the cost of gas. I would point out that there has been no evidence submitted into the record of any misallocation. And, in fact, the exhibit that the Staff introduced, which was the Company's response to Request TC-5, states, in paragraph -- at the end of the numbered paragraph number "2", that "In its seasonal cost of gas filings, Northern adheres to that method in assigning such costs between divisions." And, the reference is to the "method" that is -- that was approved by both the Maine and the New Hampshire Commissions for allocating costs between the two divisions of Northern. So, there is no evidence of any misallocation.

The Company has filed it -- it has made its filing similar to how it's made its filings in the past. It adheres to the allocations as have been negotiated and settled between the states.

If the Staff has objections to or problems with the results of those allocations, then, certainly, then that settlement agreement needs to be looked at, and the Staff needs to involve the parties in Maine, as well as the Company, to look at that, at that question.

It should be emphasized, as I'm sure that all the parties are aware, the Company makes no money off of its procurement of gas for its customers. And, it cannot -- we cannot have a situation where the Company is subject to disallowance of these costs because one particular party or one particular side, between the two states, is not satisfied with the allocations. The Company would then be left in a situation where it has no potential to recover those costs, even though there has been no showing that the securing of those costs in the solicitation for those supplies was in any way imprudent.

We also point out that the Staff is relying on a calculation, which the Company questions, in its -- in its submission which showed that calculation. It did not agree in that response that the numbers that were arrived at is evidence of the incremental costs incurred by Northern to supply reverse migration. The Company engaged in a calculation. And, the Company also pointed out, in the first paragraph of that response, that, if all other factors were -- last winter were normal, that there -- that the reverse migration would not have required any incremental resources.

So, the Commission needs to look at the totality of events last winter. And, it's very difficult to distinguish which one of those totality -- which individual factor actually was the cause of the incremental costs. So, we would caution the Commission to look carefully at the full response to Number 5 before making a decision whether to proceed with any disallowance or even an investigation along that lines.

We are certainly happy and available, as we always are, to work with Staff on these issues, and to gain their perspective, and to explain to them the steps that we are taking to try to have the most equitable result between jurisdictions and among our customers. We value our customers equally in Maine and New Hampshire, and do not wish to see either of those customer groups have any detrimental effect caused by the other.

MR. SPEIDEL: Thank you.

MR. EPLER: Thank you very much.

MR. SPEIDEL: Is that all?

MR. EPLER: Yes. That's all.

MR. SPEIDEL: I think, if I haven't done so already, I do know that the witnesses are excused.

Although, in this small hearing room, it's a little bit of a pointless exercise, there's no need for you to leave your seats.

In general terms, there seem to be a number of issues that have been raised by various folks today. We have Mr. Sackman's interest in a given issue or set of issues, we have Staff's concerns regarding a particular element of cost allocation. I believe that, as part of my Hearing Examiner's report, I'm going to recommend that the Commission approve the cost of gas rates, with the caveat that Staff and the Company will continue to work together to examine different issues requiring attention in the view of Staff, and with the potential that Staff has not only reserved the right to revisit a given issue, but that Staff might have to work out a solution with the Company regarding these issues.

But these matters are not going to be decided within this current cost of gas filing. I think that's clear, given the very short time frame we're working with here. And, moreover, I think it's important to keep in mind that examination of an issue does not necessarily require a formal investigation or an upfront disallowance. I don't think that would be contemplated as part of this proceeding. There's a lot of moving parts.

I think the Company and Staff, and if the OCA wants to participate, the OCA have to examine these issues and work through them.

If I have any cheap advice from a practitioner's perspective, it's always, if there's a substantive issue that needs to be examined or resolved, it's always best to have prefiled testimony presented to the Commission, and also have your own witness presented to the Commission that you can directly question and have cross-examination, because that builds up the evidentiary quality of whatever point you're trying to make.

So, with that, I thank everyone for their participation. And, I close today's hearing. And, you should expect, in very short order, my Hearing Examiner's Report. Thank you.

(Whereupon the hearing was adjourned at 11:39 a.m.)