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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 22, 2008 - 10:10 a.m.  
Concord, New Hampshire

RE: DG 08-115  
NORTHERN UTILITIES, INC. - N.H. DIVISION:  
Winter Period 2008-2009 Cost of Gas  
Adjustment.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Graham J. Morrison  
Commissioner Clifton C. Below

Connie Fillion, Clerk

APPEARANCES: Reptg. Northern Utilities, Inc.:  
Patricia M. French, Esq.  
  
Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Office of Consumer Advocate  
  
Reptg. PUC Staff:  
Edward N. Damon, Esq.

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



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## E X H I B I T S

3

EXHIBIT NO.

D E S C R I P T I O N

PAGE NO.

4

1

Winter Period 2008-2009 Cost  
of Gas Filing Effective  
November 1, 2008

premarked

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2

Revision to Proposed Cost of  
Gas Adjustment for the Winter  
Period 2008-2009 (10-17-08)

premarked

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Northern Utilities, Inc.,  
Unaccounted for Gas Inquiry and  
Resolution Spectra Meter Pulse  
Factor Error at Newington Meter  
Station (09-23-08)

premarked

10

11

4

Correction of Meter Error at  
Newington Meter Station  
(09-03-08)

premarked

12

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Data response from DG 08-048  
regarding the Exeter  
remediation issues

33, 75

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Testimony of Robert J. Wyatt

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RESERVED (Mr. Wyatt's final  
review of the revised filing)

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1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in docket DG 08-115. On  
4 September 15, 2008, Northern Utilities filed its cost of  
5 gas rates for the period November 1, 2008 through  
6 April 30, 2009, and its Local Distribution Adjustment  
7 Charge and certain supplier charges for the period  
8 November 1 through October 31, 2009. The proposed  
9 residential cost of gas rate is \$1.3899 per therm, a 29.88  
10 cents per therm increase over last winter. The estimated  
11 impact is an increase of approximately 20 percent in a  
12 heating customer's winter bill. An order of notice was  
13 issued on September 17 setting the hearing for this  
14 morning.

15 Can we take appearances please.

16 MS. FRENCH: Good morning, Mr. Chairman,  
17 Mr. Commissioners. My name is Patricia French. I'm from  
18 NiSource Corporate Services' Legal Department, and I'm  
19 here on behalf of Northern Utilities.

20 CHAIRMAN GETZ: Good morning.

21 CMSR. BELOW: Good morning.

22 CMSR. MORRISON: Good morning.

23 MS. HATFIELD: Good morning,  
24 Commissioners. Meredith Hatfield, for the Office of

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1 Consumer Advocate, on behalf of residential ratepayers,  
2 and with me is Ken Traum.

3 CHAIRMAN GETZ: Good morning.

4 CMSR. MORRISON: Good morning.

5 CMSR. BELOW: Good morning.

6 MR. DAMON: Good morning, Commissioners.  
7 Edward Damon, for the Staff, and with me this morning are  
8 Robert Wyatt and Stephen Frink.

9 CHAIRMAN GETZ: Good morning.

10 CMSR. MORRISON: Good morning.

11 CMSR. BELOW: Good morning.

12 CHAIRMAN GETZ: Is there anything we  
13 need to address before you proceed with your witnesses,  
14 Ms. French?

15 MS. FRENCH: I don't believe so, Mr.  
16 Chairman. We have three witnesses for our panel  
17 presentation today.

18 MR. DAMON: I would just add, I think  
19 that the rate that you propose to charge has been revised,  
20 right?

21 MS. FRENCH: That is correct.

22 MR. DAMON: Yes.

23 MS. FRENCH: And, we'll be discussing  
24 that through the panel. The rate was revised through a

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 revised filing that was I think filed with the Commission  
2 technically yesterday. So, we'll make sure the witnesses  
3 address that point. Thank you, Mr. Damon.

4 (Whereupon Joseph A. Ferro, Francisco C.  
5 DaFonte and Ronald D. Gibbons was duly  
6 sworn and cautioned by the Court  
7 Reporter.)

8 JOSEPH A. FERRO, SWORN

9 FRANCISCO C. DaFONTE, SWORN

10 RONALD D. GIBBONS, SWORN

11 DIRECT EXAMINATION

12 BY MS. FRENCH:

13 Q. Good morning, Mr. Gibbons.

14 A. (Gibbons) Good morning.

15 Q. Would you state your name and business address for the  
16 record please.

17 A. (Gibbons) Yes. Ronald D. Gibbons. My business address  
18 is 200 Civic Center Drive, Columbus, Ohio 43215.

19 Q. For whom do you work and in what capacity?

20 A. (Gibbons) I am Manager of Rate and Regulatory Services  
21 for Northern Utilities, and I work, actually, for  
22 NiSource Corporate Services Company.

23 Q. As part of your responsibilities in that position, are  
24 you responsible for the filing and accuracy of

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 Northern's 2008 peak period -- 2008-2009 peak period  
2 Cost of Gas?
- 3 A. (Gibbons) Yes, I am.
- 4 Q. In front of you is a document that's been premarked for  
5 identification "Northern Exhibit 1". It's a two-binder  
6 set, with testimony and schedules. Do you recognize  
7 that document?
- 8 A. (Gibbons) Yes, I do. It's the Winter Period Cost of  
9 Gas for the Winter 2008-2009.
- 10 Q. And, contained in that, I'm showing you a document that  
11 is marked "Prefiled Testimony of Ronald D. Gibbons".  
12 Do you recognize that document?
- 13 A. (Gibbons) Yes, I do.
- 14 Q. And, was that testimony prepared by you or under your  
15 direct supervision and control?
- 16 A. (Gibbons) Yes, it was.
- 17 Q. Do you have any changes or corrections to make to that  
18 testimony today?
- 19 A. (Gibbons) No, I do not.
- 20 Q. And, to Mr. Damon's point earlier, were you responsible  
21 for filing an updated revised cost of gas with the  
22 Commission?
- 23 A. (Gibbons) Yes, I was.
- 24 Q. Placed in front of you is a document that's been

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 premarked for identification "Northern Exhibit 2".
- 2 A. (Gibbons) Yes.
- 3 Q. Do you recognize that document?
- 4 A. (Gibbons) Yes, I do. That's the revision to the Winter
- 5 2008-2009 Cost of Gas that was originally filed.
- 6 Q. Do you have any changes or corrections to make to that
- 7 document?
- 8 A. (Gibbons) No, I do not.
- 9 Q. Was it prepared by you or under your direct supervision
- 10 and control?
- 11 A. (Gibbons) Yes, it was.
- 12 Q. Good morning, Mr. DaFonte.
- 13 A. (DaFonte) Good morning.
- 14 Q. Would you state your name and business address for the
- 15 record.
- 16 A. (DaFonte) Francisco C. DaFonte. And, my business
- 17 address is 300 Friberg Parkway, Westborough,
- 18 Massachusetts 01581.
- 19 Q. For whom do you work and in what capacity?
- 20 A. (DaFonte) I work for Northern Utilities as the Director
- 21 of Gas Management Services, and I work for NiSource
- 22 Corporate Services.
- 23 Q. In that position, what are your responsibilities?
- 24 A. (DaFonte) My responsibilities are for the planning,

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 management, and optimization of the Northern Utilities  
2 portfolio.

3 Q. Did you sponsor prefiled testimony in this proceeding?

4 A. (DaFonte) Yes, I did.

5 Q. As part of that Northern Exhibit 1 that's placed before  
6 you, I'll open it to the tab that says the "Prefiled  
7 Testimony of Francisco C. DaFonte". Do you recognize  
8 that document?

9 A. (DaFonte) Yes, I do.

10 Q. Was that prepared by you or under your direct  
11 supervision and control?

12 A. (DaFonte) Yes, it was.

13 Q. Do you have any changes or corrections to make to that  
14 document as you sit here today?

15 A. (DaFonte) I only have an update, which is related to  
16 the in-kind payback volumes as a result of the  
17 Newington New Hampshire meter error. And, the  
18 agreement calls for the in-kind reimbursement of  
19 volumes from PNGTS that would be flowed back to  
20 Northern Utilities in an even daily fashion over the  
21 course of 18 months. Those volumes come at no charge,  
22 as they were over billed, and thus -- and they would be  
23 reflected in the cost of gas going forward beginning  
24 November 1st.

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 Q. Before you is a document that's marked "Northern  
2 Exhibit 3" for identification.
- 3 A. (DaFonte) Yes, I see it.
- 4 Q. Can you describe that document for the record?
- 5 A. (DaFonte) Yes. That document was submitted to the  
6 Commission on September 23rd. And, it basically  
7 outlined the unaccounted for gas resolution. I  
8 described how the unaccounted gas issue was resolved,  
9 how it was resolved, with respect to the various  
10 parties on the upstream side of the Newington Meter  
11 Station. And, asks the Commission to approve the  
12 in-kind volumes that are to be returned to Northern's  
13 ratepayers.
- 14 Q. Before we dive into that document a little bit more  
15 deeply, I'd like to ask Mr. Gibbons to provide a  
16 summary of the updated cost of gas for this peak  
17 period.
- 18 A. (Gibbons) Yes. The revised cost of gas for the Winter  
19 '08-09 period resulted in a revised residential heating  
20 rate of \$1.2636 per therm, and that was a decrease of  
21 0.1263 cents per therm compared to the rate in the  
22 original filing. And, the items that affected this  
23 decrease was an updated NYMEX futures strip that was  
24 dated October 8, 2008. It also reflected the in-kind

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 reimbursement for the Newington metering error. It  
2 reflects asset management credits. We revised the  
3 interest rate. It also, as part of the revised filing,  
4 we also revised the Residential Low Income Assistance  
5 Program Rate, which basically reflects an updated  
6 over/under amount as compared to last year.
- 7 Q. I think this might be an appropriate time to introduce  
8 Mr. Ferro. Mr. Ferro, would you state your name and  
9 business address for the record.
- 10 A. (Ferro) My name is Joseph A. Ferro. My business  
11 address is 300 Friberg Parkway, Westborough,  
12 Massachusetts 01582.
- 13 Q. And, for whom do you work and in what capacity?
- 14 A. (Ferro) I work for Bay State Gas and Northern  
15 Utilities, Manager of Regulatory Policy.
- 16 Q. And, with regard to Northern Exhibit 3, were you  
17 responsible for the preparation of the schedules  
18 attached to this exhibit?
- 19 A. (Ferro) Yes, I was.
- 20 Q. Mr. Gibbons, you just mentioned that the updated cost  
21 of gas and the original cost of gas provide --  
22 actually, I'm sorry, strike that. You just indicated  
23 that the updated cost of gas includes the flow-through  
24 gas associated with the Newington meter error and the

[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 settlement of the dispute with PNGTS. Do you feel  
2 comfortable describing for the Commission how that  
3 flow-through occurs from a ratemaking standpoint with  
4 regard to these schedules? And, certainly, Mr. Ferro,  
5 you can jump in.

6 A. (Gibbons) Yes. From a standpoint of modeling these  
7 volumes as they relate to the estimated cost of gas for  
8 this upcoming winter, what we did or what the gas  
9 supply people did, they re-forecasted the sendout for  
10 this winter by substituting the in-kind at no cost  
11 PNGTS volumes for some supply that was previously costs  
12 associated with it. Now, it did not involve a  
13 therm-for-therm substitution of pipeline at no cost for  
14 -- in place of pipeline that there was a charge for, it  
15 actually reallocated to some other categories, such as  
16 storage and peaking gas also. And, the net effect was  
17 greatly reduced gas prices for Northern customers.

18 Q. Mr. DaFonte, have you had the opportunity to describe  
19 for the Commission yet what happened with regard to the  
20 metering obligations by the upstream pipelines,  
21 particularly Spectra and PNGTS?

22 A. (DaFonte) I have not, other than the letter that was  
23 submitted on September 23rd to the Commission, I have  
24 not had a chance to. But I certainly would like to

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 take this opportunity to update the Commission.

2 Q. Please continue.

3 A. (DaFonte) The issue that we're discussing here today  
4 was a result of a meter error that occurred at the  
5 Newington Meter Station. In early 2006, Northern  
6 Utilities noticed that the unaccounted for gas  
7 percentage was increasing in the New Hampshire  
8 Division. The Northern Utilities folks determined that  
9 they would conduct an investigation as to what the  
10 cause of this increase in the unaccounted for was.  
11 And, what Northern did was to take a look at the  
12 various internal potential issues that may have caused  
13 this, whether it be engineering, operations, metering  
14 and so forth.

15 After investigating all of the internal  
16 potential issues, Northern Utilities determined that  
17 those were not the cause of the unaccounted for gas.  
18 And, it then determined that it would need to bring in  
19 a consultant to take a look at some of the external  
20 issues that may have caused the unaccounted for  
21 increase.

22 In that time period, it was determined,  
23 after some time, that, you know, we had essentially put  
24 the time frame of the metering error back to a point in

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1 May of 2005, and that was discovered by our Gas -- one  
2 of our Gas Control folks, our Manager of Gas Control,  
3 in conjunction with the investigation made by the --  
4 or, headed up by our external consultant. And, what  
5 happened is that, once we pinpointed that time period,  
6 we contacted Maritimes & Northeast Operating Company,  
7 which is a subsidiary of Spectra Company. And, they  
8 looked back at their records, and they were able to  
9 determine that right around that May time frame there  
10 was a firmware download at that meter station. And,  
11 subsequently, they went back, I believe around  
12 December 12th of 2007, and conducted another test.  
13 And, they were able to determine at that time that  
14 there was an erroneous pulse count setting within that  
15 firmware. And, the pulse count setting is what  
16 determines the flow in a meter. So, basically, what  
17 they determined was that the pulse count that should  
18 have been in there is 120 pulses per cubic foot, and  
19 the firmware that was downloaded had a 100 count per  
20 cubic foot. And, so, therefore, the meter was counting  
21 too high. They went back and determined that the total  
22 volume that was in -- that was in error, that was  
23 overbilled essentially, was 758,702 dekatherms. Once  
24 that was determined, the correction was made to the

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1 meter and a resolution was undertaken in terms of the  
2 negotiation between Northern Utilities, Granite State  
3 Gas Transmission, as well as Maritimes & Northeast  
4 Operating Company, and, ultimately, PNGTS, the Portland  
5 Natural Gas Transmission System.

6 Under the negotiations, Northern  
7 attempted to negotiate a settlement that would  
8 essentially return the gas as quickly as possible  
9 through various means, whether it be through a cash-out  
10 process that would normally be undertaken by the  
11 pipelines, through just a physical reimbursement of the  
12 gas as quickly as possible, or through an in-kind  
13 return of the gas over a period of time. And,  
14 ultimately, the negotiations ended with PNGTS,  
15 Maritimes & Northeast Operating Company, Granite State  
16 and Northern agreeing to an 18-month payback period for  
17 the volume, which is to be spread out over an 18-month  
18 -- spread out over an 18-month period, with an even  
19 daily amount of approximately 1,382 dekatherms.

20 The one caveat that exists is that these  
21 volumes that are to be returned are subject to  
22 curtailment, based on the impact that they may have on  
23 PNGTS's ability to serve its customers, any potential  
24 adverse impact to its operations, or any force majeure

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1 event. However, PNGTS has agreed that, in the event  
2 that those volumes are not able to be delivered on a  
3 given day, they would try to make those volumes up in  
4 subsequent days. So that, over an 18-month period, the  
5 full volume would be returned. And, certainly, if we  
6 can take those volumes sooner than that, Northern  
7 Utilities will attempt to do so.

8 Q. Are the agreements that you speak of attached to  
9 Exhibit Northern 3?

10 A. (DaFonte) Yes, they are, all but the Maritimes &  
11 Northeast letter that essentially assented to the  
12 agreement.

13 Q. And, placed before you is a document that's been  
14 premarked as "Northern Exhibit 4", is that the letter  
15 that you speak of from Maritimes & Northeast?

16 A. (DaFonte) Yes, it is.

17 Q. The resolution that you speak of with regard to  
18 flow-through volumes, is it your understanding that  
19 that was the resolution that was preferable at least as  
20 a result of early discussions to Staff and the OCA?

21 A. (DaFonte) Yes, that's right. We had various  
22 discussions with Staff and the OCA. And, it was very  
23 clear that an in-kind resolution would be satisfactory.  
24 And, to the extent that Northern could try to get those

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1 volumes flowing as quickly as possible was certainly  
2 preferable. And, that's essentially what we're trying  
3 to do here is get these volumes to begin flowing for  
4 November 1st, with Commission approval.

5 Q. Mr. Ferro, if you would look at Exhibit Northern 3 for  
6 us, and describe how -- I'm going to go back for a  
7 second, I apologize. Mr. DaFonte, the gas -- you  
8 indicated that the unaccounted for gas was identified  
9 in the New Hampshire Division. Was there an  
10 unidentified gas problem in Maine, in the Maine  
11 Division of Northern Utilities?

12 A. (DaFonte) No, there was not.

13 Q. But the gas flows are then going to come back to whom?

14 A. (DaFonte) The gas flows will come in just as any other  
15 supply would come in, and they would be allocated  
16 between Maine and New Hampshire. Meaning that, if this  
17 were any type of supply procurement, whether it be  
18 storage or supply-to-supply, regardless of where the  
19 gas comes in, whether it be PNGTS or Westbrook, at  
20 Westbrook or Newington, or whether it comes in on  
21 Tennessee, those volumes get allocated between the two  
22 states -- between the two divisions.

23 Q. So, when the meter error was occurring between May of  
24 2005 and December of 2007, the cost for the metering

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 error was being borne by both divisions?

2 A. (DaFonte) That's correct.

3 Q. Mr. Ferro, if you would look at Northern 3. And,  
4 describe for us how the allocations will take place, if  
5 you could identify the attachments that show the  
6 anticipated allocations between the divisions of the  
7 flow-through gas and how that allocation is made and  
8 the basis for it?

9 A. (Ferro) Certainly. As we heard earlier, Mr. Gibbons  
10 testified to how we were trying to model the flow of  
11 in-kind volumes on a forecasted basis. And, through  
12 the limitations of the cost of gas model, we are  
13 reasonably representing how it's actually going to  
14 happen in the real world, once we finally do get the  
15 volumes and we account for them. As Mr. Gibbons says,  
16 the volumes are going to flow at no cost and allocated  
17 between the two divisions. When we finally get the  
18 actual volumes coming in at no cost, I set up an  
19 example on Attachment I of the Northern Exhibit Number  
20 3 that shows, and I would first turn to Page 2 of 2 of  
21 that attachment, and it shows that, in a simplified  
22 example, that Northern Utilities, to satisfy its  
23 integrated system between New Hampshire and Maine, as  
24 Mr. DaFonte says, these volumes are purchased to

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1 satisfy an integrated system, then allocated between  
2 the two divisions, based on firm sendout allocation  
3 factors for the month.

4 Well, in this example, Northern has  
5 purchased a thousand -- I'm sorry, a million dekatherms  
6 of natural gas. But, really, the demand for Northern's  
7 Maine and New Hampshire customers is 1,042,000  
8 dekatherms. A million therms Northern is paying for,  
9 and 42,000 dekatherms, which is roughly the 1,382  
10 dekatherms a day times 30 days, is the in-kind volumes.  
11 So, that adds up to 1,042,000 dekatherms of firm demand  
12 between the Maine and New Hampshire Divisions, which  
13 would be allocated based on how the customers are  
14 asking for the gas, i.e. the monthly allocation  
15 factors. Then, we don't have to recognize that 42,000  
16 therms -- dekatherms of that gas is at no cost, and  
17 should be allocated between the two divisions in a  
18 manner in which they were impacted on the historical  
19 basis, the historical basis being the 29 months from  
20 June '05 through November '07, when this over metering  
21 occurred. And, the over metering occurred in a manner  
22 that any kind of imbalance that Maritimes & Northeast  
23 is going to assess, if you will, Northern Utilities, or  
24 Granite, and then Granite through to Northern

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1 Utilities, is at their cash-out price. So, based on  
2 the previous page, Page 1 of 2, I have assessed what  
3 the weighted average impact of the over metered volumes  
4 at the cash-out price. And, the very last line of that  
5 schedule shows that Maine was impacted 45.4 percent of  
6 the total cost impact, and New Hampshire was affected  
7 54.6 percent of the total cost impact. So, those  
8 42,000 dekatherms that I mention and show on Page 2 of  
9 2 of Attachment I, they're being allocated to the  
10 divisions, these no cost volumes, at those percentages.  
11 So, it results in net volumes to charge to Maine and  
12 New Hampshire of something a little bit different than  
13 the monthly allocation factors. And, it shows on Line  
14 11 of my example that Maine gets assessed and charged  
15 net volumes of 512,337 dekatherms and New Hampshire  
16 487,663 dekatherms. And, then, at the average cost of  
17 pipeline gas, in my example, \$10, you know, Maine gets  
18 assessed \$5.1 million, New Hampshire \$4.88 million.  
19 And, I do show that, as a result of the allocation of  
20 the in-kind volumes at no cost, the average cost to  
21 Maine is a little higher than the average cost to New  
22 Hampshire, because New Hampshire has a greater share of  
23 the in-kind volumes at no cost. And, this is how the  
24 Company has set up its accounting, so that the Maine

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1 and New Hampshire Divisions get fairly assessed or I  
2 should say credited with in-kind volumes each month as  
3 they come in, from November '08 through the anticipated  
4 18-month period of April 2010.

5 Q. One last question for Mr. DaFonte. You described the  
6 documents in Exhibit Northern 3 as "settlements", and  
7 certainly they appear to evidence acknowledgments by  
8 certain parties. Are the actions being taken by the  
9 parties pursuant to tariff provisions already in effect  
10 or is the action somehow the resolution of a civil  
11 claim?

12 A. (DaFonte) No, this, actually, the in-kind volumes are  
13 being returned to Northern, and they conform to the  
14 existing tariffs of each of the pipelines. Meaning  
15 that Northern Utilities currently has an operational  
16 balancing agreement with Granite State, and Granite  
17 State with PNGTS. And, under that existing mechanism,  
18 those volumes are basically kept in this account and  
19 are returned as Northern Utilities requires it and as  
20 they are made available.

21 MS. FRENCH: Thank you. The witnesses  
22 are available for questioning.

23 CHAIRMAN GETZ: Thank you.

24 Ms. Hatfield.

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 MS. HATFIELD: Thank you very much.

2 Good morning, gentlemen.

3 WITNESS DaFONTE: Good morning.

4 WITNESS GIBBONS: Good morning.

5 CROSS-EXAMINATION

6 BY MS. HATFIELD:

7 Q. Mr. DaFonte, just to continue on the line that you were  
8 just talking about, on Page 5 of 7 of Exhibit 3, if you  
9 would look at the third paragraph in Section V.

10 A. (DaFonte) I'm getting there. Okay, I'm there.

11 Q. That paragraph begins with "After analyzing all  
12 alternatives". Do you see that?

13 A. (DaFonte) Yes.

14 Q. And, at the end of that sentence, the letter states  
15 that the resolution "could only be achieved through  
16 imbalance protocols under each participant's tariff."  
17 Can you just talk a little bit about the limitations of  
18 the tariff and why you feel that this is an appropriate  
19 resolution, given the tariff provisions?

20 A. (DaFonte) Sure. One of the interesting things that we  
21 learned as we were trying to negotiate the in-kind  
22 volumes was that there has been a couple cases before  
23 the FERC where metering errors took place, certainly  
24 not identical to what Northern experienced. And, under

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1 those, under those orders from the FERC, it was  
2 determined that a pipeline did not have to go back any  
3 more than six months in returning those volumes. Thus,  
4 if we went outside of the tariff, we would have to make  
5 a filing before the FERC, where the FERC may make a  
6 ruling that would certainly be adverse to Northern's  
7 customers.

8 So, in lieu of that, we simply agreed  
9 that this would be a in-kind reimbursement that came  
10 out of existing agreements, under the Operational  
11 Balancing Agreements that were in place at the time.  
12 And, you know, simply an Operational Balancing  
13 Agreement is just a contract that holds any imbalance  
14 between what was scheduled at a particular meter and  
15 what actually flowed through it at a given point. And,  
16 so, what's happened here is that PNGTS has simply  
17 agreed to take that 758,702 dekatherms and add it to  
18 the existing OBA at that meter. So, therefore, it just  
19 becomes a larger sum of gas that is made available to  
20 Granite State, and thus to Northern Utilities.

21 Q. Thank you. In your view, is this a fair resolution of  
22 this issue for Northern's customers?

23 A. (DaFonte) Yes, absolutely. And, again, as I mentioned,  
24 in investigating this further, investigating each of

[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 the options, we certainly would have been worse off,  
2 Northern Utilities' customers would have been worse off  
3 had there been some FERC filing. And, so, having seen  
4 that, having investigated that, and looking at our  
5 options, we believe that the in-kind repayment of the  
6 volumes is certainly in the best interest of Northern  
7 Utilities' customers.

8 Q. Could you please turn to Page 6 of Exhibit 3.

9 A. (DaFonte) I've got it.

10 Q. In the top paragraph on that page, the second full  
11 sentence begins with "Only under limited operational  
12 circumstances". Do you see that?

13 A. (DaFonte) Yes.

14 Q. I think you previously testified that there could be  
15 circumstances where PNGTS can curtail the deliveries.  
16 Do you remember that?

17 A. (DaFonte) Yes, I do.

18 Q. And, here you identify Attachment H to this letter  
19 ascribing when that might occur. I think that might be  
20 a typographical error, because I think it's Attachment  
21 G?

22 A. (DaFonte) That's correct.

23 Q. Okay. So, if you look at Page 2 of 3 of Attachment G,  
24 could you just briefly run us through the different

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 circumstances where PNGTS might be able to curtail  
2 delivery?

3 A. (DaFonte) Sure. There are listed here four instances  
4 where PNGTS may not be able to deliver the in-kind  
5 volumes. As I mentioned earlier, one is, if, as a  
6 result of the payback of those volumes results in or  
7 threatens the integrity of the PNGTS system, they could  
8 not allow us to take those volumes on a given day.  
9 Also, if, by delivering those volumes, it would impact  
10 their ability to deliver to their other customers on a  
11 given day, they could also curtail those volumes.  
12 Also, there is what they call a "meter variance" that  
13 is in place, it's an agreement in place between PNGTS  
14 and Maritimes, such that they track the imbalance  
15 between the two pipelines, because each of the  
16 pipelines flows into a joint facilities pipeline. And,  
17 so, they have to track the imbalance that each of the  
18 pipelines takes on at the interconnects on the joint  
19 facilities. And, so, that's another reason.

20 However, in the Maritimes letter, which  
21 I think we had as "Exhibit 4", the Maritimes letter  
22 does demonstrate that Maritimes will work with PNGTS,  
23 in the event that PNGTS has operational issues on its  
24 system, Maritimes will make every effort to help PNGTS

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 to return those volumes on a given day. So, that is a  
2 benefit that we, again, were able to negotiate with  
3 Maritimes.

4 And, lastly, of course, there's a force  
5 majeure criterion in here as well. And, in fact, that  
6 is part of the agreement that, in the event that PNGTS  
7 has not repaid the volumes over the 18 months, they do  
8 have an additional two months beyond that to return  
9 those volumes.

10 Q. Thank you. If you look further down on Page 6, in the  
11 paragraph that's titled "Conclusion and Request for  
12 Approval", I believe that Northern indicates that it's  
13 proposing to begin these in-kind deliveries no later  
14 than December 1st of this year, is that correct?

15 A. (DaFonte) That's correct.

16 Q. In order to do that, is there an action of this  
17 Commission that the Company requires?

18 A. (DaFonte) Certainly, the agreement calls for a  
19 repayment date that's commenced no later than  
20 December 1st. However, should the parties mutually  
21 agree, the repayment of volumes could commence sooner.  
22 And, PNGTS, in discussions with PNGTS recently, PNGTS  
23 has notified Northern, via Granite, that the  
24 operational status of its pipeline is such that it

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 could allow volumes to flow as early as November 1st.  
2 And, so, therefore, what we're trying to do today, and  
3 through this letter, is to get the Commission's  
4 approval to commence those, the flow of those volumes  
5 on November 1st. And, Northern Utilities would have to  
6 give notice to Granite and PNGTS that it wishes to  
7 commence flow of those volumes.
- 8 Q. Thank you very much. And, Mr. Ferro, I'd like to turn  
9 your attention to Attachment F to Exhibit 3, if you  
10 would.
- 11 A. (Ferro) Yes, I'm there.
- 12 Q. And, I believe this is one of the schedules that you  
13 prepared in your analysis of the metering error, is  
14 that correct?
- 15 A. (Ferro) That's correct.
- 16 Q. And, at the bottom of that table, there are the words  
17 "Winter" and "Summer", with two different percentages.  
18 Can you explain what that is telling us?
- 19 A. (Ferro) Certainly. In fact, I'm going to pick up from  
20 the line of questioning that you just had with  
21 Mr. DaFonte, and let the Commission understand  
22 certainly that the Consumer Advocate, as well as Staff,  
23 has expressed their concern about the benefit or the  
24 crediting of in-kind volumes to the winter versus the

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 summer, to heating customers versus non-heating  
2 customers, so to speak. And, so, my first take on  
3 that, the numbers that you're just pointing out to, and  
4 that is showing the volumes at 76.4 percent winter and  
5 23.6 percent summer. Now, that just shows the volume  
6 split. I think it's critical, maybe that's a little  
7 overstatement, but it's important that, if we can get  
8 the volumes flowing November 1, '08, instead of  
9 December 1, '08, over an 18-month period you will have  
10 12 months of winter benefit and six months of summer  
11 benefit. That simple math is 67 percent, 33 percent,  
12 if, in fact, you're doing the prices in the winter  
13 versus the prices in the summer. And, so, you get a  
14 little bit closer to the winter/summer allocation that  
15 I think is desirable from the Consumer Advocate's part,  
16 as well as from Staff's part, as well as the Company's  
17 part. But, of course, if you factor in, and one can't  
18 at this time, factor in what the prices are going to be  
19 in the winter versus the summer, we know that the  
20 winter prices are going to be higher than the summer.

21 So, the point being made here is that we  
22 all felt fairly comfortable, and I don't mean to speak  
23 for the other parties, but I think we all felt pretty  
24 comfortable that, if you turn to Attachment I, Page 1

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1 of 2, of this exhibit, it shows that the winter/summer  
2 split is 78 percent winter/22 percent summer of the  
3 past, if you will, cost impact. And, considering that  
4 the volumes flowing back roughly 67 percent/33 percent,  
5 and considering that the 67 percent volumes are going  
6 to be at higher prices than the 33 percent summer  
7 volumes, I think we're all comfortable that we're going  
8 to get close to around, you know, close to 80/20, with  
9 respect to the benefit to the winter season versus the  
10 summer season. And, that was of some concern to the  
11 parties when we were discussing this resolution.

12 Q. So, it's your view that what the Company has proposed  
13 does take into account the over metering, in terms of  
14 how it occurred with respect to the winter/summer  
15 split?

16 A. (Ferro) I didn't hear the beginning of that question.

17 Q. Oh. Well, it's your view that the way the Company  
18 proposes to return the volumes is fair, with respect to  
19 how they were over metered between winter and summer?

20 A. (Ferro) I absolutely do.

21 Q. Mr. Gibbons, I wanted to ask you just a couple of  
22 questions about the updated filing that you referred  
23 to, which I believe is Exhibit 2.

24 A. (Gibbons) Okay.

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 Q. And, if you look at the revised Tariff Page 38 that  
2 appears in both filings, so that would be in Exhibit 1  
3 and Exhibit 2?

4 A. (Gibbons) Yes.

5 Q. There are some differences in both the terms and the  
6 rates for the different commodities that appear at the  
7 beginning of that table. Can you just discuss each of  
8 those and explain the differences, if you would?

9 A. (Gibbons) Yes. The differences arises from the gas  
10 supply dispatch or sendout, which includes, in the  
11 revised filing, the in-kind reimbursement for the  
12 metering problem or issue. It causes the dispatch to  
13 be different from what the original dispatch was. It's  
14 not a -- It's not a matter of replacing pipeline with  
15 PNGTS in-kind pipeline. Because of shifting of the  
16 cost relationships, the gas supply dispatch changes in  
17 different categories. Stays reasonably similar, but  
18 not exactly the same.

19 Q. And, with respect to the rates, there's -- does your  
20 answer hold true for the rate differences as well?  
21 And, I would just point to an example, for peaking  
22 supply, the rate under your original filing was just  
23 over 9 cents, and the peaking supply in the revised  
24 filing is -- oh, I'm sorry, that was the number for --

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 your revised filing was just over 9 cents, and, in your  
2 original filing, it was just over 6 cents, almost 7  
3 cents.

4 A. (Gibbons) Subject to check, I believe I was informed  
5 that the source of that particular supply rate  
6 increasing was an updated price from one of the peaking  
7 suppliers, as far as the estimate was concerned,  
8 between the original filing and the revised filing.

9 Q. If you would now turn to -- I'm looking at Exhibit 1,  
10 it's the original filing, and I'm looking at the tab  
11 that is marked "LDAC Items".

12 A. (Gibbons) Okay.

13 Q. And, that includes costs related to environmental  
14 compliance, is that correct?

15 A. (Gibbons) Yes, it does.

16 Q. And, on Page 119 of the filing, there's a description  
17 of sites located in Exeter. Do you see that?

18 A. (Gibbons) On Page 119?

19 Q. Yes.

20 A. (Gibbons) Yes, I do.

21 Q. And, I seem to remember that, in the past few months,  
22 there's been some activity in Exeter. And, I wonder if  
23 you or one of the other witnesses could provide any  
24 further updates or just call to our attention where

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1           there is any specific information about any remediation  
2           or any discovery activity that's happened in Exeter in  
3           the last year?

4   A.   (Gibbons) I do not.

5   A.   (Ferro) I'm not aware of any updates to the activity of  
6           this site at this time.

7   Q.   So, when I look at Paragraph 5, on Page 119, talks  
8           about "Areas containing residual materials...were  
9           discovered on certain parcels of land", and, then, in  
10          the next paragraph, it says that "Northern prepared  
11          a...Completion Report submitted to NHDES in  
12          January 2002", you're not aware of any activity on  
13          either of these sites since 2002?

14  A.   (Gibbons) I don't know.

15  A.   (Ferro) Yes, I am not.

16                       MS. HATFIELD:  Mr. Chairman, I believe  
17           that the Company has provided us with additional  
18           information during the course of discovery in this docket,  
19           and it might be helpful for the Commission to just have  
20           that in the record, even though it's not a part of this  
21           filing.  But I believe that there is updated information  
22           that Attorney French has provided to us.  So, --

23                       CHAIRMAN GETZ:  Ms. French.

24                       MS. FRENCH:  Did we provide that in the

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 sale docket, I believe, is that possible?

2 MS. HATFIELD: Yes, I think that

3 actually --

4 CHAIRMAN GETZ: On this particular issue

5 --

6 MS. HATFIELD: Yes.

7 CHAIRMAN GETZ: -- of remediation?

8 MS. HATFIELD: It is. Yes. So, perhaps  
9 the Commission, for administrative ease, might just take  
10 administrative notice of the fact that, in the  
11 Unutil/Northern merger docket, there was additional  
12 information provided on those particular sites.

13 CHAIRMAN GETZ: Well, why don't we, just  
14 for more clarity about what that information will be, why  
15 don't we reserve Exhibit Number 5. And, Ms. French, if  
16 you could provide the data responses that are dealing with  
17 the Exeter remediation issues, then we'll have it in the  
18 record.

19 MS. FRENCH: We will, Mr. Chairman.

20 And, I thank Ms. Hatfield for reminding me that we had  
21 actually updated that.

22 (Exhibit 5 reserved)

23 BY MS. HATFIELD:

24 Q. Just one final question for all three witnesses.

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1           Because this may be the last time that you appear in a  
2           cost of gas proceeding here in New Hampshire, I'm  
3           wondering if you have any thoughts or suggestions on  
4           how the cost of gas process might be improved?

5    A.   (Gibbons) I'd just like to say that the last seven  
6           years, since I've been working on the Northern cost of  
7           gas, have been very enlightening and very challenging,  
8           I've learned quite a bit.  And, I've enjoined working  
9           with the Advocate and the Staff, and I would like to  
10          think that, over the seven years, that we probably have  
11          made some improvements in the cost of gas process.

12   A.   (Ferro) I'm not sure where to begin on that open-ended  
13          question.  But, certainly, I've been involved in the  
14          cost of gas proceedings since, I hate to admit it,  
15          probably the early '80s, when we had several companies  
16          and we tried to develop uniform schedules between all  
17          these, between all the companies, and then going  
18          forward.  We've developed -- We've developed the  
19          process into one that is quite effective.  And, I say  
20          "effective", not just in the sense of developing rates  
21          in a smooth fashion, working with Staff and the  
22          Consumer Advocate in a cooperative way, to make sure we  
23          have a clean, clear record when we're in front of this  
24          Commission.  But, also, from a rate standpoint, to

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 develop prices that are seasonally differentiated,  
2 sends out the right price signals to high load factor  
3 customers and low load factor customers, and this is a  
4 timely moment to speak to this, in that we've also  
5 developed a process where we can adjust the cost of gas  
6 rate in mid stream, with very little administrative  
7 complexities when gas prices rise significantly or drop  
8 significantly, so that we continue to send out the  
9 right price signals, and almost as importantly, or  
10 probably more importantly, to avoid any significant  
11 under/over recoveries at the end of the season.

12 So, it has been a process that has  
13 evolved into one that's very efficient. It does  
14 require cooperation and a good working relationship  
15 between all the parties, and we have developed those.  
16 Building relationships and good working relationships  
17 are very important to me personally, and that certainly  
18 was accomplished in the 25 years or so that I've worked  
19 with the New Hampshire Staff, the Consumer Advocate,  
20 and in front of this Commission for all that time. So,  
21 it's been a very, very positive experience for me, one  
22 that I certainly won't forget.

23 CHAIRMAN GETZ: So, would you say that  
24 New Hampshire is the best?

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 (Laughter.)

2 MS. FRENCH: You're on the record.

3 (Laughter.)

4 CHAIRMAN GETZ: Well, we'll let

5 Mr. DaFonte speak first.

6 BY THE WITNESS:

7 A. (DaFonte) No, I certainly echo the sentiments of  
8 Mr. Ferro and Mr. Gibbons. Now, I haven't been doing  
9 this as long as Mr. Ferro, but, then again, I don't  
10 think anybody has. But, at least since the mid '90s,  
11 I've certainly had a great working relationship with  
12 the Consumer Advocate and the Staff. And, one of the  
13 things that's impressed me certainly is that Staff and  
14 the OCA are very much up to speed on new market  
15 developments, are very well aware of some of the supply  
16 issues that are certainly changing the way we do  
17 business each and every year. And, from a, you know,  
18 just a, you know, understanding of the issues that  
19 really impact customers, I think they have been right  
20 out there on the cutting edge. They're the ones that,  
21 you know, had pushed for hedging programs and so forth,  
22 and then certainly were way ahead of a lot of the other  
23 jurisdictions that I've, you know, have testified in  
24 and had been familiar with. So, I think that's, you

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 know, really a mark of, you know, some good regulation.

2 BY MS. HATFIELD:

3 Q. Thank you. I do have just one additional question, and  
4 that's for Mr. DaFonte. And, it was alluded to that  
5 the metering issue does impact Maine. And, I'm  
6 wondering, are you requesting approval in Maine for the  
7 in-kind resolution to the issue? And, if so, have you  
8 received that approval in Maine or can you tell us what  
9 the status of that is?

10 A. (DaFonte) We certainly have asked for approval in  
11 Maine. At this time, I do not have a status update,  
12 unless my attorney does, but I'm not aware of one.

13 MS. HATFIELD: Thank you.

14 BY THE WITNESS:

15 A. (Ferro) I would just like to add to that please. That,  
16 certainly, through the cost of gas proceeding in Maine,  
17 we've had to address this issue. And, through our  
18 revised filing, very, very similar, just like how we  
19 reflect it in the New Hampshire revised filing, we  
20 presented the same schedules, in-kind volumes at no  
21 cost, projected out on a forecast basis. And, in-kind  
22 volumes at no cost as an example going forward as to  
23 how we were going to account for it. And, through my  
24 understanding of the Hearing Examiner's report, I say

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1           it that way because I haven't read it yet, they feel  
2           that it has been a very reasonable approach to  
3           reflecting the reimbursement of over metered volumes  
4           over the previous 29-month period.

5                           MS. HATFIELD: Thank you. No further  
6           questions.

7                           CHAIRMAN GETZ: Mr. Damon.

8                           MR. DAMON: Thank you.

9   BY MR. DAMON:

10   Q.   I'd like to keep going with a few more questions on  
11           this metering problem and the resolution of it.  
12           Mr. DaFonte, you testified that, in early 2006, the  
13           Company noticed that the unaccounted for gas volumes  
14           were increasing in the New Hampshire Division. And, I  
15           would just like to ask you, when you looked, did you  
16           find that the unaccounted for gas volumes were  
17           similarly increasing in the Maine Division?

18   A.   (DaFonte) They were not similarly increasing in the  
19           Maine Division. And, again, primarily because of the  
20           way in which the Schedule 26 unaccounted for gas report  
21           looked at the way in which it compared sales volumes to  
22           metered volumes upstream. Therefore, essentially what  
23           was happening is, because the Newington meter delivers  
24           into New Hampshire, the schedule was essentially

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 looking at those volumes coming in at the Newington  
2 meter, which reflected a very high volume, and  
3 comparing that to what was actually billed to customers  
4 during that period in the New Hampshire service  
5 territory. So, it did appear, you know, from the  
6 report, that it was strictly a New Hampshire metering  
7 issue. And, that's why we undertook to investigate  
8 more of the distribution side potential impacts,  
9 whether it be, you know, the billing itself or, you  
10 know, any operational issues that may have caused the  
11 unaccounted for, those types of things. But, it was  
12 simply the way in which the report looked at and  
13 compared metered volumes on the upstream side to the  
14 billed volumes. I'm sure Mr. Ferro could probably add  
15 more to that, since he's more familiar with the  
16 unaccounted for report.

17 A. (Ferro) I would -- Thank you very much. Thank you. I  
18 would like to just add that I think, on a general  
19 level, have to make everyone understand that the  
20 Schedule 26 that we referred to, this internal  
21 document, it's really an operational tool. It's just  
22 tracking the physical flow of gas. And, because the  
23 Newington Meter Station is a station that delivers gas  
24 into the New Hampshire Division, the over metered

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 volumes at the Newington Gate Station was artificially  
2 stating volumes coming into New Hampshire, as compared  
3 to the metered volumes of sales customers and  
4 transportation customers, it showed a ballooned, if you  
5 will, unaccounted for. That was just a physical  
6 tracking of volume flow. And, as we stated earlier  
7 though, and, therefore, excuse me, and there was no  
8 such occurrence of physical flow of volumes in Maine  
9 that were being overstated. So, their unaccounted for  
10 looked fine.

11 But, as we stated earlier, Northern is  
12 an integrated system. You add up all the purchased gas  
13 and you allocate between the two divisions based on how  
14 the customers have asked for the gas, if you will, have  
15 required their requirements for gas. And, so, those  
16 over metered volumes going into Newington were shared  
17 between Maine and New Hampshire. And, so, that's why,  
18 from a cost standpoint, the in-kind volumes are flowing  
19 back to both divisions. But, from a physical flow  
20 standpoint, there was only an overstatement in the New  
21 Hampshire Division of unaccounted for gas.

22 Q. Okay. And, just to nail this point down, even though  
23 the unaccounted for gas volumes were not seen to rise  
24 dramatically in Maine, the Company still believes that

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 Maine customers were harmed in a way that was similar  
2 to the New Hampshire customers?

3 A. (Ferro) Yes, I think I was anticipating your next  
4 question. That's correct. That is, that all customers  
5 of Northern Maine and New Hampshire were overcharged  
6 commodity costs throughout that 29-month period.

7 Q. Okay. The Company has chosen to recommend a settlement  
8 in which in-kind volumes are delivered back to  
9 customers to make them whole for the overpayments in  
10 past periods. Now, why has the Company recommended  
11 that, as opposed to pursuing a cash settlement? You  
12 would think that the cash settlement would be the  
13 simplest way to resolve this, rather than try to do  
14 this in-kind replacement program.

15 A. (Ferro) Yes, I would like to reverse the role where  
16 Mr. DaFonte will pick up where I leave off, instead of  
17 vice versa. I want to say that this deal, as  
18 Mr. DaFonte said, is very good for Northern ratepayers,  
19 simply because we're getting full reimbursement for the  
20 over metered volumes, opposed to any other possible  
21 outcome if this was litigated beyond an agreement  
22 between Granite State and PNGTS, and having the OBA  
23 serve as volumes flowing from Granite State to  
24 Northern. So, this was full reimbursement for volumes

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 that were overbilled. And, so, I think that was a  
2 very, very good, positive resolution for Northern's  
3 ratepayers, opposed to any alternative.

4 A. (DaFonte) Yes. And, let me add that we did pursue  
5 various alternatives. One did include a lump sum  
6 cash-out type of payment. The problem with that, from  
7 the pipeline's perspective, is that they don't have any  
8 tariff provisions that would allow that to take place.  
9 So, therefore, that would probably require a FERC --  
10 would require a FERC filing, which certainly creates a  
11 lot of risk. In that the FERC would look at the  
12 situation and determine that "Yes, we've looked at  
13 these things before. All you're obligated to pay back  
14 is six months' worth of the overbilled volumes."

15 Q. And, where does that six month provision come from?

16 A. (DaFonte) The six month, it's just -- it's based on two  
17 cases that the FERC has reviewed with similar types of  
18 billing issues at dispute. And, the FERC, in each of  
19 those cases, has ruled that the pipeline is not  
20 obligated to return or reimburse the customer for any  
21 more than six months' worth of metering errors in that  
22 case. So, there was a risk to take this to the FERC  
23 level.

24 The other, you know, the other things

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 that we looked at as well was, even trying to get a  
2 guarantee of in-kind values, so that Northern Utilities  
3 could at least monetize the value, which would be  
4 another way to do this. Unfortunately, as they -- as  
5 PNGTS indicated in its letter, they have some  
6 stipulations in here that would not allow a guarantee  
7 of those volumes to flow. Again, you know, the  
8 threatening of the system integrity and the inability  
9 to serve its other customers, those kinds of things.  
10 So, it really can't provide that gas on a firm basis.  
11 And, you know, we, again, settled on the in-kind  
12 volumes, because it does provide Northern's customers  
13 with all of the overbilled volumes, and not just six  
14 months' worth. So, we thought that was a very good  
15 outcome.

16 Q. Okay. But, in fact, to judge how well the customers do  
17 in monetary terms, you need to, obviously, look at what  
18 the costs are over the period that the in-kind volumes  
19 are being returned. And, so, depending on those costs,  
20 the customers could do well or not do so well, it just  
21 depends on what those costs are?

22 A. (Ferro) Well, two points on that. Yes, I agree with  
23 you, Attorney Damon. That is, one won't know until  
24 after the 18 months is up how it all would shake out.

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 But, secondly, there was no other option, so to speak,  
2 of the -- of getting, as Mr. DaFonte said, any kind of  
3 monetized credit. It was in-kind volumes or pursue  
4 litigation or some other means of trying to resolve the  
5 issue. So, I mean, one could -- one could see how it  
6 all turns out, but, in my opinion at least, that's  
7 somewhat of a moot issue.

8 Q. Okay. Just to be clear on the status of the  
9 proceedings in Maine, that you have had a cost of gas  
10 hearing in Maine, and an Examiner's report as been  
11 issued, but you do not have an order confirming the  
12 Hearing Examiner's report, is that --

13 A. (Ferro) That's correct.

14 Q. Okay. And, when do you expect that order to be issued?

15 A. (Gibbons) I believe that would be next Monday.

16 MS. FRENCH: The deliberations will be  
17 held on Monday, and the order should be issued shortly  
18 thereafter.

19 MR. DAMON: Okay.

20 BY MR. DAMON:

21 Q. Have you discussed this settlement with the folks at  
22 Unitil, who are responsible for functions that are  
23 comparable to yours?

24 A. (DaFonte) Yes, we have. We have been trying to keep

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1           them up-to-date on the progress of the negotiations,  
2           and they are aware of the ultimate settlement.

3    Q.    Okay.  And, I know there are some people here from  
4           Unitil.

5    A.    (DaFonte) Yes.

6    Q.    But, so far as you know, is Unitil comfortable with the  
7           settlement that you've reached and are recommending  
8           today?

9    A.    (DaFonte) Yes, they are.

10   A.    (Ferro) Including handling the operations of the  
11          volumes coming in over the next 18 months.

12   Q.    Right.  They can do that?

13   A.    (Ferro) That's right.

14   Q.    Maybe, just for the record, a couple of questions to  
15          make sure that the players are correctly identified  
16          here.  Who owns the Newington Meter Station?

17   A.    (DaFonte) The Newington Meter Station is opened by  
18          PNGTS.  But it is operated by Maritimes & Northeast  
19          Operating Company, who essentially acts as the agent  
20          for PNGTS.  So, all of the work that is done on the  
21          meter station is performed by Maritimes & Northeast  
22          Operating Company.

23   Q.    Okay.  And, that meter station connects directly to the  
24          Granite pipeline?

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 A. (DaFonte) That's correct.
- 2 Q. And, I think, from your filing in Exhibit 3, you've  
3 explained who Spectra Energy is and that sort of thing?
- 4 A. (DaFonte) Right.
- 5 Q. Okay. Can any of the three of you answer this  
6 question? How would you compare the current and  
7 projected natural gas prices for the next 18 months and  
8 compare -- how would those compare to the prices in  
9 effect for the 29 months of overcharges?
- 10 A. (DaFonte) Yes, I think that, even with the price of gas  
11 falling, that it still compares favorably with the  
12 prior 29 period in question.
- 13 Q. Okay. Mr. Gibbons, in the revised filing, is the  
14 Company assuming that the in-kind volumes begin on  
15 November 1st or December 1st?
- 16 A. (Gibbons) November 1st.
- 17 Q. And, one last question on this metering issue. Why  
18 does Northern need a ruling today in order for PNGTS to  
19 begin providing the in-kind volumes on November 1st?
- 20 A. (DaFonte) The reason we're looking to get an order  
21 today is so that we can notify PNGTS immediately to  
22 begin the payback volumes on November 1st. PNGTS has a  
23 requirement to file a Meter Variance Report with the  
24 FERC prior to the next month. Meaning, in October,

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 they file for November, and the FERC just wants to know  
2 what types of meter variances are you going to have  
3 going forward. And, this would constitute some sort of  
4 variance on their pipeline, and they wanted us to  
5 notify them so they could make that filing.

6 However, as I mentioned earlier, I've  
7 had subsequent discussions with PNGTS, and they are in  
8 a position today, and for November 1st, that, because  
9 their pipeline is fully packed, they will be able to  
10 provide those volumes to Northern Utilities, even after  
11 the filing is made with the FERC. Meaning that they  
12 can make their filing today or yesterday, that these  
13 meter -- the in-kind repayments would not impact the  
14 report that was filed with the FERC.

15 Q. Okay.

16 A. (Ferro) I might add that, after Mr. DaFonte takes care  
17 of the all important upstream issue and operational  
18 issue, certainly, the Company and all the parties would  
19 like to put to closure this issue on the regulatory  
20 front, with respect to recording these volumes come  
21 early December for the flow in November, and come the  
22 close of the sale of Northern to Unitil in early --  
23 whenever that happens, I'm anticipating early December.  
24 We certainly would like to have all those issues

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 resolved through a Commission decision and order on  
2 this, you know, in advance of that early December date.

3 Q. So, is Commission approval a necessary condition for  
4 the agreements with PNGTS and so on to become  
5 effective?

6 A. (Ferro) To my understanding, it's not absolutely  
7 necessary, but it's certainly preferred that the  
8 parties prefer to resolve this issue before the close.

9 Q. Okay. That's it for my questions on PNGTS.

10 Mr. DaFonte, I would continue with you with some other  
11 questions on the filing. Your testimony begins on Page  
12 16. Has Northern experienced any supply disruptions or  
13 curtailments during the previous winter period?

14 A. (DaFonte) Not to my knowledge.

15 Q. And, were there any supply or pricing issues or  
16 concerns that the Commission should be made aware of  
17 related to the prior winter period?

18 A. (DaFonte) None.

19 Q. On Page 21, Lines 15 to 18, you note there was an  
20 increase in the contracted peaking quantities from Duke  
21 Energy Trading. The questions I have on that are, does  
22 this contract provide Northern with a firm pipeline  
23 supply when needed on peak days?

24 A. Yes, it does. It's a supply that is delivered via

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 Maritimes. So, not only does it provide a firm supply,  
2 but it also provides supply diversity. Because it's  
3 the only supply that Northern Utilities has that comes  
4 down Maritimes, and thus it is also beneficial for  
5 providing supply to Northern's newest gate station at  
6 Cotton Road, in Lewiston, which is a gate station  
7 that's connected directly to Maritimes. Unlike all of  
8 the gates on the joint facilities that are connected to  
9 Granite, this Cotton Road Gate Station is connected  
10 directly to Northern.

11 Q. When does this contract expire?

12 A. (DaFonte) This contract expires in 2012.

13 Q. And, will there be additional quantity increases prior  
14 to the expiration of this contract?

15 A. (DaFonte) Yes, there will.

16 Q. And, beginning on Page 21, you update the Commission on  
17 supply issues related to the upcoming winter period.

18 And, could you please briefly summarize the advantages  
19 in the new Washington 10 storage contract, which  
20 replaced the old -- I guess it's MichCon/CoEnergy  
21 storage agreement?

22 A. (DaFonte) Yes. The old CoEnergy/MichCon storage  
23 agreement was an exchange agreement. And, it provided  
24 for an exchange of storage volumes for 151 days. So,

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1 basically, it covered the November through March  
2 period. At the time, it was ten years ago, before a  
3 lot of the unbundling took place in New Hampshire,  
4 Northern Utilities had much more of a baseload  
5 requirement, and thus the 151 days made a lot of sense  
6 for Northern's customers. As unbundling took place  
7 what we discovered was that a lot of the high load  
8 factor customers left the system, went to third party  
9 suppliers, thus Northern's load factor dropped off.  
10 And, so, it became much more heat-sensitive. And, this  
11 new Washington 10 storage contract, which essentially  
12 uses the same path that the CoEnergy agreement did, it  
13 provides for more of a, you know, sort of a 90 to 110  
14 day service that more closely matches Northern's  
15 customers' requirements. And, thus, the total volume  
16 in storage is less than it was previously under the  
17 CoEnergy volumes. Yet, we still are able to get the  
18 full daily volume as needed. So, it's simply  
19 shortening the length of deliveries. And, again, it  
20 provides us with more -- more of a streamlined and  
21 better conforming resource, and at a much lower price.

22 Q. Okay. And, just to confirm, does Northern purchase,  
23 transport, and inject the gas supply into that storage?

24 A. (DaFonte) Northern actually has been contracting with

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1           asset managers to do that for Northern. These are  
2           companies that are better suited to provide the storage  
3           injections. They're more familiar with the Midwest,  
4           you know, Chicago Hub supply point, and they will  
5           inject the gas for Northern Utilities. In addition,  
6           because of the value that the various capacity segments  
7           has in the market, they will actually pay Northern  
8           Utilities for the ability to manage that storage. So,  
9           that's another net benefit to ratepayers.

10        Q.    But, if it had to, the Company is capable of doing that  
11           work as well, right?

12        A.    (DaFonte) Yes, it is. It has all the firm capacity  
13           required to make injections, withdrawals, it can make  
14           all the nominations it needs to, if need be. However,  
15           as I mentioned, because we can monetize some of the  
16           value of various pipeline segments, it made more sense  
17           to go with an asset manager.

18        Q.    On Page 22, Line 4, of your testimony, you report there  
19           are no changes to Northern's transportation contracts.  
20           A couple questions on that. Has the special contract  
21           arrangement with Granite State Pipeline been renewed?

22        A.    (DaFonte) As of today, not yet. We are awaiting a  
23           contract to be executed from Granite State. So, it has  
24           not yet been formally executed.

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 Q. But that --
- 2 A. (DaFonte) The terms, we've received a letter from  
3 Granite State that sets forth the terms, which will be  
4 a two-year agreement, with the same 100,000 dekatherms  
5 per day MDQ, and it would be at the maximum tariff  
6 rate. We would also have a six month prior notice  
7 provision for termination, so that the Company could,  
8 if it so chose, terminate the contract after one year.
- 9 Q. And, what is the Company's timetable for finalizing  
10 that arrangement?
- 11 A. (DaFonte) It should be finalized hopefully this week,  
12 if certain things fall into place. Could be -- We are  
13 still waiting, you know, approvals from I believe the  
14 Maine Commission.
- 15 Q. Okay. The approvals for -- what do they approve  
16 actually? You're talking about the Settlement  
17 Agreement in the merger or something else?
- 18 A. (DaFonte) Well, in Maine, because it's an affiliate  
19 agreement, it has to be filed for approval. So, we're  
20 still waiting to receive that approval.
- 21 Q. Oh, right. And, they have a -- they require  
22 pre-approval of affiliate agreements.
- 23 A. (DaFonte) Exactly. So, that --
- 24 Q. In New Hampshire, you just have to file it and it's

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 subject to review, but not --
- 2 A. (DaFonte) Correct.
- 3 Q. But it does not require advance approval.
- 4 A. (DaFonte) That's correct.
- 5 Q. So that there are only two changes to the existing
- 6 arrangement, as I understand it. One would be the
- 7 term, which is now what, a two-year term.
- 8 A. (DaFonte) Two, exactly.
- 9 Q. And, that the rate has gone to the maximum tariff rate,
- 10 instead of a special contract rate?
- 11 A. (DaFonte) That's right.
- 12 Q. The maximum daily quantity is the same?
- 13 A. (DaFonte) Yes.
- 14 Q. Okay. Beginning on Page 22, Line 21, of your
- 15 testimony, you discuss Northern's propane peaking
- 16 facility. And, Staff understands that, in response to
- 17 a data request, that you reported this facility has a
- 18 mechanical problem that will make the plant unavailable
- 19 until repairs are made. Can you give the Commission an
- 20 update on this situation and the Company's efforts to
- 21 make the repairs?
- 22 A. (DaFonte) My understanding, from an update I received
- 23 from the Operations Group, is that the heater in the
- 24 facility has been taken out, because of various

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 problems with it. And, they are now looking at the  
2 possibility of putting in a new heater or repairing  
3 this existing heater. But that decision has not been  
4 made yet.

5 Q. And, what has the Company done to replace this supply  
6 source during the interim?

7 A. (DaFonte) Well, the supply source, because of the  
8 increase in the Duke peaking agreement, that volume  
9 that has increased for this year will be sufficient to  
10 replace the propane MDQ.

11 Q. By the way, where is this propane facility located?

12 A. (DaFonte) It's located in Portland.

13 Q. So, the Company, it sounds from what you've just said,  
14 is that the Company is confident that this situation  
15 does not create a reliability issue for the Company  
16 this winter?

17 A. (DaFonte) Yes, we're very confident. That propane  
18 facility has not been used over the past four winters.

19 Q. And, do you expect that the facility will be repaired  
20 and in good working order prior to Unitil taking over  
21 the Northern operations?

22 A. (DaFonte) I really can't say. That would not be  
23 something under my purview.

24 Q. Have -- So far as you know, have there been any

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 discussions with Until about how this plant would be  
2 rehabilitated, repaired?

3 A. (DaFonte) My understanding is that discussions have  
4 been held with Until as to what the appropriate course  
5 of action should be with respect to this plant.

6 Q. Okay. On Page 22, Lines 13 to 15, you, in your  
7 testimony, you estimate that, under normal conditions,  
8 Northern will utilize approximately 3.33 million MMBtus  
9 of underground storage gas supply this winter. Does  
10 the Company have additional storage available if the  
11 winter period is colder than normal?

12 A. (DaFonte) No, we do not. This is -- This basically is  
13 maximizing one of the resources, which is underground  
14 storage, whether it be out of Michigan or out of  
15 Tennessee's New York storage. What would happen, in  
16 the event that more storage was required, we simply  
17 would call on some of our other resources, whether it  
18 be Duke peaking arrangement or additional pipeline and  
19 so forth. But the resources are sufficient to meet a  
20 design winter.

21 Q. So, under normal weather conditions, the Company would  
22 use less than that?

23 A. (DaFonte) This would be -- This is a normal year  
24 forecast for usage. Under design conditions, we may

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1 use slightly more, but, because of the way in which  
2 storage is priced and the way in which it matches the  
3 requirements of the customers, the Company's sendout  
4 model is dispatching that resource essentially above  
5 others. So, it would simply, under design conditions,  
6 it would simply reply on other alternatives in the  
7 portfolio.

8 Q. And, is Northern able to sell off off-system some of  
9 this storage inventory for profit to ratepayers, if  
10 it's not needed for on-system requirements?

11 A. (DaFonte) That's always a possibility. The Company  
12 hasn't really looked into doing much of that with  
13 storage, because of the, again, the requirement to have  
14 that kind of flexibility in its portfolio. However, in  
15 lieu of storage, the Company optimizes its  
16 transportation capacity, and also, through asset  
17 management transactions, it is able to garner  
18 significant revenues to mitigate some of those capacity  
19 costs.

20 Q. And, I guess a more general question is, has the  
21 Company been able to mitigate some of its capacity  
22 costs as a result of using the capacity release  
23 markets?

24 A. (DaFonte) Yes, it has.

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 Q. And, are those -- are there savings reflected in this  
2 cost of gas filing?
- 3 A. (Gibbons) Yes, there are.
- 4 Q. Did Northern intervene in the PNGTS rate case at FERC?
- 5 A. (DaFonte) Yes. Northern has intervened in the PNGTS  
6 rate case. And, in fact, Northern, along with Bay  
7 State, are the chairs of the customer group. Having a  
8 significant stake in any PNGTS rate case outcome, we  
9 have driven a customer group, and that customer group  
10 has had significant settlement discussions with PNGTS,  
11 as well as the FERC. And, we continue to work through  
12 those settlement discussions.
- 13 Q. How close is the rate case to becoming resolved  
14 somehow, through a settlement or hearings?
- 15 A. (DaFonte) Without providing any confidential details,  
16 at this time it appears as though the rate case issue  
17 will go to hearing.
- 18 Q. And, when will that hearing be?
- 19 A. (DaFonte) It has not been established just yet.
- 20 Q. Any prediction or --
- 21 A. (DaFonte) It should be --
- 22 Q. -- or rough estimate of when it might be?
- 23 A. (DaFonte) Well, it should be before the end of the  
24 year.

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 Q. Okay. And, does the Company consider PNGTS capacity to  
2 be a significant portion of its supply portfolio?
- 3 A. (DaFonte) Yes, it does. Yes, it's about 34,000 per  
4 day, and that number is, you know, on a design day,  
5 it's approximately 25 percent or so of its  
6 requirements.
- 7 Q. Are there any new supply issues related to Northern's  
8 supply portfolio that could impact this winter's  
9 forecasted cost of gas? And, I know you talked a  
10 little bit about that already, but --
- 11 A. (DaFonte) Yes. The only thing I would mention is that  
12 I believe there was an anticipation that the Repsol  
13 Cannaport LNG import terminal was going to be available  
14 this year. That has been postponed till at least April  
15 of 2009. So, any volumes that were anticipated to be  
16 coming down through Maritimes via that facility will  
17 not be available. That is not a significant change, in  
18 that it's no different than how we've operated in the  
19 past. And, the notice was given in sufficient time  
20 such that I don't believe any of the market was  
21 anticipating this supply coming on or decisions had  
22 been made in anticipation of that supply.
- 23 Q. Okay. And, one last question, Mr. DaFonte, for you.  
24 Will NiSource and Northern make themselves available to

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 the Commission for any unresolved regulatory issues  
2 that may arise related to when NiSource and Northern  
3 was the responsible party, after Unitol takes control  
4 of the Northern gas operations? And, perhaps that's a  
5 subject of the Transition Services Agreement, I don't  
6 know.

7 A. (DaFonte) The only thing I can say, with regard to  
8 that, is that NiSource will be providing some  
9 transitional services to Unitol, in order to certainly  
10 facilitate the transition. And, you know, that's  
11 something that we're working through at this time.

12 Q. Okay. Mr. Gibbons, a few questions for you. What  
13 percentage of gas supply volumes in the forecast period  
14 have costs that are already determined through  
15 pre-purchased storage injections, fixed contracts,  
16 hedges, or other means? If another member of the panel  
17 is ready to answer, I'm fine with that, too.

18 A. (DaFonte) Sure, I can provide that. Between the  
19 financially hedged volumes and the physically hedged  
20 volumes through underground storage, LNG, and propane,  
21 we've estimated that approximately 72.4 percent of  
22 total normal winter period requirements would be  
23 essentially fixed.

24 Q. Okay. Mr. Gibbons, beginning at the bottom of Page 4

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 of your testimony, you discuss the "Proportional  
2 Responsibility Methodology". And, on the next page,  
3 Page 5, Line 2, you reference a "Modified Proportional  
4 Responsibility", MPR, used in this filing. And, when  
5 you refer to the "Proportional Responsibility" and the  
6 "Modified Proportional Responsibility", you're  
7 referring to the same thing, right? It's just a  
8 different way of saying the same thing?

9 A. (Gibbons) Yes, I am.

10 Q. Okay. And, what percent of Northern's fixed capacity  
11 related demand costs are being assigned to the New  
12 Hampshire Division?

13 A. (Gibbons) 50.09 percent, on Page 31 of the revised  
14 filing.

15 Q. Okay. And, did that percentage change from the  
16 original filing?

17 A. (Gibbons) Yes, it did, slightly.

18 Q. And, can you explain just generally how -- why that  
19 happened?

20 A. (Gibbons) There were some peaking demand that was  
21 mischaracterized as product demand, by properly putting  
22 it in the peaking demand, there was a slight tweaking  
23 of the numbers.

24 Q. Okay. And, could you comment on how this year's New

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 Hampshire Division allocation percentage compared to  
2 last year's?
- 3 A. (Gibbons) I think it's very similar. I don't have last  
4 year's percentage in front of me.
- 5 Q. At the bottom of Page 5 of your testimony, you identify  
6 an over-collection, plus carrying costs, of \$707,166.  
7 The revised filing, as Staff understands it, shows this  
8 number has increased to \$768,700. And, why has that  
9 revision been made?
- 10 A. (Gibbons) I see the 707,000 on Page 5 of my testimony.  
11 Where is the reference with the other number? On  
12 Page 3 of --
- 13 Q. Okay. It's on the revised filing?
- 14 A. (Gibbons) On Page 3?
- 15 Q. I'm looking --
- 16 A. (Gibbons) The difference is a slight revision in the  
17 methodology on the interest calculation on the  
18 over/under.
- 19 Q. Can you just describe what that is?
- 20 A. (Gibbons) The original filing utilized an interest rate  
21 that changed -- a prime interest rate that changed  
22 quarterly. And, the revised filing utilizes an  
23 interest rate that changes monthly. Actually, one  
24 could say it changes daily, in that, if it changes mid

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 month, it is a weighted average of the interest rates  
2 on the various days.

3 Q. And, on Page 6 of your testimony, you talk about the  
4 gas commodity costs, and there the actual costs are  
5 assigned to the Maine and New Hampshire Divisions.  
6 And, just -- would you just please confirm again, it  
7 may be in your prefiled testimony, but on what basis is  
8 the assignments or allocations made?

9 A. (Gibbons) Of the commodity costs?

10 Q. Yes.

11 A. (Gibbons) It's based on firm sendout requirements in  
12 each division.

13 Q. Okay. On Page 7, Line 11, of your testimony, you  
14 identify a "negative net position of \$651,063 on the  
15 hedged gas volumes". And, on Page 1 of the revised  
16 filing that came in on, I believe, on October 1st, the  
17 tariff page shows what appears to be a negative net  
18 position of "\$1,451,979"?

19 A. (Gibbons) That's correct.

20 Q. And, does the negative net hedge position imply that  
21 actual NYMEX gas futures prices have come down below  
22 the value of Northern's hedged positions?

23 A. (Gibbons) Yes, it does.

24 Q. On Page 3 of the revised filing, there are references

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 to, under working capital percentage, working capital  
2 allowance, and bad debt percentage, there's a reference  
3 to the "New Hampshire PUC Tariff Number 10 Section  
4 4.06.1". Would you agree the correct reference is just  
5 to "Section 6.1"?
- 6 A. (Gibbons) Yes, subject to check, I would agree.
- 7 Q. Okay. And, are the volumes on Page 27 stated in or  
8 actually presented in dekatherm units?
- 9 A. (Gibbons) On Page 27 of the original filing?
- 10 Q. The revised filing.
- 11 A. (Gibbons) Those appear to be dollars.
- 12 Q. Okay. Strike the question. Okay. On Page 5 of the  
13 revised filing, the LDAC Tariff Page, excuse me, there  
14 does seem to be a change in the RLIAP rate, when  
15 compared to the original filing. In other words, as  
16 the Staff understands it, the original filing was at  
17 \$0.002, and it has gone now to \$0.0039. What is the  
18 reason for that change?
- 19 A. (Gibbons) The estimate has been updated to reflect the  
20 current estimated over/under amount, which is  
21 considerably different than the over/under amount from  
22 the prior year.
- 23 Q. Okay. And, maybe the answer is the same, but there is  
24 also a change on the ERC rate, which I think is the

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 Environmental Remediation Response Charge, and that's  
2 gone from 0.0092 to 0.0103. Is the reason for that  
3 change similar?

4 A. (Gibbons) Too high of a volume amount was used in the  
5 original filing. Inadvertently, some grandfathered  
6 transportation volumes were double counted. So, it  
7 reflects the correct amount of volumes to spread the  
8 costs over.

9 Q. Okay. On Page 37 of the revised filing, there's a  
10 Variance Analysis section, I believe. And, can you  
11 explain why that shows demand charge credits of a  
12 million dollars allocated to the summer period in  
13 2007-2008, but none for the 2008-2009 period?

14 A. (Gibbons) Yes. The way the SMBA model, which is the  
15 model used to estimate the cost of gas for the upcoming  
16 period is designed, it automatically allocates demand  
17 costs to the summer period and to the winter period.  
18 And, that would be for the left half of that page. On  
19 the right-hand of that page is the actual costs for  
20 last -- for last winter. And, it reflects the total  
21 demand costs that have come in and the allocated  
22 portion that is allocated to the summer period.

23 Q. So, it's kind of like a true-up?

24 A. (Gibbons) Yes.

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 Q. Okay.
- 2 A. (Gibbons) The way we -- just to further clarify, the  
3 way the costs come in now, the way they're reflected in  
4 this Simplified MBA model, is all the demand costs are  
5 booked by accounting to the winter period, and the  
6 summer period is based upon the estimate at the time  
7 the summer period is filed, or -- and ultimately  
8 approved by this Commission. So, therefore, all the  
9 demand costs for the entire year are in the demand  
10 section. We net out the portion that's allocated to  
11 the summer, therefore, what remains is for the winter  
12 period.
- 13 Q. If you turn to Page 55 of the original filing, there's  
14 a summary of demand and supply forecasts, and those  
15 numbers, as I understand it, are totals. Or, sorry,  
16 they're totals for commodity -- supply commodity costs.  
17 And, I think, Mr. Gibbons, you and the Staff have had  
18 some discussions about, in future filings, the Company  
19 would expect to provide the backup for those totals,  
20 right? And you did in the revised filing?
- 21 A. (Gibbons) Talking about the individual line totals?
- 22 Q. Well, if you look at Page 48 to 53 of the revised  
23 filing, those are -- those I believe provide the  
24 backup.

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 A. (Gibbons) Yes, 48 to 53 of the revised filing is the  
2 pricing of the variety -- of the various supplies and  
3 buy path.

4 Q. Okay. And, just to be sure, will you be sure to inform  
5 Unitil personnel that these schedules should be  
6 included in future cost of gas filings?

7 A. (Gibbons) Absolutely.

8 Q. Thank you.

9 A. (Ferro) Excuse me. In lieu of redirect, I just wanted  
10 to follow up on one of the questions and the responses,  
11 regarding turning to the tariff page and citing  
12 "Section 10, 4.06.01" of the cost of gas.

13 Q. Okay. Sure.

14 A. (Ferro) And, you recall Mr. Gibbons said "subject to  
15 check it's some other section". It's my understanding,  
16 in fact, I have a copy of our tariff, which is NHPUC  
17 Number 10 Gas, Section IV, Cost of Gas Clause, Section  
18 6, and in Section 6.1 it lays out the miscellaneous  
19 production and storage, working capital adjustments,  
20 and bad debt percentage. So, I guess I'm just saying  
21 that, while the way it was laid out in the tariff, it  
22 might have been to me a little clearer with respect to  
23 citing those sections, and the numbers in that tariff  
24 were correct, it's Section 10, Section IV, 6.01.

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 Q. Right. Thank you for that clarification. Appreciate  
2 that. The Company, hopefully, has had a chance to  
3 review Mr. Wyatt's testimony that was filed yesterday  
4 regarding the question of how to handle the bandwidth  
5 around the rates established in a cost of gas  
6 proceeding. And, has the Company had a chance to  
7 review that and come to a position on it?

8 A. (Gibbons) Yes, I have. And, I concur that it would be  
9 a useful tool in the future.

10 MR. DAMON: Thank you. That's it.

11 CHAIRMAN GETZ: Okay. I think we're  
12 going to need to take a recess at this time, because  
13 there's a few questions from the Bench, redirect. I take  
14 it there are no other witnesses, is that --

15 MR. DAMON: Mr. Wyatt would just present  
16 his prefiled testimony.

17 CHAIRMAN GETZ: Okay.

18 MR. DAMON: And, Staff's position on the  
19 PNGTS situation.

20 CHAIRMAN GETZ: Okay. Then, let's try  
21 to resume at about 12:15.

22 (Whereupon a recess was taken at 11:54  
23 a.m. and the hearing reconvened at 12:25  
24 p.m.)

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 CHAIRMAN GETZ: So, I think we're back  
2 on the record. And, Mr. Damon, you were finished with  
3 your examination?

4 MR. DAMON: Yes.

5 CHAIRMAN GETZ: So, Commissioner Below.

6 BY CMSR. BELOW:

7 Q. Yes. Mr. DaFonte, you responded to a question from  
8 Mr. Damon with regard to your expectations of the value  
9 or price of the in-kind replacement gas over the next  
10 18 months, compared to the 29 months of incorrect meter  
11 readings. And, I think your answer was that "it  
12 compares favorably". By that, do you mean that you  
13 think it's more likely than not that the average value  
14 or price for the replacement in-kind gas will be equal  
15 to or greater than the overcharged gas or --

16 A. (DaFonte) Yes, it appears that, based off of the  
17 current futures strip, that the replacement volumes or  
18 the value of those replacement volumes would exceed the  
19 cost associated with the over metering volumes.

20 Q. So, in that sense, consumers are getting a return of  
21 the value that they missed, plus hopefully something,  
22 which is sort of like interest on the value?

23 A. (DaFonte) Well, we're certainly hopeful that that's the  
24 case. Obviously, the markets are subject to

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1           significant swing. But, again, over the course of 18  
2           months, we would have to evaluate it at that point.

3                   CMSR. BELOW: Okay. And, I actually  
4           have more of a question for Ms. French, with regard to  
5           Exhibit 1, just for clarification. I think the first half  
6           or 60 percent of that document is the same as the original  
7           filing dated September 15th, but received at some date  
8           subsequent to that, is that correct?

9                   MS. FRENCH: That is correct.

10                   CMSR. BELOW: And, then, there's another  
11           section, which is a set of Staff data requests and  
12           responses. And, you intended that to be also marked as  
13           "Exhibit 1", is that correct?

14                   MS. FRENCH: Yes. Thank you, Mr.  
15           Commissioner. No, I was not intending to have them  
16           marked, unless Staff, just since they're in there. I  
17           think my assistant went above and beyond the call of duty  
18           and included more in this binder than I requested.

19                   CMSR. BELOW: Okay. And, likewise, the  
20           very last document in there seems to be identical to what  
21           has been marked as "Exhibit 3", which is a September 23rd  
22           letter?

23                   MS. FRENCH: That is -- That is it.  
24           Yes, you are correct. And, my intent was to provide as

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 Northern 1 the testimonies of the witnesses, the schedules  
2 that supported them as filed on September 15th, and the  
3 ERC supporting schedules. I was unaware that this  
4 remaining material at the back of the binder was  
5 duplicative of other materials in the file.

6 CMSR. BELOW: Okay. And, what you've  
7 had marked as "Exhibit 2" is also identical to the revised  
8 filing that we received on yesterday, October 21st, is  
9 that correct?

10 MS. FRENCH: That is correct.

11 CMSR. BELOW: Okay. Well, I just have a  
12 slight concern about the volume of duplicated -- duplicate  
13 paper here that just is sort of a waste of paper and  
14 filing space.

15 MS. FRENCH: I will -- I will be more  
16 circumspect in the future, Mr. Commissioner. Thank you.

17 CMSR. BELOW: If you have occasion to be  
18 back here. Thank you.

19 BY CHAIRMAN GETZ:

20 Q. Let me just make sure, Mr. Gibbons, I don't know if  
21 you've orally updated the billing impacts. But what  
22 was filed as a \$281, or 20 percent increase to a  
23 typical residential bill has now been revised to a  
24 \$167, and 11.86 percent, is that correct?

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1 A. (Gibbons) Yes. \$167, or 11.86 percent, \$28 per month,  
2 on average.
- 3 Q. All right. Thank you. And, then, I just want to make  
4 sure I understand the settlement because of the  
5 Newington Meter Station error. So -- And, I guess,  
6 Mr. DaFonte, this is for you. So, there was a download  
7 of firmware sometime in 2005 that was recording more or  
8 a higher volume than was actually being delivered, is  
9 that correct?
- 10 A. (DaFonte) That's correct.
- 11 Q. And, that persisted for 29 months, until there was a  
12 correction made to the pulse read?
- 13 A. (DaFonte) That's right. And, it was a situation where  
14 that meter is inspected, you know, roughly every month,  
15 but the --
- 16 Q. But the programming was --
- 17 A. (DaFonte) -- the programming was off. So, there was no  
18 reason for them to, you know, determine that there was  
19 anything wrong with it at that time.
- 20 Q. And, the 758,702 dekatherms was the actual volumes not  
21 delivered, but paid for?
- 22 A. (DaFonte) That's right.
- 23 Q. And, so, the Company and customers are going to be made  
24 whole for the volumes, but not necessarily for the

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

- 1           dollar value of the under delivery?
- 2    A.    (DaFonte) Yes.  Again, as I mentioned earlier, we were  
3           attempting to get a cash settlement.  However, because  
4           of the tariff issues related to payback --
- 5    Q.    Because there may be a FERC barrier precedent to going  
6           beyond six months --
- 7    A.    (DaFonte) Exactly.  So, --
- 8    Q.    -- of cash value.  So, you're getting the full 29  
9           months of the volume?
- 10   A.    (DaFonte) Yes, we're getting the full 29 months over an  
11           18-month period.  So, we are getting them a little bit  
12           faster than they were paid for, in a sense.  And, we,  
13           you know, the important piece is that we are getting  
14           the full volume that customers were overcharged for.  
15           And, as I mentioned earlier as well, we certainly won't  
16           know what the value of the in-kind gas is until the 18  
17           months are finalized.
- 18   A.    (Ferro) Mr. Chairman, the in-kind volumes over the next  
19           18 months are going to replace some incremental volumes  
20           that Northern would otherwise need to purchase to  
21           satisfy firm demand.
- 22   Q.    So, on a daily basis, the 1,382 dekatherms equals about  
23           what, a percent or so of daily volumes or what's the  
24           percentage?

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 (Witnesses conferring.)

2 BY CHAIRMAN GETZ:

3 Q. I was just looking for kind of an order of magnitude?

4 A. (Ferro) It's about 3 percent or so of daily volumes on  
5 average over the winter. It would be higher than that  
6 as the average volumes over the summer.

7 CHAIRMAN GETZ: Okay. All right.

8 Redirect?

9 MS. FRENCH: Just one question.

10 REDIRECT EXAMINATION

11 BY MS. FRENCH:

12 Q. You were asked a question about, Mr. DaFonte, about the  
13 two year condition associated with the renewal of the  
14 Granite capacity contract. And, I think you referenced  
15 that we were -- that Northern was awaiting an affiliate  
16 approval from Maine before executing that agreement.  
17 And, while affiliate interests are clearly invoked, do  
18 you have any recollection now, after the break, as to  
19 the circumstances of the contract and what will happen  
20 if, in fact, Maine's approval is not provided for the  
21 Unitil sale before November 1st?

22 A. (DaFonte) If it's not -- If we don't have some approval  
23 from Maine, then, you know, we would have to rely on  
24 interruptible transportation. Otherwise, we would be

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 looking at filing maybe a one year contract. But, in  
2 either event, the two year or the one year, either one  
3 requires an affiliate approval. So, we still  
4 ultimately need the approval from Maine in order to get  
5 this contract in place for November 1st.

6 MS. FRENCH: Thank you.

7 CHAIRMAN GETZ: Ms. Hatfield.

8 MS. HATFIELD: Thank you, Mr. Chairman.

9 During the break, I was able to find the document that  
10 Attorney French had referred to that had been provided to  
11 the parties in 08-048, which is the Unitil/Northern merger  
12 case. So, I would like to present this to the Commission  
13 as Exhibit 5.

14 CHAIRMAN GETZ: Okay.

15 MS. HATFIELD: And, it includes an  
16 update on each of the MGP sites the Company has  
17 responsibility for, including the Exeter site. And,  
18 you'll note that it is dated August 15th. So, it's the  
19 Company's update as of that date.

20 MR. DAMON: Yes. The Staff has, in the  
21 meantime, taken the liberty of marking another exhibit,  
22 Mr. Wyatt's, premarked as Exhibit 6, because I think the  
23 last one that I heard was Exhibit 5.

24 CHAIRMAN GETZ: And, so, the document

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[WITNESS PANEL: Ferro|DaFonte|Gibbons]

1 that Ms. Hatfield just introduced as Exhibit 5, and Staff  
2 -- Mr. Wyatt's testimony will be marked for identification  
3 as Exhibit 6.

4 MR. DAMON: Okay.

5 (The documents, as described, were  
6 herewith marked as Exhibit 5 and  
7 Exhibit 6, respectively, for  
8 identification.)

9 CHAIRMAN GETZ: Anything further for the  
10 witnesses?

11 (No verbal response)

12 CHAIRMAN GETZ: Hearing nothing, then  
13 you're excused. Thank you, gentlemen.

14 WITNESS DaFONTE: Thank you.

15 WITNESS FERRO: Thank you.

16 MR. DAMON: Staff would like to call  
17 Mr. Wyatt.

18 (Whereupon Robert J. Wyatt was duly  
19 sworn and cautioned by the Court  
20 Reporter.)

21 ROBERT J. WYATT, SWORN

22 DIRECT EXAMINATION

23 BY MR. DAMON:

24 Q. For the record, please state your name, business

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[WITNESS: Wyatt]

1 affiliation, and business address please.

2 A. My name is Robert J. Wyatt. I am a Utility Analyst for  
3 the New Hampshire Public Utilities Commission. And,  
4 the address is 21 South Fruit Street, Concord, New  
5 Hampshire.

6 Q. Mr. Wyatt, have you filed prefiled testimony with the  
7 Commission regarding this particular docket 08-115?

8 A. Yes, I have.

9 Q. Okay. And, I have taken the liberty of premarking this  
10 exhibit as "Exhibit 6". And, I would ask you if that  
11 testimony that you presented there is true and accurate  
12 to the best of your knowledge and belief?

13 A. Yes, it is.

14 Q. Do you have any corrections that you would like to  
15 make?

16 A. Just a couple of minor corrections. First, on Page 4,  
17 Line 16, the reference to "40 percent", should be  
18 changed to "42 percent". And, on Page 5, Line 5,  
19 between the words "increase the bandwidth", you could  
20 insert the word "in", "increase in the bandwidth".

21 Q. So, those are the two corrections you wish to make?

22 A. Yes.

23 Q. And, could you please summarize your testimony.

24 A. Yes. My testimony talks about the monthly over/under

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[WITNESS: Wyatt]

1 adjustment policy, which allows the monthly rate  
2 adjustments for the cost of gas to move within a plus  
3 or minus 20 percent bandwidth from the initially  
4 approved cost of gas rate. And, among other things  
5 spelled out in previous testimony and in this  
6 testimony, the policy is used to reduce the over/under  
7 collection within each cost of gas period, try to keep  
8 the costs for the period in the period.

9 Staff is asking the Commission to  
10 approve a policy change which would allow the Company  
11 to make monthly adjustments beyond the approved  
12 bandwidth without having to come in for a full revised  
13 cost of gas filing. Changes beyond the approved  
14 bandwidth would still require Commission approval, but  
15 could be done on a more expeditiously and efficiently  
16 -- or, a more expeditious and efficient basis, while  
17 still allowing Commission review and input from Staff  
18 and the parties.

19 Q. Now, let me interrupt you there. Yesterday you  
20 presented testimony somewhat similar, but not  
21 identical, to the testimony that you've filed here  
22 today. And, could you just point out where your  
23 testimony has been changed slightly?

24 A. Yes. On Page 4, under "advantages of the proposed

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[WITNESS: Wyatt]

1 modification", beginning on Line 11, we inserted this  
2 paragraph to explain that, with the monthly adjustment  
3 the way it is now, the companies, if they need to  
4 adjust the rate beyond the 20 percent bandwidth, their  
5 only alternative right now is to come in to file a rate  
6 increase or to file a midcourse cost of gas filing.  
7 There's a lot of time and work involved in that process  
8 for all parties. Under this mechanism, for example, if  
9 a company -- the Company needed to raise their rate to,  
10 say, 22 percent beyond the initial approved rate, they  
11 could request this increase beyond the traditional  
12 20 percent bandwidth in writing with the monthly  
13 over/under report. This request would be taken under  
14 consideration by the Commission with support, with  
15 Staff's and the parties adding input into this to help  
16 the Commission make their decision. And, it would be  
17 much more timely. And, we think it would serve the  
18 public in a much more timely fashion, and there would  
19 be no harm.

20 Q. Okay.

21 A. If the Company chooses to or, under the current method,  
22 the Company could file a revised filing with all the  
23 work an effort. And, what that, in essence, does is it  
24 resets the bandwidth to a new plus or minus 20 percent

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[WITNESS: Wyatt]

1 of a new approved rate. And, in this example in my  
2 testimony, if the rate were -- needed to be 22 percent,  
3 and the Company filed a new filing, in essence, what  
4 you're getting is, from the originally filed cost of  
5 gas rate, you're getting a bandwidth that would go up  
6 42 percent from the original filed rate.

7 Under our proposal, the rate would only  
8 be adjusted to 22 percent above the originally approved  
9 rate, and any additional subsequent requests for  
10 increases or decreases, or increases in this case,  
11 would require a monthly report, with an additional  
12 written request. So, it's, in that respect, we think  
13 it's better. It doesn't just give the Company a new  
14 bandwidth, with a new 20 percent. And, if the rates  
15 happen to come down like they did in this past summer,  
16 to the point where the Company needs to go back down,  
17 they don't have the restriction of a new minimum  
18 bandwidth that is 22 percent higher than the original  
19 bandwidth.

20 Q. Thank you. What is the -- Can you summarize the  
21 Staff's position regarding the filing itself, the  
22 overall filing?

23 A. Yes. Staff has completed its review of the Northern  
24 originally filed cost of gas. And, it's done a cursory

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[WITNESS: Wyatt]

1 review of the revised filing, which came in yesterday.  
2 I offer Staff's recommendation for approval of the  
3 proposed rate, subject to a more thorough review of the  
4 revised filing, which should be completed by Monday.  
5 If any issues arise from the review of the revised  
6 filing, Staff will notify the Commission and the  
7 parties in the case.

8 I would also like to say that I spoke  
9 with the Audit Staff this morning. And, although the  
10 audit report hasn't come out yet for last year's  
11 review, they do not see any problems, and they expect  
12 the report will come back with good results.

13 Q. Yes. Mr. Wyatt, thanks very much. I would like to go  
14 back, I guess, to your testimony that's been premarked  
15 as "Exhibit 6". And, just make clear for the record  
16 that the question and answer beginning on Page 5, Line  
17 4 through 7, that's a change from the testimony that  
18 you filed in yesterday's EnergyNorth cost of gas case,  
19 right?

20 A. Oh, yes, it is. We reference orders pertaining to  
21 Northern Utilities in this example, whereas yesterday  
22 we were referring to an EnergyNorth order.

23 Q. Okay. One last question. Staff has had the chance to  
24 review the resolution as outlined in Northern Exhibit

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[WITNESS: Wyatt]

1           Number 3, and as well as Northern 4, which is really  
2           the Company's Exhibit 3. And, what is the Staff's view  
3           of that resolution?

4    A.    Yes. Excuse me. Staff supports the resolution based  
5           on the Company's report. We went through extensive  
6           discovery and technical session discussions. And, as I  
7           said at the beginning, Staff supports this final  
8           resolution.

9                           MR. DAMON: Okay. Thank you.

10                          CHAIRMAN GETZ: Ms. Hatfield?

11                          MS. HATFIELD: No questions. Thank you.

12                          CHAIRMAN GETZ: Ms. French?

13                          MS. FRENCH: No questions.

14                          CHAIRMAN GETZ: Essentially, I have a  
15           question that's more for you, Mr. Damon. Let me make sure  
16           I understand the process proposed. Is that Staff will  
17           take a more in-depth look at the revised filing, and the  
18           proposal is to submit something by Monday indicating  
19           whether there are any issues with the revised filing, is  
20           that correct?

21                          WITNESS WYATT: I reviewed the filing  
22           last night quickly, and I did not see any problems. I  
23           don't foresee finding anything. But I would like to take  
24           a little more time to just double check some of the

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[WITNESS: Wyatt]

1 numbers and how they tie to the schedules and to the  
2 tariff sheets. And, I have two hearings tomorrow. So,  
3 I'm not going to be able to look at it until Friday at the  
4 earliest. And, I figured, by Monday, well before we start  
5 providing input on a final order, I would have the full  
6 review done on the filing.

7 CHAIRMAN GETZ: Well, I was just  
8 thinking due process, if there would be some way of  
9 closing this loop.

10 MR. DAMON: Yes.

11 CHAIRMAN GETZ: Whether we should  
12 reserve an exhibit for a record response indicating the  
13 results of the final review. So, let's reserve Exhibit  
14 Number 7 for Mr. Wyatt's final review of the revised  
15 filing.

16 (Exhibit 7 reserved)

17 CHAIRMAN GETZ: Okay. Is there anything  
18 further for Mr. Wyatt?

19 (No verbal response)

20 CHAIRMAN GETZ: Hearing nothing, then  
21 you're excused. Thank you. Is there any objection to  
22 striking identifications and admitting the exhibits into  
23 evidence?

24 (No verbal response)

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1                   CHAIRMAN GETZ: Okay. Hearing no  
2 objections, they will be admitted into evidence. Is there  
3 anything else to address before opportunity for closings?

4                   (No verbal response)

5                   CHAIRMAN GETZ: Ms. Hatfield.

6                   MS. HATFIELD: Thank you, Mr. Chairman.  
7 The OCA does not oppose the Company's cost of gas filing  
8 to go into effect on November 1st. We support the  
9 proposed resolution of the Spectra metering issue as the  
10 Company proposed in Exhibit 3. And, we also support an  
11 expedited ruling on that proposal by the Commission, so  
12 that the Company can put it into effect for November 1st.

13                   With respect to the Staff's proposed  
14 modification of how the monthly adjustment mechanism might  
15 be modified, we don't have a position. We would defer to  
16 Staff. But we would just ask that, in its consideration,  
17 that the Commission would consider if it would be possible  
18 for the Company to, if not to file its monthly report five  
19 days prior to the effective date of any proposed  
20 adjustment, but if it could, at a minimum, provide notice  
21 to the OCA and the Staff as soon as the Company knew that  
22 it would be proposing such an adjustment, because five  
23 business days is a quite short period of time. So, just  
24 I'd like to make that suggestion, if the Commission does

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1 consider adopting that policy. Thank you.

2 CHAIRMAN GETZ: Thank you. Mr. Damon.

3 MR. DAMON: Yes. Thank you. Mr. Wyatt  
4 has laid out the Staff's position on the filing. I think  
5 his testimony explains the adjustment to the bandwidth  
6 provision that's traditionally been included in the cost  
7 of gas orders, and I addressed it a little more  
8 substantively in yesterday's hearing, some of the reasons  
9 that I could see why it might be beneficial to go to that.  
10 And, I would just, without me taking the time to reiterate  
11 all that, say that this is a similar mechanism as well.

12 And, also, for the reasons stated by  
13 Mr. Wyatt, the Staff believes that the resolution of the  
14 Spectra metering issue is appropriate and can be approved.

15 CHAIRMAN GETZ: Let me ask this  
16 question, Mr. Damon, and it goes with respect to the --  
17 Mr. Wyatt's proposal on the over and under recovery issues  
18 related to the 20 percent bandwidth. Would it make some  
19 sense or would it be problematic to rule in both this  
20 docket and in the National Grid docket on the cost of gas  
21 rates and keep the case open for some period, both cases  
22 open for some period of time, for the parties to meet and  
23 discuss in more detail the proposal, and then come back  
24 with a recommendation in some, whatever, 30, 45 day

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1 period. And, then, we could have some -- everybody has a  
2 chance to think about the ramifications, and then get, you  
3 know, some parity between the companies. Would that work?

4 MR. DAMON: Yes, it would. We would be  
5 happy to do that. And, I would also just mention, I think  
6 we would expect to propose something similar for Concord  
7 Steam, as well as New Hampshire Gas Company, because they  
8 have similar provisions in their orders.

9 CHAIRMAN GETZ: Ms. Hatfield.

10 MS. HATFIELD: Yes, Mr. Chairman. We  
11 would support that. And, I would add that that would give  
12 a chance perhaps for Unitil to be more fully participating  
13 in that conversation. And, I know yesterday, at the  
14 National Grid hearing, we raised the question about  
15 whether business customers had notice of this proposed  
16 change. And, I would be willing to reach out to the  
17 Business & Industry Association and ask if any of their  
18 members would like to participate in those discussions.

19 CHAIRMAN GETZ: Well, I guess, if  
20 there's an issue of notice, which I'm not sure there is,  
21 but we should do something more than a phone call to cure  
22 it. But we'll take that under consideration, how to  
23 address that issue. Ms. French.

24 MS. FRENCH: Thank you, Mr. Chairman. I

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1 just note that there was a Motion for Protection filed in  
2 this docket on materials that were provided informally to  
3 Mr. Wyatt as part of his review. So, Northern would ask  
4 that those materials, which are the standard cost of gas  
5 commodity cost issues, we'd like to have that approved.  
6 Northern also seeks, of course, approval of its updated  
7 CGA and its ERCs that's filed for commencement on  
8 November 1st. It seeks approval of the resolution of the  
9 Newington meter error and the ratemaking treatment  
10 associated with the recovery of the flow-through volumes.  
11 And, for the Commission to find that that treatment and  
12 recovery is appropriate and reasonable, and therefore  
13 consistent with the public interest.

14 And, I'd just conclude by saying that  
15 there's no objection, at least by Northern, at the current  
16 time, to the proposed adjustment mechanism modification  
17 proposed by Staff. But there is also no objection to the  
18 Commission's proposal to perhaps have a longer schedule to  
19 review it.

20 CHAIRMAN GETZ: Okay. Then, it looks  
21 like that completes our business. We'll close the hearing  
22 and take the matter under advisement. Thank you.

23 (Whereupon the hearing ended at 12:57 p.m.)

24

