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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 13, 2010 - 10:03 a.m.  
Concord, New Hampshire

[REDACTED - FOR PUBLIC USE]

RE: DG 10-050  
UNITIL ENERGY SYSTEMS, INC. **WAPUC APR 16 '10 PM 4:10**  
NORTHERN UTILITIES, INC.:  
Summer 2010 Cost of Gas Adjustment.

**PRESENT:** Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

**APPEARANCES:** Reptg. Unitil Energy Systems, Inc./  
Northern Utilities, Inc.:  
Susan S. Geiger, Esq. (Orr & Reno)

**Reptg. Residential Ratepayers:**  
Rorie Hollenberg, Esq.  
Kenneth E. Traum, Asst. Consumer Advocate  
Office of Consumer Advocate

**Reptg. PUC Staff:**  
Matthew J. Fossum, Esq.

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

ORIGINAL



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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

Northern Utilities, Inc.  
New Hampshire Division Cost of  
Gas Adjustment Filing Summer  
Period 2010 (03-15-10)

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Update to Proposed Cost of Gas  
Adjustment for the 2010 Summer  
Period (May 2010 - October 2010)  
(04-09-10)

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Summer Period 2010 Cost of Gas  
Adjustment Filing Prefiled  
Testimony of James D. Simpson  
(red-lined version)

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Northern Utilities, Inc. N.H.  
Division Summer Period 2010  
Proposed Cost of Gas Adjustment  
Filing Prefiled Testimony of  
Todd M. Bohan (red-lined version)

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RESERVED (Record request by  
Atty. Hollenberg)  
AGREED TO NOT BE PROVIDED, AS IT WAS  
ANSWERED DURING REDIRECT EXAMINATION)

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RESERVED (Record request  
regarding Schedule 1A...)

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RESERVED (Record request  
regarding the therm sales increase  
noted in updated Schedule 9...)

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{DG 10-050} [REDACTED-for public use] {04-13-10}

1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in docket DG 10-050. On  
4 March 15, 2010, Northern Utilities filed its cost of gas  
5 rates for the period May 1, 2010 through October 31, 2010.  
6 The proposed residential cost of gas rate is 69.81 cents  
7 per therm, an 8.17 cents per therm decrease from last  
8 summer. The estimated impact on a typical residential  
9 bill is a decrease of approximately \$20 -- \$25, or  
10 6 percent. The proposed Commercial/Industrial Low Winter  
11 use cost of gas rate is 65.71 cents per therm, and the  
12 rate decrease for those customers is commensurate with the  
13 residential rate decrease. We issued an order of notice  
14 on March 17 setting the hearing for this morning.

15 Can we take appearances please.

16 MS. GEIGER: Yes. Good morning, Mr.  
17 Chairman, Commissioner Below, Commissioner Ignatius. I'm  
18 Susan Geiger, from the law firm of Orr & Reno, and I  
19 represent Northern Utilities. And, with me this morning  
20 from the Company are Mr. Francis Wells, Mr. Todd Bohan,  
21 and, from Concentric, Mr. James Simpson.

22 CHAIRMAN GETZ: Good morning.

23 MS. HOLLENBERG: Good morning. Rorie  
24 Hollenberg and Ken Traum here for the Office of Consumer

{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 Advocate.

2 CHAIRMAN GETZ: Good morning.

3 MR. FOSSUM: And, good morning. Matthew  
4 Fossum, for the Staff of the Commission. And, with me  
5 today are Bob Wyatt and Stephen Frink from the Commission  
6 Staff.

7 CHAIRMAN GETZ: Good morning. Are you  
8 ready to proceed, Ms. Geiger?

9 MS. GEIGER: Yes, I am. Thank you, Mr.  
10 Chairman. I'd like to call as a panel of witnesses  
11 Mr. Wells, Mr. Simpson, and Mr. Bohan.

12 (Whereupon Todd M. Bohan, Francis X.  
13 Wells, and James D. Simpson were duly  
14 sworn and cautioned by the Court  
15 Reporter.)

16 TODD M. BOHAN, SWORN

17 FRANCIS X. WELLS, SWORN

18 JAMES D. SIMPSON, SWORN

19 DIRECT EXAMINATION

20 BY MS. GEIGER:

21 Q. And, we'll start with Mr. Simpson. Could you please  
22 state your name for the record.

23 A. (Simpson) My name is James Simpson.

24 Q. And, where are you employed and what position do you  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 hold?

2 A. (Simpson) I'm employed at Concentric Energy Advisors.  
3 I'm a Vice President.

4 Q. And, what type of service does Concentric provide?

5 A. (Simpson) We're a management consulting and economic  
6 advisory firm, and we generally are focused in the  
7 North American energy industry.

8 Q. Mr. Simpson, have you previously testified before this  
9 Commission?

10 A. (Simpson) Yes, I have. I have testified in the two  
11 most recent Northern Utilities cost of gas proceedings,  
12 the Summer 2009 and the Winter 2009-2010 cost of gas  
13 proceedings. And, in addition, while I was employed at  
14 Bay State Gas Company, I testified in front of this  
15 Commission on behalf of Northern Utilities on many  
16 occasions.

17 Q. And, could you please explain to the Commission the  
18 role that you and/or Concentric played in developing  
19 Northern Utilities' Summer 2010 Cost of Gas filing.

20 A. (Simpson) We assisted Northern Utilities with the  
21 development of the summer cost of gas filing.  
22 Specifically, we organized and made calculations based  
23 on cost projections and sales and sendout data provided  
24 by the Company, and other data as well, to calculate

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 the summer cost of gas adjustment, which was originally  
2 filed on March 15th, and the revised cost of gas filing  
3 that was made April 9th.

4 Q. And, Mr. Simpson, I'd like to show you a document that  
5 is entitled "Northern Utilities, Inc. New Hampshire  
6 Division Cost of Gas Adjustment Filing Summer Period  
7 2010", dated March 15th, 2010. Do you recognize this  
8 document?

9 A. (Simpson) I do.

10 Q. And, could you please explain what it is for the  
11 Commission.

12 A. (Simpson) This is the full cost of gas filing that was  
13 made on March 15th, including testimony and all  
14 supporting schedules from the three of us here on the  
15 panel.

16 MS. GEIGER: And, Mr. Chairman, I'd like  
17 to have the document that Mr. Simpson just identified  
18 marked for identification as "Exhibit 1".

19 CHAIRMAN GETZ: So marked.

20 (The document, as described, was  
21 herewith marked as Exhibit 1 for  
22 identification.)

23 MS. GEIGER: Thank you.

24 BY MS. GEIGER:

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 Q. And, Mr. Simpson, I'd like to show you another  
2 document, and the cover page of which is on Unitil's  
3 letterhead, it's dated April 9, 2010, and it references  
4 the subject matter of "Northern Utilities, Inc., Docket  
5 Number DG 10-050, Update to Proposed Cost of Gas  
6 Adjustment for the Summer -- 2010 Summer Period (May  
7 2010 to October 2010." Could you please identify this  
8 document.

9 A. (Simpson) This is the revised filing.

10 MS. GEIGER: Oh. Okay. Thank you.

11 That's all I was looking for. Mr. Chairman, I would like  
12 to have this revised filing marked for identification as  
13 "Exhibit 2".

14 CHAIRMAN GETZ: So marked.

15 (The document, as described, was  
16 herewith marked as Exhibit 2 for  
17 identification.)

18 MS. GEIGER: And, I'll get a copy for  
19 Mr. Patnaude.

20 BY MS. GEIGER:

21 Q. Mr. Simpson, could you please explain briefly what type  
22 of information is contained in the revised filing.

23 A. (Simpson) We made the revised filing for several  
24 reasons. First of all, we -- some of the revisions  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 that we made in the revised filing reflected  
2 discussions that the Company had with the Commission  
3 Staff and with the Office of Consumer Advocate at an  
4 April 15th, 2010 technical session held here. The  
5 revised filing also reflects updated market cost of gas  
6 supplies based on NYMEX futures gas prices as of  
7 April 5th, 2010. And, the revised filing also reflects  
8 other revisions, updates, and corrections. And, we  
9 have summarized those corrections and revisions in a  
10 cover page entitled "Updates and Revisions" in the  
11 updated filing.

12 And, specifically, the revisions that we  
13 made was, first, we revised the bad debt calculation  
14 and the presentation of projected interest expense.  
15 And, we did this in response to a Staff data request.  
16 Second, the calculation of indirect gas costs was also  
17 revised, and that was, again, as was explained in  
18 response to a Staff data request. Finally, we revised  
19 the forecasted calendar month sales projections to  
20 correct a calculation error that we had made. The  
21 corrected projected firm sales volumes were greater  
22 than the volumes that were included in the March 15th  
23 filing by 1 percent. And, this again is as we  
24 explained in a response to a Staff data request.

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[WITNESS PANEL: Bohan~Wells~Simpson]

1                   And finally, we, as part of indirect gas  
2 costs, we updated -- I'm sorry, not related to indirect  
3 gas costs, but we prepared an updated Variance  
4 Analysis, which we labeled as "Revised Schedule 9",  
5 which shows that, in total, taking all of the revisions  
6 and changes we made into account, the average projected  
7 cost of gas, which is also the same as the rate that is  
8 charged to residential customers, is 0.654 per therm,  
9 which is 0.1320, that is 13 cents, lower than the  
10 actual 2009 average gas cost rate of 0.7865.

11 Q.   And, Mr. Simpson, did you prefile testimony in this  
12 docket?

13 A.   (Simpson) Yes, I did.

14 Q.   And, is your prefiled testimony contained under the tab  
15 in Exhibit 1 labeled "Simpson Testimony"?

16 A.   (Simpson) It is.

17 Q.   And, do you have any corrections or updates to make to  
18 your prefiled testimony?

19 A.   (Simpson) I do. I prepared a red-lined version of my  
20 testimony to reflect the effect of the updates and  
21 revisions that I just described and explained.

22 Q.   And, Mr. Simpson, I'd like to show you a document. Is  
23 this your red-lined version that you just referenced?

24 A.   (Simpson) Yes.

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 MS. GEIGER: Mr. Chairman, I'd like to  
2 have the document that I just handed out to the Bench and  
3 that's been identified by Mr. Simpson as "Exhibit 3" for  
4 identification.

5 CHAIRMAN GETZ: So marked.

6 (The document, as described, was  
7 herewith marked as Exhibit 3 for  
8 identification.)

9 BY MS. GEIGER:

10 Q. And, Mr. Simpson, if I were to ask you the same  
11 questions under oath today as those contained in  
12 Exhibit 3, would your answers be the same as in  
13 Exhibit 3?

14 A. (Simpson) They would be.

15 Q. Okay. And, could you just briefly -- I know that you  
16 gave the Commission a few minutes ago a brief summary  
17 of the information contained on your Revised Schedule 9  
18 related to the proposed Summer 2010 Cost of Gas. Could  
19 you please just briefly explain the information in  
20 Revised Schedule 9 that led to your calculation.

21 A. (Simpson) Certainly. I would like to focus this  
22 discussion by referring to Revised Schedule 9, which  
23 was included in the April 9th revised filing. It's  
24 more than halfway through the full packet. Okay.

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 Revised Schedule 9 compares the revised 2010 Summer  
2 Cost of Gas proposal that was filed on April 9th to  
3 2009 actual gas costs. And, at the bottom of this  
4 schedule, on Line 32, you see the significant decrease  
5 in the gas costs that, on a projected basis, compares  
6 to the actual gas costs from the 2009 Summer. The  
7 decrease going from 0.7865 to 0.6545, as I previously  
8 described.

9 There are just a couple primary reasons  
10 for that decrease. The first one is shown on Line 6.  
11 The unit cost, the cost per therm of the demand costs  
12 that are being recovered in the summer cost of gas  
13 filing are decreasing from 0.1925 to 0.1252. And, that  
14 difference, which is about six and a half cents, is  
15 almost the --- I'm sorry, the difference is 0.67 cents  
16 per therm -- 6.7 cents per therm. And, that is almost  
17 the same as the total difference in the direct gas  
18 costs, which is shown on Line 15. That is the  
19 difference between 0.7279 and 0.6625. There's a few  
20 other things that change, but that all gets sort of  
21 taken care of, and the big difference remaining is the  
22 difference in the demand costs.

23 There's similarly one primary factor  
24 that is affecting the big decrease in the indirect gas  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 costs. The indirect gas costs are summed on Line 31.  
2 So, the big decrease is going from a positive 0.6 --  
3 0.0628 to a negative 0.0080. And, the primary  
4 difference for that is the effect of the change in the  
5 prior period balances, which is shown on Line 17, which  
6 last summer was a fairly significant overcollection --  
7 undercollection, going to an overcollection for the  
8 Summer 2010 period. In addition, however, there is a  
9 -- what we are referring to as an "ATV reconciliation".  
10 Those are additional costs in the Summer 2010 filing,  
11 which were not part of the 2009 filing. But,  
12 nonetheless, the net difference, everything taken into  
13 account, is still represented by the numbers on Line  
14 31.

15 Q. Thank you, Mr. Simpson. Do you have anything further  
16 to add to your testimony?

17 A. (Simpson) I do not.

18 Q. Mr. Bohan, could you please state your name for the  
19 record.

20 A. (Bohan) Todd Bohan.

21 Q. And, where are you employed and in what capacity?

22 A. (Bohan) I work for Unitil Service Corporation as a  
23 Senior Regulatory Analyst.

24 Q. Mr. Bohan, did you prefile testimony in this docket?

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 A. (Bohan) Yes, I did.

2 Q. Is that prefiled testimony contained in what's been  
3 marked for identification as "Exhibit 1" under the tab  
4 labeled "Bohan Testimony"?

5 A. (Bohan) Yes, it is.

6 Q. And, do you have any corrections or updates to your  
7 prefiled testimony?

8 A. (Bohan) I do.

9 Q. And, did you prepare a document that reflects the  
10 changes to your prefiled testimony?

11 A. (Bohan) I did.

12 Q. And, I'd like to show you -- show you a document and  
13 have you identify it for the record.

14 A. (Bohan) Yes.

15 Q. Is that the red-lined version of your prefiled  
16 testimony that you just indicated has been updated or  
17 corrected?

18 A. (Bohan) Yes, it is.

19 MS. GEIGER: Okay. Mr. Chairman, I'd  
20 like to have this document marked for identification as  
21 "Exhibit 4".

22 CHAIRMAN GETZ: So marked.

23 (The document, as described, was  
24 herewith marked as Exhibit 4 for

{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 identification.)

2 BY MS. GEIGER:

3 Q. And, Mr. Bohan, if I were to ask you the same questions  
4 today under oath as those that are reflected in what's  
5 been marked as "Exhibit 4, would your answers be the  
6 same as to what's contained in Exhibit 4?

7 A. (Bohan) Yes, they would.

8 Q. And, could you please briefly identify the major topics  
9 that you covered in your updated prefiled testimony.

10 A. (Bohan) Well, my combined testimony covers Northern's  
11 Summer 2009 period cost of gas reconciliation. And, in  
12 addition to that, I provide typical bill analyses for  
13 rate changes that are proposed for effect May 1st,  
14 2010.

15 Q. And, Mr. Bohan, could you please briefly summarize the  
16 impacts of the various rates that you've discussed in  
17 your prefiled testimony on the rates for residential  
18 customers and for general services customers that  
19 Northern is proposing.

20 A. (Bohan) Yes. If I could ask the Commission to turn to  
21 Revised Schedule 8 in the updated filing. And, this  
22 would be -- I'd be looking at "Schedule 8 (Revised  
23 4-9-10) Page 1 of 5". And, on the far right-hand side,  
24 we show the impact on a residential customer consuming  
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[WITNESS PANEL: Bohan~Wells~Simpson]

1 318 therms during the summer period. In the top half  
2 of the page, we have "Summer 2010", and in the bottom  
3 half of the page we have "Summer 2009". And, the net  
4 impact is that a customer in the Summer 2010 period  
5 would see a decrease of \$38.48, or approximately  
6 8.82 percent.

7 Q. And, for commercial and industrial customers, do you  
8 have a similar analysis or a bill impact  
9 quantification?

10 A. (Bohan) Yes. In working with Staff, we have added to  
11 our bill analyses commercial and industrial customer  
12 classes. And, if you look at Pages 2 through 4 of  
13 that, you see similar results for the  
14 commercial/industrial classes, where customers would  
15 see decreases in the range of 12 to 17 percent.

16 Q. Thank you, Mr. Bohan. Do you have anything further to  
17 add to your testimony today?

18 A. (Bohan) Yes, one item. The Company has made a number  
19 of modifications to its filing recently. And, we will  
20 continue to work with Staff to make more changes, if  
21 necessary, in order to assist Staff and the Commission  
22 in their review of Northern's cost of gas filings.

23 Q. Thank you. Mr. Wells, could you please state your name  
24 for the record.

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[WITNESS PANEL: Bohan~Wells~Simpson]

- 1 A. (Wells) Yes. My name is Francis Wells.
- 2 Q. And, where are you employed and what position do you  
3 hold?
- 4 A. (Wells) I am employed at Unutil Service Corp., at  
5 Hampton, New Hampshire. I am a Senior Energy Trader  
6 there.
- 7 Q. Mr. Wells, did you prepare prefiled testimony in this  
8 docket?
- 9 A. (Wells) Yes, I did.
- 10 Q. And, is that prefiled testimony contained under the tab  
11 marked "Wells Testimony" in what's been marked for  
12 identification as "Exhibit 1"?
- 13 A. (Wells) Yes, it is.
- 14 Q. And, do you have any corrections or updates to your  
15 prefiled testimony?
- 16 A. (Wells) I have two updates to my testimony. First, in  
17 the revised filing, Exhibit 2, I have provided an  
18 updated Schedule 20, which reflects the finalized  
19 ceiling prices for the new hedging program that the  
20 Commission recently approved. And, on the final two  
21 pages of the ATV of the updated filing, I provide an  
22 explanation and summary of the ATV reconciliation  
23 charges that Mr. Simpson referred to previously.
- 24 Q. Okay. And, Mr. Wells, are you -- the information that  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1           you just referenced regarding the ATV reconciliation,  
2           was that initially submitted by Mr. Stewart of Unitil?

3   A.   (Wells) Yes, it was, I believe in --

4   Q.   And, so, are you adopting as your testimony today that  
5           information that was provided --

6   A.   (Wells) Yes.

7   Q.   -- by Mr. Stewart? Thank you. With the corrections  
8           and updates that you just mentioned on the stand to  
9           your prefiled testimony, if I were to ask you the same  
10          questions under oath as those contained in your  
11          prefiled testimony today, would your answers be the  
12          same as what's been set forth in your prefiled  
13          testimony?

14   A.   (Wells) Yes, they would.

15   Q.   Okay. Could you please briefly identify for the  
16          Commission the major topics that you've covered in your  
17          prefiled testimony.

18   A.   (Wells) Certainly. I describe Northern's gas supply  
19          activity relating to any gas supplies planned for the  
20          upcoming period, including an overview of the sales  
21          forecasts, both the results and its process. I  
22          overview Northern's supply portfolio and the major  
23          highlights on that. I also describe Northern's supply  
24          plan and how we plan to meet the projected sales using  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 the -- Northern's portfolio. I also describe the  
2 impact of the Company's hedging plans and the results  
3 of hedging on this cost of gas proceeding. And, then,  
4 finally, I discuss PNGTS rate case litigation status.

5 MS. GEIGER: Thank you, Mr. Wells.

6 Unless the Commission would like the witnesses to go into  
7 any more detail about their prefiled testimony, they are  
8 available for cross-examination.

9 CHAIRMAN GETZ: Okay. Thank you.

10 Ms. Hollenberg.

11 MS. HOLLENBERG: Thank you. Good  
12 morning.

13 WITNESS WELLS: Good morning.

14 WITNESS SIMPSON: Good morning.

15 WITNESS BOHAN: Good morning.

16 CROSS-EXAMINATION

17 BY MS. HOLLENBERG:

18 Q. I'd like to ask a question about what's marked as Bates  
19 Page 102 in the original filing, which is Exhibit 1.  
20 And, I'll let you choose amongst yourselves who is the  
21 best to answer the question.

22 A. (Bohan) Could we have that page number again please?

23 Q. Sure. It's Bates 102.

24 A. (Bohan) 102.

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 Q. In Tab 10.

2 A. (Bohan) It's Attachment 1 to Schedule 10B, Page 3 of 4.

3 Q. My only question is, why is the 2010 forecast higher  
4 than the actual amounts for the Summer Periods for 2009  
5 and 2008?

6 A. (Wells) I did speak with the person responsible for the  
7 preparation of the sales forecast yesterday in  
8 preparation for the hearing. And, one thing that I  
9 learned was that -- one thing that -- allow me to  
10 restart that answer, I apologize.

11 Q. That's okay.

12 A. (Wells) The increase in the sales forecast over 2008  
13 and 2009 Summers, one thing to keep in mind is that,  
14 when we prepare the Company's forecast for the next  
15 year, this sales forecast was actually prepared in  
16 preparation of the winter cost of gas filing. We  
17 elected not to update the cost of gas filing for the  
18 summer cost of gas period. And, when the sales  
19 forecaster was preparing this schedule -- or, preparing  
20 the data that feeds into this schedule, rather, the  
21 only complete summer that was available at that time  
22 was Summer 2008. So, generally speaking, we're showing  
23 some increase in -- some modest increase in the number  
24 of meters that would largely have accounted for the  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 increase from 2008 over 2009.

2 I am sure that, had the full 2009 Summer  
3 been available at the time of the forecast, that would  
4 have likely impacted the results. That the 2010 over  
5 2009 figures, for example, would have been -- would  
6 have likely been lower after the actual data for 2009  
7 was available. It's just been the Company's philosophy  
8 that constantly redoing the forecast rarely yields  
9 better predictive value. So, we've kind of adopted an  
10 approach of trying to update it once a year, unless  
11 something, you know, unless something really dramatic,  
12 you know, forces us to rethink the forecast.

13 And, in reference to your particular  
14 question, Bates stamp Page 102 is referring to the  
15 "Residential Heat Billed Deliveries" for the May  
16 through October period. And, it just was the position  
17 of the Company that that one particular rate class,  
18 because, you know, even if we were to recast that based  
19 on all the available summer data that's currently  
20 available, that it would not have had a substantial  
21 impact on the results of this filing. But I would  
22 certainly not -- I would certainly not try to state  
23 that it's necessarily our position that, if we were to  
24 totally redo the forecast today, based on today's --  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 the most currently available number, that we would come  
2 up with the exact same forecast.

3 Q. Okay. Thank you. Looking now, if I could just ask the  
4 panelists to compare the original Tariff Page 38 with  
5 the updated one. So, Tariff Page 38, in Exhibits 1 and  
6 2. And, for the following line items, I'm wondering if  
7 you could just explain if the changes between these two  
8 pages are due exclusively to the NYMEX update or if  
9 there's another reason for the change. And, the first  
10 item that I would ask about is the "Purchased Gas  
11 Demand Costs". Would you agree that that is related to  
12 the change of the NYMEX?

13 A. (Simpson) To orient everybody, I believe that what  
14 you're referring to is that the "Purchased Gas Demand  
15 Costs" in the original filing was "470,438"?

16 Q. Yes.

17 A. (Simpson) And, in the revised filing is "474,873", is  
18 that correct?

19 Q. Yes.

20 A. (Simpson) Yes. The demand costs are unaffected by  
21 changes in NYMEX. The roughly \$4,000 difference was  
22 related to the fact that, when we corrected the  
23 calendar month sales for the summer period, that had an  
24 effect on the allocation of the annual demand costs

{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1           between the summer and the winter periods. So, there  
2           was a small effect on the demand costs due to change in  
3           the calendar month sendout -- calendar month sales  
4           volumes.

5   Q.    Okay. How about the "Supply Costs"? The "Purchased  
6           Gas Supply Costs", which was over 5 million in the  
7           original filing, and is now just over 4 million?

8   A.    (Simpson) That's correct. That was entirely due to the  
9           update for the most recent NYMEX strip.

10  Q.    Okay. Thank you. And, how about the "Storage and  
11          Peaking Gas Demand Capacity" increased about \$7,000  
12          between the two filings?

13  A.    (Simpson) I had focused on the effect that the change  
14          in the calendar month sales had on allocation of the  
15          purchased gas demand costs. And, I had not followed  
16          through to determine that that also was the effect  
17          here. But I certainly expect that it is.

18  Q.    Thank you. And, the "Hedging Loss", which increased  
19          about \$350,000?

20  A.    (Simpson) That's right. That was due to the update in  
21          the NYMEX prices.

22  Q.    Okay. And, the "Prior Period Over Collection", which  
23          changed about \$8,000?

24  A.    (Simpson) You can see we're fumbling on this one a bit,  
          {DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 but I think that there was -- there was some accounting  
2 change, update.

3 Q. Okay.

4 A. (Simpson) Sorry.

5 Q. I'm just wondering if it would be possible for the  
6 Company to just respond to that after the hearing in a  
7 record request or some sort of response?

8 CHAIRMAN GETZ: Well, is there someone  
9 on the panel who has more information about that?

10 WITNESS WELLS: None -- I mean, if I  
11 understand your question, none of the -- none of -- my  
12 understanding is that none of the indirect gas costs are  
13 related to the NYMEX updates.

14 MS. HOLLENBERG: I guess, what would the  
15 change relate to, I guess that was --

16 WITNESS WELLS: Okay.

17 CHAIRMAN GETZ: We can reserve an  
18 Exhibit Number 5 for the response to that question.

19 (Exhibit 5 reserved)

20 MS. HOLLENBERG: Thank you.

21 BY MS. HOLLENBERG:

22 Q. Mr. Wells, you touched upon, in your direct testimony  
23 this morning, the Adjusted Target Volume  
24 reconciliation. And, I guess if you could just explain  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 for me what this is, why it's needed, and how it's  
2 changed -- how you've changed that process since the  
3 merger, --

4 A. (Wells) Certainly.

5 Q. -- if at all?

6 A. (Wells) The Adjusted Target Volume is required for  
7 transportation customers that are non-daily -- are  
8 non-daily metered, meaning that they have typical  
9 monthly meter reads, as opposed to the larger  
10 customers, where the Company reads the consumption on a  
11 daily basis. So, for non-monthly [non-daily?] metered  
12 customers that choose a third party supplier or retail  
13 marketer, the Company needs to have some way of  
14 instructing marketers as to what volume of gas they are  
15 responsible to bring on a daily basis in order to meet  
16 the obligations that we project for that customer.  
17 Whereas, for a daily metered customer, you can, on a  
18 daily basis, know, you know, immediately know what that  
19 customer's supply requirement was for the day. With  
20 non-daily metered customers, it's required that we  
21 estimate that value until the meter is actually read.

22 So, the Adjusted Target Volume ends up  
23 being an approach that, for each customer that is  
24 non-daily metered, the Company assigns a

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 weather-sensitive coefficient and a base coefficient,  
2 that is -- and the way that -- what happens is, for  
3 each marketer, we sum together the base and space  
4 factors for each customer in the retail marketers'  
5 non-daily metered pool. And, basically, we apply --  
6 we, for each day, we add the -- it's the base plus the  
7 weather-sensitive component, times the weather forecast  
8 for that day. And, then, this -- and, then, at the end  
9 of each month, we true that calculation up for actual  
10 weather. So, there's actually a mini true-up at the  
11 end of the month.

12 What happens at the end of each  
13 six-month period, in this case we're talking of May  
14 through October 2009, we reconcile all of these -- all  
15 of these estimates to actual consumption. So, for the  
16 period of May through October 2009, if we refer to --  
17 if we refer to the summary that was provided at the end  
18 of the updated filing, when I refer to on the operating  
19 day, what Northern does is it takes the weather  
20 forecast and multiplies that by the aggregate weather  
21 coefficient, and then adds to that, to the product of  
22 the weather coefficient and the weather factor, adds to  
23 that the sum of the base, so we have really a  
24 weatherized -- or, excuse me, a forecast consumption  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 based on the weather forecast. And, then, we reconcile  
2 that to -- at the end of the month we reconcile that to  
3 actual weather. And, then, at the end of the period,  
4 we actually reconcile this to the billed consumption.  
5 And, what we learned through this first reconciliation  
6 was that we were overestimating the amount of gas that  
7 our non-daily metered transportation customers were  
8 ultimately responsible for. So, what happens is this  
9 gas is ultimately consumed by sales service customers.  
10 So, because -- because the non-daily metered suppliers  
11 were over-delivering gas through the summer period,  
12 Northern was buying less gas on behalf of its cost of  
13 gas sales service customers.

14 So, through this process, we value that  
15 gas at -- the tariff requires that we value that gas at  
16 a daily index. And, so, we will be paying suppliers or  
17 we have paid suppliers for the difference between the  
18 gas that they actually delivered and the gas that their  
19 customers ultimately consumed. So, that gas -- so, the  
20 difference of that gas, if you see on the "ATV  
21 Adjustment" line, this gas ultimately was consumed by  
22 cost of gas customers. And, so, therefore, it's  
23 appropriate that we seek recovery for that in the cost  
24 of gas rate.

{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 Q. And, when you pay the marketers for the cost of the  
2 cost, do you pay them interest on that amount?

3 A. (Wells) No.

4 Q. No. And, just to confirm, you've made the payments  
5 already?

6 A. (Wells) Yes.

7 Q. Okay. In May? I think we talked about it before the  
8 hearing. Or, do you recall when?

9 A. (Wells) My understanding is we made the payments in the  
10 month of April.

11 Q. In the month of April, okay. And, well, obviously,  
12 since May hasn't occurred yet. Sorry. And, for  
13 purposes of calculating interest in the CGA, those  
14 amounts are not relied upon or included?

15 A. (Wells) For calculating the amount of interest due  
16 through the reconciliation of last summer, no. You  
17 know, it would -- it's my understanding that, just in  
18 the projected balance of the current cost of gas, that  
19 it would be included.

20 MS. HOLLENBERG: Okay. Nothing further.

21 Thank you.

22 CHAIRMAN GETZ: Thank you. Mr. Fossum.

23 MR. FOSSUM: Thank you.

24 BY MR. FOSSUM:

{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 Q. I guess, beginning with Mr. Simpson, I'd like to pick  
2 up just very briefly on one of the issues raised by the  
3 OCA, with regard to the updated filing, which I have  
4 here. About twelve pages in to the updated filing,  
5 give or take, you have what's referred to as a "Summary  
6 Schedule".

7 A. (Simpson) Yes.

8 Q. Which is very similar to Tariff Page 38?

9 A. (Simpson) Yes.

10 Q. And, with regard to the demand costs that you have  
11 already been asked about, where would the support for  
12 the changes in that demand cost be found? On what  
13 schedule? If it would help to move things along, in  
14 the original filing, Exhibit 1, under the "Summary"  
15 tab, --

16 A. (Simpson) Okay.

17 Q. -- in the bottom right corner what's labeled page "4",  
18 on that page it indicates, if I'm reading correctly,  
19 that the demand costs could be found on Schedule 1A?

20 A. (Simpson) Thank you very much. That's correct.

21 Q. Was an updated Schedule 1A provided with the revised  
22 filing?

23 A. (Simpson) You know, it was not. We apologize for that.  
24 We didn't appreciate that the change in the sales --

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 calendar month sales was affecting the allocation, and  
2 otherwise we knew that the demand costs weren't  
3 changing. So, we were only trying to provide copies of  
4 schedules that changed.

5 MR. FOSSUM: So, I guess to that end, I  
6 would make a record request that Schedule 1A, or any other  
7 schedule, I guess, that would be affected by those changes  
8 be submitted.

9 WITNESS SIMPSON: Certainly.

10 MR. FOSSUM: And, reserved, I guess, as  
11 "Exhibit 6".

12 WITNESS SIMPSON: We can do that.

13 CHAIRMAN GETZ: Okay. Then, we will  
14 reserve Exhibit 6 for that response.

15 (Exhibit 6 reserved)

16 BY MR. FOSSUM:

17 Q. Turning back to the revised filing, and to Schedule 9  
18 that you had referenced earlier, --

19 A. (Simpson) Yes.

20 Q. On Line 1 of that schedule, which is labeled "Therm  
21 Sales", there appears to be a fairly significant  
22 increase in therm sales for the Summer 2010 as compared  
23 to the Summer 2009. To what would you attribute that  
24 difference? Is it related in any way to the use per  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 meter and forecasts that were referenced by Mr. Wells  
2 earlier?

3 A. (Wells) We're going to have to take that as a record  
4 request. I'll have to take that back.

5 WITNESS SIMPSON: Can we confer for just  
6 one second?

7 MR. FOSSUM: Certainly.

8 (Witnesses conferring.)

9 BY THE WITNESS:

10 A. (Simpson) We can provide further clarification for  
11 that. That, for the Summer of 2009 filing, the sales  
12 that you see there are on a billing month basis. So,  
13 those are billing month sales. So, what we're  
14 comparing on Line 1 is billing month sales for 2009 to  
15 calendar month sales for 2010. And, it's just the  
16 nature of the -- part of the reason, I wouldn't say  
17 it's the full reason, but part of the reason for the  
18 difference is the difference between calendar month  
19 sales and billing month sales.

20 MR. FOSSUM: Well, I guess --

21 CHAIRMAN GETZ: We'd still like to  
22 reserve Exhibit 7 for a full response to that question.

23 MR. FOSSUM: Yes.

24 WITNESS SIMPSON: I didn't think that

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 would do it.

2 (Exhibit 7 reserved)

3 BY MR. FOSSUM:

4 Q. Turning to Mr. Wells, I'd like to ask you a couple of  
5 questions coming out of your testimony. I guess the  
6 first one is beginning at Page 10 of your testimony, in  
7 Exhibit 1. And, on that page, you discuss releases of  
8 some of Northern's capacity contracts at maximum rates.  
9 Do those releases enable Northern to recover its costs  
10 associated with that capacity?

11 A. (Wells) The capacity that we released is recovered  
12 dollar for dollar through these releases. So, the  
13 price of the release is equal to or greater than the  
14 cost of the contract. As I discuss further in  
15 Schedule 12, I want to point out for the Commission  
16 that a portion of this capacity, it's included -- that  
17 the affected contracts are included actually on Pages 9  
18 and 10 of Schedule 12. There is a portion of the  
19 capacity on these contracts that is -- that was not  
20 included in the long-term releases. And, these include  
21 the -- actually, it's entirely located on Page 9 of  
22 Schedule 12. As you can see here, there are several  
23 contracts that comprise this schedule, this path, this  
24 ninth page, basically from Texas Eastern storage and  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 Texas Eastern long haul, up through to Northern's city  
2 gate -- ultimately, to Northern city gates. And, I  
3 just want to point out that the released capacity is  
4 what is Segment 3, the Algonquin Contract 93201A1C.  
5 And, that the other contracts, 1A, 2A, 2B, and 2C,  
6 those segments are not currently released by the  
7 Company. We are continuing to work with both of those  
8 vendors, to see if there are potential parties that  
9 would be interested in acquiring that capacity. Or,  
10 through the market, when we issue an RFP, we make sure  
11 to include the availability of these resources for  
12 long-term release.

13 I just -- but when we evaluated the  
14 release of these contracts, just the amount of dollars  
15 that could be recovered was, you know, the majority of  
16 the dollars on that entire -- on that entire path. So,  
17 the entire contract cost is recoverable. But a portion  
18 of the -- a portion of that cost is currently not -- is  
19 currently continuing to be recovered through cost of  
20 gas rates.

21 Q. Now, I guess, what, to the degree that you may know,  
22 what portion would be recovered roughly in the cost of  
23 gas rates?

24 A. (Wells) If you look to Schedule 5, Schedule 5A, I  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 provide a contract by contract detail on the demand  
2 costs. And, if I cross-reference my Schedule 12 with  
3 the Schedule 5, as an example, Contract 800436 is  
4 approximately \$4,000 per year; 800464, I'm going to  
5 estimate that to be approximately \$10,000 per year.  
6 This is in comparison to -- and, then, on the  
7 subsequent page, excuse me, so, on the subsequent page,  
8 there are two, Page 3 of 5, the two Texas Eastern  
9 contracts are approximately -- total to about \$2,700,  
10 \$2,900 per year. So, I want to say that it's less than  
11 \$20,000 of costs that is continuing to be recovered  
12 through the cost of gas rates, compared to the released  
13 volumes. The released contracts are 89,000, plus about  
14 67,000. So, in excess of \$150,000 of savings. And, it  
15 leaves about \$20,000 worth of contracts that are  
16 continuing to be recovered. And, just, you know, as we  
17 discussed in the technical session, the likelihood of  
18 us being able to -- on just utilizing that capacity for  
19 serving load, to recover \$150,000 of avoided costs was  
20 very low. So, this was really -- I view this as a  
21 really good deal for Northern's consumers.

22 Q. Thank you. Now, is -- those under utilized capacity  
23 contracts, what was the reason, to the extent that you  
24 know, for them being under utilized?

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 A. (Wells) I really can't answer that question. As you  
2 know, you know, we acquired the Company in  
3 December 2008. And, since that time, we acquired with  
4 the Company the portfolio of Northern's gas supply  
5 contracts. I know that there had been, prior to our  
6 acquisition, there had been some major gas supply  
7 purchases within the last, you know, even the last  
8 couple years. As an example, the Washington 10  
9 storage, the first year of that contract was the year  
10 that we acquired the Company. So, you know, when you  
11 add a major resource like that, it could easily have  
12 the impact of reducing the need for other resources.  
13 And, I -- you know, why it was under utilized, I don't  
14 know. I know that when I looked at the economics of  
15 it, when I was doing my initial cost of gas  
16 projections, that compared to the other resources, it  
17 was not offering a delivered gas cost that was  
18 competitive to the other parts of the portfolio.  
19 Thereby, just on a going-forward basis, it was the  
20 Company's position that that capacity would not play a  
21 major role in serving customers on a day-to-day,  
22 month-to-month basis. So, we took the opportunity to  
23 be able to release some of that capacity and save money  
24 for customers.

{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 Q. Thank you. A little farther down on Page 10, and over  
2 onto Page 11 of your testimony, you reference an RFP  
3 for supply to the period April 2010 through March 2011.  
4 And that, at that time you filed this, they planned to  
5 issue an RFP in the month of February. Could you  
6 summarize the results of that RFP?

7 A. (Wells) Yes. We have concluded that RFP. I do not  
8 have -- there were several contracts that we entered  
9 into over that, and I could provide confidentially more  
10 detail in a record request. But, in general, we were  
11 able to acquire a contract for refilling our Washington  
12 10 storage, and then a subsequent withdrawal period.  
13 Whereas, previously, what Northern had done is acquired  
14 just a 6-month contract, one for the injection period  
15 and then one for the withdrawal period. What we've  
16 elected to do, to try to maximize the value through an  
17 asset management arrangement, is to release -- is to  
18 enter a 12-month contract, in order to try to get the  
19 -- try to get more value for consumers on that. That  
20 was the major contract that we did through that  
21 process. There were clearly others, and we can provide  
22 confidentially some of those results.

23 Q. No, I think, given that this is a summer filing, I  
24 don't think that's necessary at this point.

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 A. Okay. Thank you.

2 Q. Thank you. Moving onto Page 14 of your testimony,  
3 there is a -- on Page 14 there is a Table 6. And, I  
4 guess keeping your thumb there, and flipping back to  
5 Page 6 of your testimony, there's a Table 2. You have  
6 those?

7 A. (Wells) Yes.

8 Q. I was hoping that you could explain the difference  
9 between the deliveries noted on Table 2 and the  
10 delivered volumes noted on Table 6?

11 A. (Wells) Certainly. Table 6 is the entire company,  
12 including the Maine Division. When I run my sendout  
13 analysis, I model Maine and New Hampshire together.  
14 And, then, on Table 2, that is only the New Hampshire  
15 Division.

16 Q. Thank you. I don't know that you need to turn there,  
17 but beginning on Page 18, as you referenced earlier,  
18 you speak about the PNGTS rate case litigation. Since  
19 you filed the testimony, have there been any updates,  
20 have there been any changes in that litigation?

21 A. (Wells) No. The current status of the litigation is  
22 still that the -- excuse me, administrative law judge  
23 has issued its initial ruling. There have been  
24 exceptions filed by both PNGTS and the PGS [PSG?], and  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 those exceptions are still being -- I believe they're  
2 in the process of being considered by the FERC. So, to  
3 revise my earlier response, there has been an update,  
4 we have made those filings.

5 Q. Okay. Now, are the majority of the costs for PNGTS  
6 capacity allocated to the winter period?

7 A. (Wells) That's correct. And, that reflects the reality  
8 that most of the capacity is winter only capacity.  
9 This is the -- it's actually, referring to Schedule 12,  
10 it's part of the Washington 10 capacity path, which is  
11 depicted on Page 5 of Schedule 12. It is Segment 3,  
12 which allows the Company to take gas from -- pardon me.  
13 It's actually Segment 4. Allows the Company to take  
14 gas from East Hereford, which is, on the Canadian side,  
15 it's Hereford, on the New Hampshire side it's  
16 Pittsburgh, New Hampshire, to take that to Granite's  
17 facilities at Westbrook and Newington. So, that  
18 capacity is only available from November through March.  
19 So, I think that drives the conclusion that most of the  
20 costs are winter costs.

21 Q. And, just to be clear, you said "Granite's facilities",  
22 Granite is a related interstate pipeline?

23 A. (Wells) Northern is an affiliate of Granite, that's  
24 correct.

{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 Q. Thank you. And, I guess just for Mr. Bohan, I just  
2 have a couple of quick questions. Has, to your  
3 knowledge, has the Commission's Audit Staff reviewed  
4 the reconciliation for the last summer period?

5 A. (Bohan) Yes.

6 Q. And, as a result of that review, were any exceptions  
7 noted in that reconciliation?

8 A. (Bohan) We received from Commission Audit Staff on  
9 April 1st, 2010 a final copy of the Audit Report. And,  
10 to the best of my knowledge, there are no exceptions  
11 noted.

12 MR. FOSSUM: Thank you. I have nothing  
13 further.

14 CHAIRMAN GETZ: Thank you. Commissioner  
15 Ignatius.

16 CMSR. IGNATIUS: Thank you. Good  
17 morning, gentlemen.

18 WITNESS BOHAN: Good morning.

19 BY CMSR. IGNATIUS:

20 Q. Mr. Wells, you had described the calculations done in  
21 your Schedule 10B that had actuals versus forecast, and  
22 you said you had not done a separate calculation this  
23 time out, but suggested it would still be close if you  
24 had run separate numbers to get to that 333,000

{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 dekatherms forecasted for the 2010 Summer Period, is  
2 that correct?

3 A. (Wells) That's correct.

4 Q. So, it's still -- you consider that a reliable number  
5 to work with, even though you didn't run the numbers  
6 down to the -- you know, in this particular case, it's  
7 still in the ballpark?

8 A. (Wells) Yes. The Company does -- the Company does look  
9 at its sales forecast on a monthly basis. We do a  
10 monthly weather normalization of the results. So, we  
11 are looking at the reliability of the forecast on a  
12 monthly basis.

13 Q. So, those month-to-month true-ups are giving you a  
14 sense that you're on the right track here, even though  
15 you didn't do the full calculation?

16 A. (Wells) That's correct.

17 Q. All right. Then, that's helpful. Help me now  
18 understand how to put this Exhibit 10B -- I guess it's  
19 actually Attachment 1 to Schedule 10B, those figures,  
20 compared against Schedule 9, which are very different,  
21 and I think I'm just misunderstanding what each one  
22 means. Because Schedule 9 has very -- significantly  
23 different numbers on a forecast for the summer period.  
24 What am I misunderstanding here?

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 A. (Wells) Well, Attachment 1 to Schedule 10B provides the  
2 total distribution deliveries for the Company on a bill  
3 cycle basis. So, every year the Company projects  
4 really distribution -- uses this as the basis for its  
5 distribution revenue forecast for the Company-wide  
6 budget.

7 Q. Well, the heading of it says "New Hampshire Division"?

8 A. (Wells) That's correct. This is the New Hampshire.

9 Q. Okay.

10 A. (Wells) This is -- there is a corresponding Maine  
11 Division analysis that we haven't filed here.

12 Q. All right. Go ahead. Keep explaining then. Thank  
13 you.

14 A. (Wells) I take these numbers. And, on Attachment 2 to  
15 Schedule 10B, I project how much of this supply, how  
16 much of these deliveries will be served under sales  
17 service. I do that based on historic percentages by  
18 rate class. For each rate class, I determine what the  
19 historic percentage of sales have been sales service  
20 for each of the rate classes that we offer on our  
21 tariff. And, so, on Page 1 to Attachment 2 of  
22 Schedule 10B, I take this -- I take this, I summarize  
23 what we provide in Attachment 1 for each rate class for  
24 the May through October period. And, then, I apply a  
{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 percentage of how much of that has historically been  
2 sales service, as opposed to served by third party  
3 marketers. And, I come up with a bill cycle sales  
4 service deliveries for each rate class.

5 And, then, on Page 2 of that Attachment  
6 2, I take that sales service deliveries, and I add in  
7 an estimate of company use, and then I calendarize it  
8 by just taking an historic ratio of total system city  
9 gate receipts to total system deliveries. And, this is  
10 what I provide to Mr. Simpson, who then -- he actually  
11 ends up calendarizing the sales service, the billed  
12 sales service deliveries.

13 Q. So, Schedule 9, I think the light bulb finally went  
14 off, Schedule 9 has the sales service forecast, as  
15 opposed to the sales plus interruptible service  
16 forecast?

17 A. (Wells) Sales service, plus the firm -- and firm  
18 transportation.

19 Q. Okay. That's a better way to put it. Thank you. All  
20 right. Mr. Simpson, you had testified that the bad  
21 debt calculation was revised, it went down in your  
22 forecast, correct?

23 A. (Simpson) That's correct.

24 Q. What trend do you see in bad debt overall for the

{DG 10-050} [REDACTED-for public use] {04-13-10}

[WITNESS PANEL: Bohan~Wells~Simpson]

1 Company?

2 A. (Simpson) Just to clarify, the reason that the bad debt  
3 went down was simply because the demand cost -- the gas  
4 costs went down. And, so, the fixed percentage that we  
5 apply to, in the calculation of the allowable bad debt  
6 expense, went down. I don't have any further  
7 information on that bad debt ratio that's used in that  
8 calculation.

9 Q. So, that's just a mathematical step that, if one number  
10 goes down, so does the bad debt calculation?

11 A. (Simpson) Exactly.

12 Q. So, you don't know if bad debt has gone up or down in  
13 the past twelve months, let's say?

14 A. (Simpson) I do not.

15 Q. And, the hedging numbers in Schedule 9 show a  
16 significant change between the 2009 actuals and the  
17 forecast of 2010. More than a million dollar  
18 difference, correct?

19 A. (Simpson) That's correct.

20 Q. Those are losses actually experienced in the 2009  
21 period and a projected far smaller loss for the 2010?

22 A. (Simpson) That's correct.

23 Q. Is the new hedging policy proposed and approved at this  
24 point designed to mitigate against the kind of losses

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[WITNESS PANEL: Bohan~Wells~Simpson]

1 that you saw in 2009?

2 A. (Simpson) I'd defer to Mr. Wells.

3 A. (Wells) Yes. The answer to your question is "yes."

4 The introduction of a price ceiling above which the  
5 Company will defer purchases until prices were to  
6 stabilize or go below the price ceiling, the intent of  
7 that is to mitigate the kinds of losses that we saw for  
8 the Summer of 2009. Where what Northern was doing was  
9 purchasing regardless to what the price level was at  
10 that time, relative to the history.

11 CMSR. IGNATIUS: Thank you. Nothing  
12 else.

13 CHAIRMAN GETZ: Redirect, Ms. Geiger?

14 MS. GEIGER: Mr. Chairman, may I have a  
15 moment to confer with the panel?

16 CHAIRMAN GETZ: Please. And, also, if  
17 you could inquire whether we can get the record requests  
18 answered this week.

19 (Attorney Geiger conferring with the  
20 witnesses.)

21 MS. GEIGER: Thank you, Mr. Chairman.  
22 I've conferred with the witnesses and we believe it is  
23 possible to get answers to the record requests by the end  
24 of the week. And, I do have one question for Mr. Simpson

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1 on redirect.

2 REDIRECT EXAMINATION

3 BY MS. GEIGER:

4 Q. And, it follows up on a question that was asked by  
5 Attorney Hollenberg, relating to the difference between  
6 the stated overcollection in the original filing and  
7 the updated filing. And, I'd ask Mr. Simpson to  
8 explain that.

9 A. (Simpson) Right. There actually is a pretty simple  
10 answer. And, if we can get it done now, then that  
11 would be one less record request. In my response, I'm  
12 going to be referring to Revised Schedule 3, Page 2 of  
13 2, Line 101.

14 MS. HOLLENBERG: Thank you.

15 BY THE WITNESS:

16 A. (Simpson) In the original filing, on Page 38, the  
17 overcollection balance that was reported is the number  
18 that appears in that "April 2010" column, "544,057",  
19 okay? And, so, in discussions with Staff at the  
20 technical conference we agreed that it was going to be  
21 cleaner to back the undercollection balance to the  
22 beginning of the reconciliation period, which would be  
23 November 2009, and then to show -- to calculate the  
24 interest for all components that interest is calculated  
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1 on for the whole period. So, in the revised Page 38,  
2 and in the revised Summary Schedule, the number that  
3 appears for the prior period overcollection is the  
4 number on Line 101 for November 2009, the "536,749".

5 So, the answer that I should have given  
6 was that the difference is entirely related to the  
7 clean-up in the calculations that we made.

8 MS. HOLLENBERG: Thank you.

9 WITNESS SIMPSON: Okay.

10 MS. GEIGER: And, with that explanation  
11 from Mr. Simpson, I'd like to ask whether there continues  
12 to be a need for a written response to the question in the  
13 form of a record request?

14 MS. HOLLENBERG: No thank you.

15 MS. GEIGER: Okay. So, I guess the  
16 record will show that Exhibit -- what was reserved for  
17 Exhibit 5 just won't be provided.

18 CHAIRMAN GETZ: We'll consider it  
19 answered.

20 MS. GEIGER: Okay. Thank you very much.  
21 With that, I have no further questions.

22 CHAIRMAN GETZ: Okay. Thank you. One  
23 question I want to follow up on, Ms. Geiger, is with  
24 respect to the Motion for Confidentiality filed April 1.

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1 And, this goes to the Request Staff 1-11. If we could  
2 get, I think there's a representation in the motion that  
3 the information reveals how Northern would use its  
4 underground storage, and that it would somehow be  
5 disadvantaged in negotiations with third parties if that  
6 was --

7 MS. GEIGER: Yes.

8 CHAIRMAN GETZ: -- made public.

9 MS. GEIGER: Yes.

10 CHAIRMAN GETZ: And, I guess we'd just  
11 like a little more understanding of, I guess, basically  
12 the issue is, wouldn't competitors, industry professionals  
13 be able to recognize the strategy that's explained or is  
14 this something that's really that rises to the level of a  
15 trade secret or something that merits protection?

16 MS. GEIGER: I think, maybe to provide  
17 more of an argument on that, I won't ask to go on a  
18 confidential record at this point, but I would refer the  
19 Commissioners to the written response to Data Request  
20 Staff 1-11 and the narrative that's provided under the  
21 additional confidential response. You know, the Company  
22 takes the position that it may not be intuitively obvious  
23 to gas suppliers or other third parties, in terms of what  
24 actually was happening and the reasons why certain

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1 suppliers were being used and certain transmission paths  
2 were taken. I think there's information there that  
3 provides that.

4 But, if you'd like us to talk in more  
5 specifics, then I would ask that we go on a confidential  
6 record at this point. In terms of answering the question  
7 about how the Company would be disadvantaged if this  
8 information would be made public, and I would ask the  
9 panel to talk about that. Mr. Wells probably could answer  
10 that and give you more details about why the answer to  
11 this question should be kept confidential.

12 CHAIRMAN GETZ: If we could have one  
13 second on that.

14 (Chairman and Commissioners conferring.)

15 CHAIRMAN GETZ: Let's move into a  
16 confidential record, so we can have a discussion of this,  
17 this issue, and see where with we go from there.

18 (Pages 49 through 54 of this hearing  
19 transcript is contained under separate  
20 cover designated as "Confidential &  
21 Proprietary".)

22

23

24

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1 (Whereupon the hearing resumes on the  
2 PUBLIC portion of the record.)

3 CHAIRMAN GETZ: Is there anything else  
4 for the panel?

5 (No verbal response)

6 CHAIRMAN GETZ: Hearing nothing, then  
7 the witnesses are excused. Thank you, gentlemen. Okay.  
8 Is there any objection to striking the identifications and  
9 admitting the exhibits into evidence?

10 (No verbal response)

11 CHAIRMAN GETZ: Hearing no objection,  
12 they will be admitted into evidence. Is there anything  
13 further before we provide an opportunity for closings?

14 (No verbal response)

15 CHAIRMAN GETZ: Hearing nothing, then,  
16 Ms. Hollenberg.

17 MS. HOLLENBERG: Thank you. The Office  
18 of Consumer Advocate does not oppose the proposed cost of  
19 gas for Summer 2010. And, we appreciate the Company's  
20 efforts and the Staff's efforts through this docket.  
21 Thank you.

22 CHAIRMAN GETZ: Thank you. Mr. Fossum.

23 MR. FOSSUM: Thank you. Subject to what  
24 may be disclosed by the record requests still outstanding,

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1 Staff supports Northern's proposed cost of gas rates as  
2 filed in its updated filing and updated tariff pages. As  
3 has been noted, the Commission Audit Staff has completed  
4 its review of the prior period, the 2009 Summer Period  
5 reconciliation, and found no substantive exceptions. In  
6 the sales for this period, at least to this point, appears  
7 consistent with prior forecasts and reflective of market  
8 expectations. Staff supports the updates to Northern's  
9 tariff for assignment of gas supply costs to the rate  
10 classes. The residential customers are allocated gas  
11 costs based on a system average cost of gas rate, and the  
12 commercial and industrial cost of gas rates are assigned  
13 on either high or low winter use based on their load  
14 factor usage patterns, as is reflected in the schedules.

15 Staff also supports Northern's recovery  
16 of its Adjusted Target Volume costs in this period for gas  
17 supply cash-out costs incurred as a result of paying back  
18 the third party suppliers for over delivery during the  
19 2009 Summer Period. The Company has indicated that its  
20 new system should limit the magnitude of such imbalances  
21 in the future, and we hope that that is the case.

22 The actual costs and revenues from this  
23 coming period will, as is customary, be reconciled for the  
24 2011 period, and any concerns that arise in this period

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1 may be addressed at that time.

2 We appreciate that the Company has been  
3 working with Staff to make modifications to the format of  
4 its filing, and we look forward to continue to work with  
5 the Company on those. Thank you.

6 CHAIRMAN GETZ: Thank you. Ms. Geiger.

7 MS. GEIGER: Yes. Thank you, Mr.  
8 Chairman. Northern respectfully asks that the Commission  
9 approve the updated cost of gas filing that it made on  
10 April 9th. And, we will endeavor to get the Commission  
11 answers to all the record requests, including the redacted  
12 version of the answer to Data Request 1-11 by the end of  
13 the week. In the event that we run into difficulties,  
14 we'll certainly let Staff know about that.

15 The Company is also appreciative very  
16 much of the efforts of Staff and the OCA during the  
17 technical session of this case. We understand there's a  
18 very short time frame for reviewing cost of gas filings,  
19 and we think we made good progress with Staff, both in  
20 terms of the substantive information presented in this  
21 filing, as well as the format of this filing and future  
22 filings. The Company is continuing to work with Staff on  
23 making the filing a little bit more conducive to review by  
24 the Commissioners and Staff. And, we'll work in the

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1 future with the Staff toward that goal. Thank you.

2 CHAIRMAN GETZ: All right. Thank you.

3 Then, we'll close the hearing and take the matter under  
4 advisement.

5 (Whereupon the hearing ended at 11:31  
6 a.m.)

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