

In Re:
DG 16-819 NORTHERN UTILITIES, INC.
2016-2017 COST OF GAS ADJUSTMENT

Hearing on the Merits
October 11, 2016

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1 STATE OF NEW HAMPSHIRE
2 PUBLIC UTILITIES COMMISSION
3
4
5 October 11, 2016 - 10:11 a.m.
6 Concord, New Hampshire
7 RE: DG 16-819 NORTHERN
8 UTILITIES, INC. 2016-2017
9 WINTER AND SUMMER SEASONS
10 COST OF GAS ADJUSTMENT
11 Hearing on the Merits
12
13 PRESENT: Chairman Martin P. Honigberg, Presiding
14 Commissioner Robert R. Scott
15 Commissioner Kathryn M. Bailey
16
17 Sandy Deno, Clerk
18
19 APPEARANCES:
20 Reptg. Northern Utilities, Inc.:
21 Patrick H. Taylor, Esq.
22 George H. Simmons, Jr.
23
24 Reptg. PUC Staff:
25 John S. Clifford, Esq.
26 Stephen Frink
27 Asst. Dir. Gas & Water Division
28 Al-Azad Iqbal
29 Staff Analyst, Gas & Water Division
30
31 COURT REPORTER: SUSAN J. ROBIDAS, N.H. LCR NO. 44
32
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34

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4 Francis X. Wells
5 Joseph F. Conneely
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1 P R O C E E D I N G S
2 CHAIRMAN HONIGBERG: We're here this
3 morning in Docket DG 16-819, which is the
4 Northern Utilities Cost of Gas Adjustment
5 proceeding. We're doing a hearing on the
6 merits this morning. Before we do anything
7 else, let's take appearances.
8 MR. TAYLOR: Good morning. Patrick
9 Taylor, senior counsel for Northern Utilities.
10 With me here this morning are George Simmons,
11 Joseph Conneely, Christopher Kahl and Francis
12 Wells.
13 MR. CLIFFORD: Good morning. John
14 Clifford, Staff Attorney for the Public
15 Utilities Commission. And with me at counsel
16 table is Steve Frink, Assistant Director of the
17 Gas and Water Division, and Al-Azad Iqbal,
18 Staff Analyst in the Gas and Water Division.
19 CHAIRMAN HONIGBERG: No OCA today?
20 [No verbal response]
21 CHAIRMAN HONIGBERG: Seems not. All
22 right. Anything in the nature of preliminary
23 matters before we begin?
24 MR. CLIFFORD: We don't have

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1 anything.
2 CHAIRMAN HONIGBERG: Mr. Taylor.
3 MR. TAYLOR: Thank you. This morning
4 I'd like to put on a panel of three witnesses:
5 Christopher Kahl, Francis Wells and Joseph
6 Conneely. We'd also like to premark three
7 exhibits for the hearing.
8 CHAIRMAN HONIGBERG: What would those
9 exhibits be?
10 MR. TAYLOR: Exhibit 1 is going to be
11 the confidential version of the filing
12 submitted on September 16, 2016; Exhibit 2 will
13 be the redacted version of that same filing,
14 and Exhibit 3 are updated tariff sheets
15 submitted on October 6, 2016, reflecting
16 certain corrections that we wanted to make for
17 the Commission.
18 (Exhibits 1, 2, 3 marked for
19 identification.)
20 * * * * *
21 (WHEREUPON, CHRISTOPHER KAHL, FRANCIS
22 WELLS and JOSEPH CONNEELY were duly sworn
23 and cautioned by the Court Reporter.)
24

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1 DIRECT EXAMINATION
2 BY MR. TAYLOR:
3 Q. I'll start with Mr. Kahl. Please give your
4 name and position with the Company.
5 A. (Kahl) Christopher Kahl, senior regulatory
6 analyst with Unitil.
7 Q. Have you previously testified before the
8 Commission?
9 A. (Kahl) Yes, I have.
10 Q. Please refer to Exhibit 1, and turn to the tab
11 containing your testimony. Is that testimony
12 prepared by you?
13 A. (Kahl) Yes.
14 Q. Do you have any changes or corrections that
15 you'd like to make to your testimony today?
16 A. (Kahl) No.
17 Q. Can you please identify the schedules in this
18 filing that are associated with your testimony?
19 A. (Kahl) Yes. Schedule 1A, 1B, 3, 4, 9,
20 Schedules 10A, 10B, 10C, Schedule 14, Schedule
21 18 and Schedules 21 through 26.
22 Q. And did you prepare these schedules, or were
23 they prepared under your direction?
24 A. (Kahl) Yes.

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1 Q. With respect to your testimony, if you were
2 asked the same questions in your prefiled
3 testimony today, would your answers be the
4 same?
5 A. (Kahl) Yes.
6 Q. Thank you.
7 Mr. Wells, could you please state your
8 full name and position with the Company.
9 A. (Wells) Yes. My name is Francis Wells. I am
10 the manager of energy planning for Unitil
11 Service Corp.
12 Q. Have you previously testified before the
13 Commission?
14 A. (Wells) I have.
15 Q. As with Mr. Kahl, would you please turn to
16 Exhibit 1 and turn to the tab containing your
17 testimony.
18 A. (Wells) Yes.
19 Q. Was this testimony prepared by you?
20 A. (Wells) It was.
21 Q. Do you have any changes or corrections you'd
22 like to make to your testimony today?
23 A. (Wells) No.
24 Q. And could please identify the schedules in the

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1 filing that are associated with your testimony.
2 A. (Wells) Schedules 2, 5, 6, the attachments to
3 Schedule 10, Schedule 11, Schedule 12, Schedule
4 13, Schedule 19.
5 Q. And did you prepare these schedules, or were
6 they prepared under your direction?
7 A. (Wells) I did.
8 Q. If you were asked the same questions as in your
9 prefiled testimony today, would your answers be
10 the same.
11 A. (Wells) They would.
12 Q. Thank you.
13 Mr. Conneely, could you please state your
14 name and position with the company.
15 A. (Conneely) Good morning. My name is Joseph
16 Conneely. I'm a senior regulatory analyst with
17 Unitil Service Corp.
18 Q. Have you previously testified before the
19 Commission?
20 A. (Conneely) Yes.
21 Q. Could you please turn to your testimony in
22 Exhibit 1. Did you prepare your testimony?
23 A. (Conneely) Yes.
24 Q. Do you have any changes or corrections that

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1 you'd like to make to your testimony today?
2 A. (Conneely) No.
3 Q. Are there any schedules associated with your
4 testimony in the filing?
5 A. (Conneely) Yes. Schedules 8, 16 and 17.
6 Q. And did you prepare these schedules, or were
7 they prepared under your direction?
8 A. (Conneely) Yes.
9 Q. If you were asked the same questions in your
10 prefiled testimony today, would your answers be
11 the same?
12 A. (Conneely) Yes.
13 MR. TAYLOR: I have no further
14 questions.
15 CHAIRMAN HONIGBERG: Mr. Clifford.
16 CROSS-EXAMINATION
17 BY MR. CLIFFORD:
18 Q. Yes. I'm just going to address this to the
19 panel, so whichever witness feels most
20 comfortable with the questioning and with the
21 schedules I'm talking about, feel free to
22 answer.
23 Would you state for the record how the
24 proposed 2016-2017 cost of gas rate compares to

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<p>[PANEL: KAHL WELLS CONNEELY] Page 9</p> <p>1 last year's seasonal average, both winter, 2 summer, and explain the difference, if any, and 3 why there is such a difference. 4 A. (Conneely) Schedule 8, which is the typical 5 residential heating bill, the first page -- 6 it's Bates stamp Page 193 of 324 -- 7 essentially, the schedule breaks down the 8 annual typical heating bills, the first page 9 being residential, and a few of the commercial 10 and industrial larger-size customers behind 11 there. 12 So, for the winter of 2016-17, a typical 13 residential heating customer using 695 therms 14 for the winter would see a total cost in their 15 bill of \$1,076.23. And that is \$90.20 or 16 90.15 percent higher than the 2015-2016 winter 17 season. 18 Below on this schedule, on the top half is 19 the components that affect the overall 20 increase. And there's nothing for base rates. 21 The cost of gas is actually the main driver. 22 And the LDAC is increasing a little bit. 23 Q. And so, can you account for the major factors 24 that are causing this increase at this time?</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>	<p>[PANEL: KAHL WELLS CONNEELY] Page 11</p> <p>1 use and implement was to attempt to refund 2 50 percent in Year 1, 30 percent in Year 2 3 20 percent in Year 3. We ended up basically 4 refunding about closer to 59 percent in Year 1. 5 And this was really due to a miscalculation in 6 the portion that would go to marketers, and so 7 we had underestimated how much the marketer 8 share would be. So when we were into the 9 winter period, or actually towards the end of 10 the winter period, we realized that we were 11 refunding too much, in a sense, but it was 12 really too late to modify that at that point. 13 Q. Okay. And can you explain how the current 14 Nymex -- and this may not be a question for 15 you. But how does the current Nymex Futures 16 prices compare to those used in the cost of gas 17 filing for the winter versus the summer, so we 18 can go on the record explaining how this 19 process is going to work going forward? 20 A. (Kahl) The Nymex prices for? 21 Q. Winter versus summer use. 22 A. (Kahl) Are we talking about '16-'17 winter 23 compared to the 2017 summer or -- 24 Q. Right. We're talking about the '16-'17 winter</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>
<p>[PANEL: KAHL WELLS CONNEELY] Page 10</p> <p>1 A. (Kahl) I can address that. If you look at 2 Schedule 9, Bates Page 203, you can see on the 3 first two columns a comparison of what we 4 proposed to the cost that we actually incurred 5 last winter. So these are the costs from our 6 reconciliation. And basically, some of the 7 main components of that are that in last year's 8 filing, the reconciliation was a credit of 9 about \$2 million, and this year it's about 10 \$850,000 the other way. So that's a big part 11 of it. Also, demand charges are lower by 12 several million dollars. That is due, in part, 13 to the PNGTS refund, which is refunded 14 50 percent in the first year. So it's a 15 smaller refund. It's only about 30 percent in 16 the second year. So the demand costs, we've 17 taken the PNGTS refund and blended that into 18 our demand cost to help reduce those costs. So 19 those two issues are a big factor of why rates 20 are a bit higher this year. 21 Q. And can you explain how much in percentage the 22 PNGTS refund was disbursed last year, and is it 23 compatible with the Commission order in 25,816? 24 A. (Kahl) Yeah, the methodology that we wanted to</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>	<p>[PANEL: KAHL WELLS CONNEELY] Page 12</p> <p>1 and going into the 2017 summer, how the process 2 will work going forward. 3 A. (Wells) That refers to my testimony. I provide 4 the Nymex prices in the attachment to Schedule 5 5A, which is the supplier prices that I 6 prepared for this filing. Line 23 provides the 7 Nymex prices. 8 CHAIRMAN HONIGBERG: Stop for a 9 second. Can you give us a Bates page reference 10 so we can catch up with you? 11 WITNESS WELLS: I apologize. There 12 actually is not a Bates page on my copy. 13 CHAIRMAN HONIGBERG: All right. Give 14 us a page X of 36 within this. 15 WITNESS WELLS: It's actually Page 1 16 of 36. 17 CHAIRMAN HONIGBERG: All right. 18 WITNESS WELLS: I apologize. There's 19 also a hole punch right through the page number 20 on my attachment. 21 CHAIRMAN HONIGBERG: All right. I 22 think we've all caught up now. 23 A. (Wells) Line 23 of Page 1 of the attachment to 24 Schedule 5A provides Nymex prices that were</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>

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1 used for the commodity cost forecast that are
2 presented in this filing. And so the winter
3 prices range from \$3.02 per decatherm up to
4 \$3.34 per decatherm; the summer prices range
5 from \$2.98 a decatherm to \$3.05 a decatherm.
6 Q. So I want to ask you -- and that's based upon
7 the selling price for August of 2016. So can
8 you update us to what that would be today, the
9 price differential today?
10 A. (Kahl) In our Maine Division, Northern
11 Utilities Maine Division, we provide an update
12 forecast every time. And that's due, in part,
13 because Maine doesn't have an automatic
14 25-percent increase or unlimited decrease in
15 rates on a monthly basis, so they like to get
16 an updated Nymex and have that change the
17 rates. So that was submitted, actually,
18 yesterday. We had taken a Nymex price. I
19 believe it was October 3rd. And the average
20 Nymex price was maybe only about a penny and a
21 half difference, so I did not see a lot of
22 variation.
23 But I also want to address that the
24 initial filing was made for the Maine Division

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1 in mid-August. So, between we'll say early
2 August to early October, we haven't seen a lot
3 of fluctuation in Nymex prices.
4 Q. So that leads me to my next question. Do the
5 proposed maximum rates allow enough flexibility
6 to absorb normal price fluctuations or
7 anticipated price fluctuations through the
8 monthly adjustment mechanism?
9 A. (Kahl) We think it will. We think it will.
10 Q. So there's nothing in your forecast that would
11 lead you to deviate wildly from what you
12 proposed.
13 A. (Kahl) That is correct.
14 Q. Okay. And then how does your demand forecast
15 for this winter compare to last winter's, and
16 then explain your summer forecast as well.
17 A. (Wells) By "demand forecast," are we referring
18 to demand costs or referring to sales?
19 Q. We're referring to sales.
20 A. (Wells) Okay. Thank you.
21 I present -- in Schedule 10 there are
22 several attachments to it that I prepare that
23 provide sales forecast data. On a total system
24 basis, this includes both sales service and

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1 delivery service volumes. On Page 1 of
2 Attachment 1 to Schedule 10B, and that's Bates
3 Page 216, we show winter growth for the total
4 system of about 0.8 percent and summer growth
5 of about 2.8 percent.
6 Q. And of that, how much is due to, say, organic
7 growth? And is there any due to migration,
8 customer migration, or switching from sales
9 service?
10 A. (Wells) So, any growth is organic growth in
11 this forecast. There's, you know -- this past
12 winter we're coming out of a period of
13 relatively low migration either to or from
14 sales service. There was not a lot of
15 movement. You know, in essence, the customers
16 that were already on sales service tended to
17 stay on sales service. The customers that were
18 on delivery service tended to stay on delivery
19 service. So that assumption is sort of
20 reflected through our forecast.
21 Q. Okay. Thank you. And then can you compare the
22 impact on last winter's demand forecast as
23 filed in the cost of gas proceeding in Maine
24 and New Hampshire with actual demand as a

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1 result of any reverse migration?
2 A. (Wells) Maine actually had a very similar
3 experience. There was very little migration
4 either to or from sales service. And so, you
5 know, we had a period of relatively low
6 activity on a net basis for customers moving to
7 and from. Also in the Maine Division, any
8 growth is attributable more to organic customer
9 growth or change in customer demands, not
10 necessarily related to migration. There's a
11 period of relative stability in the retail
12 market.
13 Q. Okay. And has Northern experienced any
14 operational problems or supply disruptions
15 during the past year that we should be aware
16 of?
17 A. (Wells) Well, you know, one issue that is more
18 operational in nature that the Company has
19 faced, and this is one that's faced by many
20 utilities in New England area, is lower
21 pressures on Tennessee. And that's been an
22 issue that's sort of been more of a regional
23 one. And that has affected customers with
24 city-gates on Tennessee in the northeast,

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1 Tennessee on Zone 6. You know, that
2 operational issue, you know, Northern has
3 probably a little bit more flexibility to
4 manage that, where it has city-gates off of,
5 you know, Portland and also Maritimes that sort
6 of help to deal with any lower -- you know, any
7 inability to get gas in off of Tennessee, we
8 can always get our gas in off other city-gates
9 in order to fill that demand. So,
10 operationally, you know, that is an issue and
11 one that we have been looking at as an
12 organization. But, you know, given our current
13 situation, we've been able to manage it.
14 Q. Okay. And are all your current contracts of
15 significance in place currently?
16 A. (Wells) They are.
17 Q. Okay. And I'd like you to explain -- this may
18 not be a question for you -- but explain the
19 new item that you proposed under the LDAC,
20 which is the -- I think you referenced that as
21 "lost revenue recovery charge."
22 A. (Conneely) Yeah. The Company is proposing a
23 new component to the LDAC. The LRR is a new
24 rate component to recover lost distribution

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1 revenue related to the Company's
2 energy-efficiency programs. I speak about it a
3 little bit on Page 6 of 10 of my testimony and
4 on Page 71 Bates Stamp. And this new mechanism
5 is being established in accordance with Order
6 25,932 in DE 15-137. Essentially, it's to
7 recover these lost revenues due to the
8 installation of energy-efficiency measures
9 which begin January 1st, 2017.
10 Q. And just for the record, can you state what
11 that rate is going to be for the charge --
12 A. (Conneely) Yeah.
13 Q. -- beginning November 1st?
14 A. (Conneely) The Company proposed an LDAC for
15 November 1st, which does not have this rate.
16 January 1st would be the beginning of this new
17 rate, the LRR. And it would be .0006 for the
18 residential classes and .0002 for the C & I
19 customers.
20 Q. Okay. Thank you.
21 And then I wanted to circle back to can
22 you speak to the outcome of the changes in
23 capacity assignment that Northern filed in
24 Maine and how that's going to impact your

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1 planning and impact on New Hampshire
2 ratepayers?
3 A. (Wells) So, on July 7th, 2016, the Maine
4 Commission did issue an order in Docket No.
5 2014-000132. In that order, the Commission
6 approved a change in the percentage of capacity
7 assigned from 50 to 100 percent. That was to
8 be effective November 2019. They approved an
9 open season for customers that are currently
10 capacity-assigned, who have been on delivery
11 service prior to November of 2005. That open
12 season would allow a customer that is currently
13 capacity-assigned to convert to capacity-exempt
14 delivery service. And those elections are due
15 November 2016, and the elections would be
16 effective, I believe, by May 2017.
17 The Commission also approved changes to
18 the rates that would be charged to sales
19 service customers that are returning to
20 delivery service. Those rates would be equal
21 to our incremental cost less any -- and
22 disregarding any prior period credits or
23 over-recoveries.
24 Finally, there were some changes to the

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1 types -- the form of capacity assignment. The
2 rules for whether or not a particular capacity
3 resource would be designated as
4 capacity-release or company-managed, and those
5 rules, generally speaking, any resource that
6 can physically connect to Northern's system
7 would be subject to capacity-release unless
8 there were contractual limitations that
9 prevented that from happening. Only on-system
10 peaking capacity would be, generally speaking,
11 subject to company management, and any capacity
12 resource that did not physically connect to
13 Northern's system.
14 Q. Okay. So, overall, that is similar to the New
15 Hampshire --
16 A. (Wells) Well, there are --
17 (Court Reporter interrupts.)
18 Q. Sorry. Or describe how it may be similar or
19 dissimilar operationally, if you can.
20 A. (Wells) There are several areas of similarity
21 and some areas of dissimilarity. You know, one
22 area that I neglected to mention in the initial
23 response is there is a concept of a "capacity
24 ratio" in Maine. And that basically requires

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1 the Company to adjust the amount of capacity
2 assigned to each customer by the amount that
3 the total -- that Northern's system is long or
4 short. So that's something that, whereas in
5 New Hampshire it's basically strictly based on
6 the customer's design day, in Maine, there
7 would be an adjustment factor based on how the
8 system is relative to customer demands. So
9 that's one area of difference.

10 Another area of difference would be the
11 treatment of customers returning from delivery
12 service to sales service. The rate mechanisms
13 have been updated in New Hampshire -- excuse
14 me -- rather, in Maine, that have a different
15 approach than is currently taken in New
16 Hampshire. Other than that, I think the
17 programs will be rather similar. And, you
18 know, the Company is, you know, still being in
19 the compliance phase of the Maine Capacity
20 Assignment Program proceeding. You know, we
21 will consider what changes as a result of that
22 proceeding are appropriate to make to our New
23 Hampshire program, with the ultimate goal of
24 better aligning the two programs going forward.

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1 Q. Thank you.

2 MR. CLIFFORD: I have no further
3 questions of the witnesses at this time.

4 CHAIRMAN HONIGBERG: Commissioner
5 Scott.

6 QUESTIONS BY CMSR. SCOTT:

7 Q. Good morning. My usual caveat: Whoever feels
8 they have the best answer, please go ahead.

9 So, first I want to talk a little bit
10 about the -- inquire about the commodity
11 itself, the commodity price. I was curious if
12 anybody would like to opine. Are we
13 expecting -- are the Nymex prices looking at
14 any kind of volatility this winter? Obviously,
15 two winters ago we had a lot of volatility.
16 Last winter, we didn't have a winter, so there
17 was less volatility. About three winters ago.
18 Excuse me. So we've had some variance here.
19 I'm just curious. My look at the Nymex prices,
20 I'm not seeing a lot of risk for volatility
21 reflected. Is that a correct assessment?

22 A. (Wells) I think under the current market, I
23 think that's a fair assessment based on what we
24 know, that we haven't seen a lot of Nymex

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1 volatility recently. The volatility in
2 commodity pricing tends to be more in the adder
3 to that Nymex price that a party would pay for
4 New England-based deliveries rather than for
5 Nymex, which is more reflective of, as close as
6 can be, more of a national price, more of a
7 supplier price. And so with the current supply
8 outlook, where you have, you know, a relatively
9 new supply base that seems to have plenty of
10 capacity to produce more supply, I would
11 generally agree that in the near term, Nymex
12 volatility would be relatively lower than what
13 we've seen historically. The Company continues
14 to be concerned, however, about the volatility
15 of New England-delivered supplies, just because
16 where we have seen in recent winters when there
17 is relatively cold weather, higher demands,
18 there's been a very marked spread between the
19 Nymex price and what someone would pay for
20 supply delivered to New England if they are
21 just buying that without the benefit of any
22 capacity to go back to the supply-producing
23 regions.

24 Q. Having said that, is Nymex the right benchmark

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1 to use still?

2 A. (Wells) Well, if I were to trying to benchmark
3 volatility in New England, I would probably use
4 the sum of Nymex and Algonquin city-gate basis,
5 which is what I use when I'm looking at the
6 price that we would project to pay for any
7 delivered supplies. And that's probably going
8 to give you a better understanding of the
9 locational price, which is really probably
10 what's going to affect New Hampshire costs more
11 than only looking at the Nymex price.

12 The challenge with the Algonquin -- I
13 mean, it is posted publicly on the Futures.
14 It's not going to have nearly the liquidity of
15 the Nymex. But, you know, when I look at the
16 open contracts, we're talking about thousands
17 of contracts. So there's still enough money in
18 it to make you think that that Forward contract
19 has some validity to it.

20 Q. So, having said all that, the analysis you did
21 for this filing reflects that.

22 A. (Wells) Yes.

23 Q. Okay. Thank you.

24 The manufactured gas plant remediation

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1 costs, I was curious. What's the long-term
2 projection? Where's the Company on that
3 remediation? So that's Exeter and Rochester;
4 is that correct?
5 A. (Conneely) Correct. The Company historically
6 has sought recovery for expenses in the ERC:
7 Mowing the lawn, plowing out, maintaining the
8 properties. July 2015 to June 2016, the
9 Company undertook a larger remediation project
10 to -- for the purpose of closing this Exeter
11 site down. So there is larger invoices for
12 this ERC, but the goal is to, going forward,
13 have a very small ERC. I spoke with the
14 environmental compliance manager, and things
15 are on track and they're pretty cleaned up.
16 So, going forward, the Company expects closer
17 to the historical invoice costs each year or
18 less.
19 Q. Is that for both sites or just one site?
20 A. (Conneely) The big project was for the Exeter
21 site.
22 Q. Okay. So --
23 A. (Conneely) But there's still maintenance costs
24 with the Rochester site going forward.

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1 Q. I'm also curious about the bad debt allowance
2 in the filing. I was curious if you could
3 outline it a little bit. What are you doing to
4 reduce that? What efforts does the Company
5 have -- I mean, I guess there's a certain
6 amount to be expected, I understand.
7 A. (Kahl) Yes. In the cost of gas filing, what we
8 typically do is we talk with our billing
9 department and get their projection -- so, you
10 know, what is their projection of layoffs going
11 to be -- and we simply incorporate that into
12 the cost of gas filing. The reconciliation
13 will show you what has happened over the past
14 year and where the balance is. But, you know,
15 I would not be able to comment on any
16 procedures that are being taken to mitigate
17 write-offs or you know, try to assist. I mean,
18 obviously, customers do fall behind in
19 payments. The Company does try to work out
20 arrangements. And a write-off is not declared
21 until that meter is actually shut off.
22 Q. You may not be able to -- I was going to opine
23 on is the amount in there, is that a reasonable
24 number? Is it high? Is it low?

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1 A. (Kahl) I believe that number is lower than it's
2 been in the last few years. I believe the
3 number historically has been over 500,000.
4 So I'm referring to Schedule 4, Bates Page
5 90. And looking at the projected number, on
6 Line 14, which is 438,000. Of that amount, a
7 portion is allocated to the supply component
8 and a portion of that is allocated to each
9 season. But focusing on Line 14, the 438,000,
10 I believe that is lower than what we've seen in
11 the last few years.
12 Q. Thank you. And I think my last question -- I
13 think Mr. Wells, but I can't remember -- in a
14 discussion with Mr. Clifford regarding
15 migration, and I was -- what I think I heard
16 was it's pretty stable, projected to be pretty
17 stable. What would cause that to be unstable?
18 A. (Wells) I think what would cause it to be
19 unstable is, generally speaking, changes in
20 delivered supply costs, delivered supply
21 prices. You know, particularly for customers
22 that are not 100-percent capacity-assigned.
23 Customers that are 100-percent
24 capacity-assigned, it's going to be more of

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1 a -- less of a spread between what the utility
2 rate would be and what a marketer rate would be
3 because the supply costs will be about the same
4 based on what the utility would buy versus what
5 a marketer would buy. And so there could be --
6 you know, if there were changes in Nymex, that
7 might affect that. You can have more
8 flexibility if you are a retail marketer and be
9 able to implement lots of different strategies
10 that the utility service wouldn't offer. But
11 generally speaking, when it comes right down to
12 it, it's going to be less spread between
13 utility and marketer cost for a 100-percent
14 capacity-assigned customer.
15 And so, really, the volatility in
16 migration rates becomes more exacerbated, if
17 you will, when you've got customers that are
18 not 100-percent capacity-assigned. And that's
19 why, when we look at, you know, the last few
20 winters, when there was lots volatility in the
21 delivered supply price, there was customers
22 coming to and from the New Hampshire Division.
23 There was some migration, but it was much less
24 so than what we saw in the Maine Division

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<p>[PANEL: KAHL WELLS CONNEELY] Page 29</p> <p>1 because there was such a big difference between 2 delivered supply costs. And so, you know, 3 ultimately I think that when we eventually get 4 to a point where we are 100-percent 5 capacity-assigned for the majority of our 6 system again, that, you know, migration will be 7 more of a steady thing. It'll be more driven 8 by -- you know, marketers move into a service 9 territory because they think it's a stable 10 place to be able to grow a business, rather 11 than necessarily based on, you know, volatility 12 in, you know -- or perceived volatility and 13 whether or not there are advantages or 14 disadvantages that are just so dramatic based 15 on delivered -- you know, the difference 16 between delivered price and sort of a capacity, 17 you know, a 100-percent capacity price. 18 Q. I'm not going to hold you to an exact number, 19 but approximately what percentage are we right 20 now in New Hampshire within your service 21 territory for capacity assigned? 22 A. (Wells) I want to say on a design-day basis 23 it's approximately -- well, you know what? I 24 actually think I've got a schedule that</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>	<p>[PANEL: KAHL WELLS CONNEELY] Page 31</p> <p>1 Hampshire when there was volatility, which was 2 clearly not this past winter. 3 Q. So I asked all those questions, so I guess what 4 I was getting at is, if we go back, and this 5 winter ends up being like we had three years 6 ago, I was just curious what the impact would 7 be. It sounds like we're -- 8 A. (Wells) Hard to say because so much has changed 9 since then. You know, it really would be hard 10 for me to conjecture as to how -- you know, for 11 one thing, we still don't really have -- we 12 haven't really seen any volatility in the New 13 England market. You know, you haven't seen the 14 spread between Nymex and New England-delivered, 15 like, creep up at all; in fact, if anything, 16 going into the winter it's been trending down. 17 And that would probably give us a good 18 precursor, because a lot of contracts do come 19 up for renewal in November on the retail 20 market. So we probably would be starting to 21 see customers requesting a return to, you know, 22 sales service, if that was in fact happening. 23 I haven't seen that. Absent some major change 24 in market circumstances, I wouldn't -- I'm not</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>
<p>[PANEL: KAHL WELLS CONNEELY] Page 30</p> <p>1 provides... I believe it's Schedule 11 that 2 gives some relative... so, on Schedule 11D, 3 which is marked Page 234 -- and this data is 4 presented in therms, just to make sure we are 5 looking at these numbers correctly. New 6 Hampshire non-capacity-exempt transportation, 7 so that would be capacity-assigned, is about 8 10,000 decatherms, or around 107,216 therms. 9 Capacity-exempt, the design day is about 16,000 10 decatherms, or 163,534 therms, to give a 11 relative idea between our capacity-assigned and 12 capacity-exempt in New Hampshire. 13 You know, one thing I would comment on the 14 capacity-exempt in New Hampshire is that it 15 tends to be customers that are more industrial 16 in nature, that are more, you know, probably 17 more committed to staying on delivery service 18 regardless of, you know, the volatility and 19 under any particular market situation; whereas, 20 you know, perhaps the mix in the Maine 21 Division, because of the rules, tend to err 22 towards smaller usage customers, and that may 23 have been why those customers tended to come 24 back a little bit more than what we saw in New</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>	<p>[PANEL: KAHL WELLS CONNEELY] Page 32</p> <p>1 expecting this to be a winter where there is 2 significant migration to or from. You know, it 3 is possible that when there is some finality to 4 the rules in Maine, that may provide, if 5 anything, some migration into delivery service 6 when parties have some finality on what some of 7 the rules will be for that market. But as far 8 as the New Hampshire market, I don't -- you 9 know, those rules right now are codified. 10 There's not anything that's planned to change 11 in the immediate future. I just don't see how, 12 absent some, you know, dramatic change in the 13 market fundamentals, that we start seeing 14 dramatic increases or decreases in the relative 15 sales and delivery service volumes. 16 Q. Thank you. 17 CHAIRMAN HONIGBERG: Commissioner 18 Bailey. 19 QUESTIONS BY CMSR. BAILEY: 20 Q. Following up on that last line of questioning, 21 I didn't really understand the answer. I 22 thought Commissioner Scott asked you what 23 percentage of capacity was allocated on your 24 highest-degree-demand day. So the converse</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>

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1 would be how much space do you have left over?
2 And I didn't get the -- and it's maybe because
3 I don't understand your answer.
4 A. (Wells) Completely fair question. So, our
5 total portfolio of Northern Utilities is
6 approximately 120 decatherms of supply going
7 into the current winter period. I have
8 provided a breakout of those supplies on, I
9 believe it's Table 3 of my testimony, and again
10 on Schedule 12, which is Page 237. So, to give
11 relative numbers, we assign -- or we have
12 approximately 120 decatherms of supplies for
13 this coming winter; of that, I project around
14 10,000 per each division will be assigned out
15 to retail marketers, leaving the Company with
16 approximately 100,000 decatherms of supply
17 going into the current winter. And that would
18 be to manage the demand requirements of both
19 New Hampshire and Maine Divisions.
20 Q. And what are the highest-demand-day
21 requirements?
22 A. (Wells) Right. Going back to Schedule 11, the
23 same page we were referring to previously, if I
24 can find it again --

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1 Q. Page 234?
2 A. (Wells) Thank you. So, the Maine firm sales
3 requiring is about 47,500 decatherms on a
4 design-day basis. So that's a "1 in a 33-year,
5 this is what we think the highest peak demands
6 would be on the New Hampshire system for sales
7 service." And for the Maine Division, it's
8 approximately 56,000 decatherms.
9 Q. So that's a total of 103 decatherms?
10 A. Yes.
11 Q. And you have 100,000 -- I mean you have 100
12 decatherms?
13 A. A hundred thousand. Yeah, we are actually...
14 Q. You have 100,000 therms.
15 A. (Wells) No, we have 100,000 -- and I apologize.
16 This schedule, Schedule 11D, is in therms. So
17 my Schedule 12 is in decatherms, so --
18 Q. Right. But didn't you convert the New
19 Hampshire firm sales to 47 decatherms?
20 A. (Wells) Yes, I did.
21 Q. And so if you add 47 and 56, you get 103
22 decatherms; right?
23 A. A hundred three thousand decatherms.
24 Q. And how much capacity do you have, according to

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1 Schedule 12?
2 A. (Wells) We have 118,000, of which approximately
3 10,000 -- I don't have the numbers right in
4 front of me -- but I do believe that we -- if
5 you look at this Schedule 11, it shows -- it
6 adds the capacity-exempt back in. It shows we
7 have a design-day demand of the total system of
8 1,583,000 therms; that would be 158,000
9 decatherms. And we have supplies of 1,583,000
10 therms of the same amount.
11 One thing to sort of keep in mind is that
12 in the New Hampshire Division -- excuse me --
13 in the Maine Division, the peaking capacity
14 of -- any offsets in peaking capacity we don't
15 actually allocate to retail marketers; whereas,
16 we are assigning 10,000 decatherms of capacity,
17 we're not going to assign all of the supply.
18 And so one thing to keep in mind is that it did
19 affect -- we're actually buying less capacity
20 for the total system, or less peaking, less
21 off-system peaking capacity for the whole
22 system because part of our capacity-assignment
23 obligation in Maine doesn't require that we
24 assign off-system peaking contracts. So, in

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1 essence, the difference between 103,000 and
2 100,000 is this is off-system peaking capacity
3 that we're only going to be assigning granite
4 capacity for in Maine rather than any supply
5 requirement. I understand it's very
6 complicated, and I apologize. There are a lot
7 of moving parts with that. With the capacity
8 assignment program, it's a little bit in flux
9 right now.
10 Q. Okay. Thank you.
11 Mr. Kahl, on Page 29, Bates Page 29 of
12 your testimony, and this is also shown on the
13 schedule that you pointed us to, it looks to me
14 like your bad debt is increasing from 390,000
15 actual bad debt ending July of 2015 to your
16 projected of 438,000, rather than what I
17 thought I heard you say, which is "this lower
18 than it has been."
19 A. (Kahl) I meant it was lower than what we had
20 projected it to be in prior cost of gas
21 filings. So we would get the forecast, again,
22 from our billing department and incorporate
23 that.
24 Q. It shocked me to hear you say they give you a

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<p>[PANEL: KAHL WELLS CONNELY] Page 37</p> <p>1 number and you just take it. Whose job is it 2 to try to mitigate that? 3 A. (Kahl) Well, I mean, there's the projection. 4 So this is what they think will happen. And 5 then the mitigation is a different issue. And, 6 you know, from the conversations I've had with 7 our billing department, the last thing they 8 want to do is write off the account. So they 9 would try to work with the customers that are 10 in arrears to get a payment schedule. 11 Q. But what incentive do they have to do that if 12 they can just put it back in rates on other 13 people? You know, you just said the last thing 14 you would expect them to do is not try to get 15 people to pay their bills. But if they don't 16 pay their bills, you still get the money 17 anyways. So what difference does it make? How 18 hard do they have to try? 19 A. (Kahl) I think you're getting into an area of 20 how the collection process works and how they 21 handle accounts that are in arrears, and I 22 don't have the information on that. But, you 23 know, I do speak with them. I do try to get a 24 projection of if it's up or if it's down, what</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>	<p>[PANEL: KAHL WELLS CONNELY] Page 39</p> <p>1 CHAIRMAN HONIGBERG: Mr. Taylor, do 2 you understand the request? 3 MR. TAYLOR: I understand the 4 request, how it was asked, and we'll have the 5 transcript as well. But, yes, so I've written 6 it down. I think I understand what 7 Commissioner Bailey is asking for. 8 CHAIRMAN HONIGBERG: All right. So 9 we've reserve, I think it will be 4, Exhibit 4, 10 for that response to that record request. 11 CMSR. BAILEY: We need to approve 12 these rates rather quickly, don't we? 13 MR. TAYLOR: Yes, these are to go 14 into effect on November 1st. So we will try to 15 turn around a response as quickly as we can. 16 CMSR. BAILEY: Okay. 17 MR. TAYLOR: You know, as Mr. Kahl 18 indicated, it will require talking to some 19 folks in different departments than here in the 20 room and collecting information from quite a 21 number of folks. But we'll do our very best to 22 get it to you as quickly as we can. 23 CMSR. BAILEY: Sure. But you are 24 asking for us to put \$438,000 of uncollectibles</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>
<p>[PANEL: KAHL WELLS CONNELY] Page 38</p> <p>1 the rationale is behind that. And, you know, I 2 can go back and I can -- hang on a second. 3 (Witness reviews document.) 4 A. (Kahl) Yeah, I can -- again, my recollection is 5 that we were projecting closer to 500,000. But 6 I would have to actually go back and see those 7 prior cost of gas filings to see what was in 8 those. 9 Q. You mean in prior cost of gas filings you 10 estimated that the uncollectibles would be 11 \$500,000, a half million dollars? 12 A. (Kahl) For Northern in total, yes. Now, a 13 portion of that is allocated to the cost of 14 gas, roughly about 50 percent, and then from 15 there it's allocated to the seasons. 16 Q. Are these strictly New Hampshire 17 uncollectibles? 18 A. (Kahl) Yes. 19 Q. Okay. Could I ask for a record request, to 20 give me the actual uncollectibles that you've 21 had maybe for the past five years and what 22 percentage of your revenue that is and what 23 extent your billing department goes to, to 24 reduce those.</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>	<p>[PANEL: KAHL WELLS CONNELY] Page 40</p> <p>1 in rates; right? 2 WITNESS KAHL: I'd like to interrupt. 3 We're asking for 206,000 here in the cost of 4 gas. 5 BY CMSR. BAILEY: 6 Q. And where is the remainder? 7 A. (Kahl) The difference is not collected through 8 the cost of gas. 9 Q. But it's collected, another 232,000; right? 10 A. (Kahl) This would probably -- I would speculate 11 this would fall into base rates. So I don't 12 know how the cost allocation is handled for 13 base rates. I don't know if it's based on an 14 estimate, if it's built in every year or not. 15 Q. So, show me on Schedule 4, Bates Page 90, what 16 you mean by that. You're asking for \$206,000 17 in the annual non-distribution rates? Is that 18 what -- but then there's the rest of it in 19 winter and summer? 20 A. (Kahl) And that's the split between the winter 21 and the summer. So, for this winter, we're 22 seeking to recover basically \$187,200, Line 16. 23 Q. Oh, I see it. I'm just trying to understand 24 where the rest of the -- I mean, in your</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>

<p>[PANEL: KAHL WELLS CONNELLY] Page 41</p> <p>1 testimony, which is what I read, it says that 2 you're projecting the bad debt to be \$438,000. 3 And so I guess maybe another question would be 4 whether the remainder of that bad debt gets 5 collected or if it doesn't get collected? 6 A. (Kahl) I think, as I said before, I would 7 imagine that would be collected through base 8 rates. So there would probably be a component 9 in the most recent base rate case proceeding 10 that would provide for an amount of bad debt 11 recovery, probably an estimated amount, 12 because, of course, base rates aren't going to 13 change unless there's another rate case. 14 CHAIRMAN HONIGBERG: Mr. Kahl, sounds 15 like you are making an educated guess, but you 16 don't actually know. 17 WITNESS KAHL: That is correct. 18 CHAIRMAN HONIGBERG: All right. So 19 why don't you include an explanation, Mr. 20 Taylor, in your response to the record request 21 about how this process works. And you might 22 include in there how the Company has incentive 23 to reduce its uncollectibles within this 24 process.</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>	<p>[PANEL: KAHL WELLS CONNELLY] Page 43</p> <p>1 of the amount of the PNGTS refund that would be 2 allocated to retail marketers for the 2016-17 3 winter period. And what I did this time was I 4 took the New Hampshire portion of the refund, 5 allocated that between the two Portland 6 contracts that were subject to refund, and then 7 took a ratio between the New Hampshire 8 allocated MDQ, which is based on the PR 9 allocator of 43.73 percent and the ratio 10 between the amount of that that was assigned 11 to -- that I project to be assigned to New 12 Hampshire marketers. So, in this circumstance, 13 the total contract is 1100; the New Hampshire 14 portion of that is 481. I projected 98 of that 15 to be allocated to marketers through capacity 16 assignment. I took the ratio of 98 and 481 to 17 come up with 20.37 percent. So, therefore, 18 approximately \$17,400 of that contract was 19 allocated to capacity-assignment revenue by 20 taking the 20.37 percent and multiplying that 21 by the \$85,000 that was that portion of that 22 contract. 23 And the reason I talk about this is that, 24 in essence, what I did for the 2015-16 is I</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>
<p>[PANEL: KAHL WELLS CONNELLY] Page 42</p> <p>1 BY CMSR. BAILEY: 2 Q. Can you talk a little bit about the 3 miscalculation and you underestimating the 4 marketers share the PNGTS refund? 5 A. (Wells) Yes. So, in the 2015-16 cost of gas, I 6 had prepared a schedule estimating the amount 7 of the PNGTS refund that would be attributable 8 to the retail marketers. I provide in Schedule 9 5B -- it may be useful to understand how that 10 calculation was incorrect in the prior period. 11 Generally speaking -- 12 Q. Can you please tell me what page you're on? Is 13 this a confidential page that we can't see the 14 number on? 15 A. (Wells) It's not a confidential page. 16 Q. Okay. 17 A. (Wells) It is Page 139. And so -- I just want 18 to make sure you're on the page. 19 Q. I'm not there yet. Sorry. Some of the Bates 20 pages have holes through them, so I lost track 21 of what page I was on. Sorry. 22 (Pause in proceedings) 23 Q. Okay. I'm there. Thanks. 24 A. (Wells) So in this schedule, I show my estimate</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>	<p>[PANEL: KAHL WELLS CONNELLY] Page 44</p> <p>1 took percentages that were intended to be to 2 the total portfolio. So, for the remainder of 3 this schedule, I look at the amount that is 4 assigned to New Hampshire retail marketers and 5 divided that by the total portfolio and applied 6 that to each contract. And by the "total 7 portfolio," I mean the portion of the portfolio 8 applicable to both Maine and New Hampshire 9 divisions. So, in essence, what I did was I 10 applied and allocated those based on the total 11 system and applied it to something that was 12 just New Hampshire, by taking just the New 13 Hampshire-Portland revenue and applying a 14 system-wide allocator to it. I underestimated 15 the amount of revenue in last winter's cost of 16 gas that was applicable to the cost of gas -- 17 or applicable to retail marketers, and so it 18 had the effect ultimately of overstating -- or 19 excuse me -- overestimating the amount that we 20 would flow through to 50 percent. And so by my 21 incorrectly taking into account for that had 22 the downflow effect of we were taking really 23 more than the 50 percent of Portland. When we 24 ended up reconciling the numbers, we realized</p> <p>{DG 16-819}[COST OF GAS HEARING ON THE MERITS](10-11-16)</p>

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1 that my initial estimate was incorrect.
2 Q. So are you compensating for that this year?
3 A. (Kahl) No. We refunded basically 59. We were
4 supposed to refund 50. So we're just taking
5 the remaining portions. So, Year 2 is going to
6 be 60 percent of the remainder, and Year 3, the
7 final year, will be 40 percent of the remaining
8 balance.
9 Q. Okay. On the lost revenue rate, we looked at
10 Schedule 10 on Bates Page 216, and it looked
11 like you are projecting sales to increase. So
12 if your sales increase, how do you expect to
13 lose distribution revenue that needs to be
14 recovered in this LRR rate?
15 A. (Conneely) So the LRR is for the lost
16 distribution and how it relates to the energy
17 efficiency programs that we're implementing.
18 So it would just be what is lost for energy
19 efficiencies.
20 Q. If your sales don't decrease, how do you
21 calculate that?
22 A. (Conneely) If you look at... starting at the
23 back of my calculation, it's Page 302 -- 324.
24 Q. Is that at Tab 10?

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1 A. (Conneely) This is at Tab 16. Maybe I'm
2 throwing you off with "distribution," that
3 language.
4 Q. Okay. I'm on Page 302.
5 A. (Conneely) So this page represents numbers that
6 came out of 15,137, which is the energy
7 efficiency CORE docket. And these are, if you
8 look at the annual therms for residential
9 programs and the annual therms for the
10 commercial industrial programs --
11 Q. \$66,996 for residential?
12 A. (Conneely) Correct. Those represent the amount
13 of therms that will be saved through calendar
14 year 2017 by implementing these energy
15 efficiency programs, things such as ENERGY
16 STAR. I'm not sure of all the programs, but
17 they're appliance-based, they're boiler-based,
18 things of that nature.
19 Q. So this is what you expect those programs to
20 save in energy. And if you didn't have these
21 programs in place, you would have 66,000 more
22 therms of residential use.
23 A. (Conneely) Correct.
24 Q. And why is the surcharge, if you will, more

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1 expensive for the residential customers? Is it
2 just because there's fewer to spread the costs
3 over?
4 A. (Conneely) Yes.
5 Q. Okay.
6 CMSR. BAILEY: That's all I have.
7 Thank you.
8 CHAIRMAN HONIGBERG: Has anyone
9 talked about Exhibit 3 and what is exhibit --
10 why do I have Exhibit 3 in front of me? What
11 is it?
12 MR. TAYLOR: Exhibit 3 is updated
13 tariff pages that we submitted last week
14 that --
15 CHAIRMAN HONIGBERG: Should one of
16 the witnesses perhaps say that this needs --
17 there's a reason why this needs to be replaced
18 or something like that on the record so there
19 would be a basis for striking the I.D. on
20 Exhibit 3? Who would sponsor Exhibit 3? Or
21 Staff could stipulate that it's appropriate
22 that Exhibit 3 replace whatever relevant pages
23 it replaces and then we could be done with it.
24 WITNESS KAHL: I can attempt to

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1 answer.
2 CHAIRMAN HONIGBERG: Mr. Kahl, you
3 want to go for it?
4 WITNESS KAHL: Yes. There's, I
5 believe, eight pages that we are submitting
6 here. The first one is revised Page 55. We
7 simply found a term in there that was
8 incorrect, and I think we took out the term
9 "winter" and replaced it with "annual." That's
10 the only change to that.
11 The 15th revised Page 96, this
12 is the rates summary. And what this does is it
13 accounts for the fact that you have an LDAC
14 that's going to change on January 1. So we've
15 already submitted 14th revised Page 96, which
16 is effective November 1, but we need to also
17 submit 15th to incorporate that. So if we kind
18 of skip over, you'll see there is a 15th
19 revised Page 97 and a sixth revised Page 98,
20 again, same issue.
21 CHAIRMAN HONIGBERG: So, Exhibit 3 is
22 replacement pages for parts of the section of
23 the filing behind the tab that says "Tariff
24 Pages."

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1 WITNESS KAHL: Correct.
2 CHAIRMAN HONIGBERG: All right. Is
3 Staff satisfied that these are appropriate
4 replacements?
5 MR. CLIFFORD: Yes, Staff's reviewed
6 them and we believe these are correct.
7 CHAIRMAN HONIGBERG: All right. We
8 don't need further explanation. I just wanted
9 to have some explanation for what it was.
10 The other thing I want to talk
11 about is trivial, and I apologize for doing
12 this. But "LDAC" means two different things,
13 and you even use it two different ways in this
14 filing. I can highlight it in Mr. Conneely's
15 testimony. But we see this whenever we write
16 orders in things that apply to both you and the
17 other natural gas LDC. To them, they use -- I
18 believe this is true -- they use "LDAC," and
19 the "C" in "LDAC" always means "charge." For
20 you, sometimes it means "clause" and sometimes
21 it means "charge." And if you look at Page 2
22 of Mr. Conneely's testimony, on Line 15, you
23 even define "LDAC" as "local delivery
24 adjustment clause." And you can see the usage

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1 of that on the next page somewhere. I've lost
2 it now. But the other way it gets used, you
3 use -- it's clear in context that the "C" means
4 "charge." Look at Page 3, Line 5, the words
5 associated with LDAC on Line 5, and you'll see
6 it doesn't make any sense.
7 So I would like -- I'm going to
8 ask you to cooperate with me and the
9 Commissioners, humor us, if you will, to work
10 with Staff to rationalize your tariff and your
11 language so that "LDAC" means one thing. And I
12 think linguistically you'll find it'll be
13 easier to have it mean "charge." And even your
14 tariff can be your "local delivery adjustment
15 charge clause." Or you don't even need the
16 word "clause" in the title. Am I making -- the
17 question, I guess, then, first, is am I making
18 sense? I see a nodding head, and I appreciate
19 that Mr. Kahl. And the second is, can you and
20 your counsel work with Staff to rationalize
21 your filing linguistically so that the next
22 time we have to write an order that involves
23 both you and Liberty, we're not wrestling with
24 footnotes and explanations of why LDAC means

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1 two different things?
2 MR. TAYLOR: We can certainly work to
3 reconcile that.
4 CHAIRMAN HONIGBERG: All right.
5 Thank you. I appreciate that. Again, I
6 probably took way more time than I needed to
7 with that.
8 I have no further questions.
9 Mr. Taylor, do you have any further questions
10 for your witnesses?
11 MR. TAYLOR: I have no further
12 questions.
13 CHAIRMAN HONIGBERG: All right.
14 There's no other witnesses; correct?
15 [No verbal response]
16 CHAIRMAN HONIGBERG: All right. You
17 gentlemen can probably stay where you are.
18 I assume there's no objection to
19 striking the I.D. on Exhibits 1 to 3, and we'll
20 hold open the record for submission of
21 Exhibit 4; correct? I see nodding heads.
22 That's good.
23 Is there anything we need to do
24 before you sum up? All right. Mr. Clifford,

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1 why don't you go first.
2 MR. CLIFFORD: Thank you,
3 Commissioner. Staff recommends approval of
4 Northern's proposed winter cost of gas rates
5 and the adjustment mechanism for the summer,
6 obviously subject to the explanation for the
7 bad debt expense adjustment thereto that we
8 talked about today. We believe that the local
9 area delivery adjustment charge is comprised of
10 a number of items, many of which have been
11 established in other proceedings. We do
12 support the inclusion of a lost revenue rate
13 component, obviously subject to a more thorough
14 explanation through the discovery request. We
15 also support the supply and balancing charges,
16 the gas allowance factors, capacity allocator
17 adjustment percentages included in the Maine
18 and New Hampshire interstate aspects of the
19 filing. We do recommend Commission approval of
20 that. And also, we just want to report that
21 the Audit Staff has reviewed the 2015 and 2016
22 peak period cost of gas reconciliation and the
23 environmental remediation costs associated with
24 that, and we have no exceptions. So, in sum,

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1 we support the rates as proposed.

2 CHAIRMAN HONIGBERG: Thank you, Mr.
3 Clifford.

4 Mr. Taylor.

5 MR. TAYLOR: Just before I sum up, I
6 did want to just make sure something was
7 clarified. Mr. Clifford had mentioned in his
8 summation that the Staff supported a lost
9 revenue recovery charge subject to further
10 clarification through discovery. And my
11 understanding of the discovery request that is
12 out there is related solely to the bad debt,
13 not to the lost recovery. And I just wanted to
14 make sure that we're all on the same page with
15 respect to what's out there in terms of record
16 requests.

17 CHAIRMAN HONIGBERG: I understood the
18 same thing you did, Mr. Taylor.

19 MR. CLIFFORD: Right. Yes, and I
20 just want to clarify that is exactly what I
21 meant.

22 MR. TAYLOR: Beyond that, I have
23 nothing further to add that our witnesses
24 haven't already discussed today. We very much

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1 appreciate the opportunity to come here and
2 present our filing to you. We do think it's a
3 fairly straightforward filing, even though it's
4 a little bit different in substance or form
5 than it's been in the last -- than it's been
6 previously. But we think it merits your
7 approval. Thank you.

8 CHAIRMAN HONIGBERG: All right.
9 Thank you all. We'll take this under
10 advisement and wait to get Exhibit 4. But
11 we'll issue an order as quickly as we can.
12 (Whereupon the hearing concluded at 11:27 a.m.)
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