

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

October 20, 2011 - 10:07 a.m.
Concord, New Hampshire

NHPUC OCT27'11 PM 3:36

RE: DG 11-207
NORTHERN UTILITIES, INC.
*2011-2012 Winter Period Cost of Gas
Adjustment.*

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

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Donna McFarland
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander Speidel, Esq.

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

ORIGINAL

I N D E X

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

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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 11-207. On
4 September 15, 2011, Northern Utilities filed its cost of
5 gas rates for the winter period November 1, 2011 through
6 April 30, 2012, its Local Distribution Adjustment Clause
7 charges, and certain supplier charges for the period
8 November 1, 2011 through October 31, 2012. The proposed
9 residential COG is \$1.1149 per therm, a 1.68 cents per
10 therm decrease from last winter.

11 We issued an order of notice on
12 September 21 setting the hearing for this morning. I also
13 note for the record that the Office of Consumer Advocate
14 has filed its notice of participation and the affidavit of
15 publication has been filed.

16 So, let's take appearances please.

17 MS. GEIGER: Yes. Good morning, Mr.
18 Chairman and Commissioner Below. I'm Susan Geiger, from
19 the law firm of Orr & Reno, representing Northern
20 Utilities, Inc. And, with me this morning at counsel
21 table, to my immediate right is Mr. Joe Conneely, and then
22 Mr. Chris Kahl, Mr. Fran Wells, and Mr. George Simmons.

23 CHAIRMAN GETZ: Good morning.

24 MS. HATFIELD: Good morning,

{DG 11-207} {10-20-11}

1 Commissioners. Meredith Hatfield, for the office of
2 Consumer Advocate, on behalf of residential ratepayers.
3 And, with me for the Office is Donna McFarland.

4 CHAIRMAN GETZ: Good morning.

5 MR. SPEIDEL: Good morning,
6 Commissioners. Alexander Speidel, for Staff. And, I also
7 have with me Bob Wyatt and Steve Frink for Staff.

8 CHAIRMAN GETZ: Good morning.

9 MR. SPEIDEL: Good morning.

10 CHAIRMAN GETZ: Anything we need to
11 address before the Company presents its witnesses?

12 MS. GEIGER: I don't think so.

13 CHAIRMAN GETZ: Hearing nothing, then,
14 Ms. Geiger.

15 MS. GEIGER: Yes. Thank you, Mr.
16 Chairman. Northern would call as a panel three witnesses
17 this morning; Mr. Conneely, Mr. Kahl, and Mr. Wells.

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

22 **JOSEPH F. CONNEELY, SWORN**

23 **CHRISTOPHER A. KAHL, SWORN**

24 **FRANCIS X. WELLS, SWORN**

DIRECT EXAMINATION

BY MS. GEIGER:

Q. I'd like to begin with Mr. Kahl, please. And, Mr. Kahl, could you please state your name for the record.

A. (Kahl) Christopher Kahl.

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

A. (Kahl) I'm a Senior Regulatory Analyst with Unitil Services Corp.

Q. And, have you ever testified before this Commission?

A. (Kahl) I have not testified before this Commission. However, I have testified before the Federal Energy Regulatory Commission, the Maine Public Utilities Commission, and the Massachusetts Department of Public Utilities.

Q. And, in the light of the fact that you haven't testified before the Commission here in New Hampshire, could you very, very briefly summarize your background and experience.

A. (Kahl) I have been involved with the natural gas industry for about 20 years. I've been working with Unitil since February of 2011, before that, as a Supply Planning Analyst for Bay State Gas, which is now known as Columbia Gas of Massachusetts. I was there for

1 about thirteen years. Before that, I was with
2 Algonquin Gas Transmission Company. And, about four
3 years before that, I was with DRI/McGraw-Hill, a
4 consulting firm, for about five years.

5 Q. Thank you, Mr. Kahl. Now, I'd like to show you a
6 document that I have asked the Clerk to prefile for
7 identification in this docket as "Exhibit Number 1".
8 It's called "Northern Utilities, Inc. New Hampshire
9 Division Cost of Gas Adjustment Filing Winter Season
10 2011-2012". Did you assist in preparing that document?

11 A. (Kahl) I did.

12 MS. GEIGER: And, Mr. Chairman, I would
13 ask that this be marked as "Exhibit 1" for identification.

14 CHAIRMAN GETZ: So marked.

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

18 BY MS. GEIGER:

19 Q. And, you've identified the document, Mr. Kahl, and
20 you've indicated, I believe, that you assisted in
21 preparing it, is that correct?

22 A. (Kahl) That's correct.

23 Q. Now, there is another document that I've asked the
24 Clerk to premark for identification as "Exhibit 2".

1 And, it is entitled "Northern Utilities, Inc. Revised
2 Winter 2011-2012 Cost of Gas and Associated Charges
3 Filing". Could you please identify this document.

4 What is it? I mean, what --

5 A. (Kahl) That is our revised cost of gas filing, with
6 updated commodity and demand costs.

7 Q. And, in addition to updated commodities and demand
8 costs, are there any other reasons for preparing the
9 revised filing?

10 A. (Kahl) I had included some supplemental testimony,
11 which identified some inaccuracies in the initial
12 filing, in the testimony only, not in the numbers. So,
13 I did identify that. And, then, I provided, in that
14 supplemental testimony, also just a brief, very brief
15 summary of some of the changes between the initial
16 filing and the revised filing.

17 Q. And, is that --

18 MS. GEIGER: First, Mr. Chairman, I'd
19 like to have the document that Mr. Kahl most recently
20 identified marked as "Exhibit 2" for identification.

21 CHAIRMAN GETZ: So marked.

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

1 MS. GEIGER: Thank you.

2 BY MS. GEIGER:

3 Q. Now, you've indicated, Mr. Kahl, that you submitted
4 prefiled testimony in this docket, is that correct?

5 A. (Kahl) Yes.

6 Q. Okay. And, you also submitted supplemental prefiled?

7 A. (Kahl) Yes.

8 Q. Okay. And, the supplemental prefiled testimony that
9 you've submitted, I believe you've indicated that's
10 contained in Exhibit 2, correct?

11 A. (Kahl) Yes.

12 Q. Okay. And, what was the purpose of that supplemental
13 prefiled testimony?

14 A. (Kahl) Yes. The supplemental testimony did identify --
15 it had two purposes. It did identify a few
16 inaccuracies with the initial testimony. So, some of
17 the numbers in that testimony weren't matching up with
18 the tables. So, there was an addendum in the
19 supplemental or to the supplemental that identified
20 those. The supplemental testimony also provided a
21 basic overview, basic summary of the change between the
22 supplemental rates that were derived and the initial
23 rates that were derived.

24 Q. And, that addendum that you just referenced to your

1 supplemental prefiled testimony, does that contain a
2 list of all of the changes that have occurred as the
3 result -- changes to your original prefiled testimony
4 that occur as a result of the revised filing?

5 A. (Kahl) Yes.

6 Q. And, is that addendum marked or labeled "Attachment
7 CAK-1"?

8 A. (Kahl) Yes.

9 Q. Okay. Do you have any corrections or updates to your
10 supplemental prefiled testimony?

11 A. (Kahl) I do have one. And, I believe that's located on
12 Page 3 of my testimony, on Line 10. And, it would be
13 the last word, which is "Maine", and that should
14 actually say "New Hampshire".

15 Q. Okay. So, you just made one change to your
16 supplemental prefiled testimony, changing the word
17 "Maine" to "New Hampshire". And, with that change, do
18 you adopt under oath today your prefiled testimony, as
19 revised by your supplemental prefiled testimony?

20 A. (Kahl) I do.

21 Q. Okay. Thank you. Do you wish to add anything further
22 to that testimony?

23 A. (Kahl) I do not.

24 Q. Okay. Thank you. Mr. Wells, could you please state

1 your name for the record.

2 A. (Wells) My name is Francis Wells.

3 Q. And, where are you employed and what position do you
4 hold?

5 A. (Wells) I am employed by Unitil Service Corp. as the
6 Manager of Gas Supply.

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

8 A. (Wells) I did.

9 Q. And, is that prefiled testimony contained under the tab
10 entitled "Wells Testimony" in the document that's been
11 premarked for identification as "Exhibit 1"?

12 A. (Wells) Yes.

13 Q. Did you submit supplemental prefiled testimony in this
14 docket?

15 A. (Wells) Yes.

16 Q. And, is that supplemental prefiled testimony contained
17 in the supplemental COG filing that we've premarked for
18 identification as "Exhibit 2"?

19 A. (Wells) Yes.

20 Q. Okay. And, what was the purpose of your supplemental
21 prefiled testimony?

22 A. (Wells) I provided updates to the changes in NYMEX
23 prices that had occurred since the initial filing. I
24 had also provided updates to demand costs and

1 transportation commodity cost estimates due to the
2 settlement in the Tennessee rate case that had been
3 filed on September 30th. Finally, the demand cost
4 estimate reflected updates to TransCanada demand rates
5 that were reflective of the National Energy Board of
6 Canada's orders on September -- approximately
7 September 13th, 2011.

8 Q. And, do you have any corrections or updates to your
9 supplemental prefiled testimony?

10 A. (Wells) No.

11 Q. Okay. And, do you adopt today under oath your prefiled
12 testimony, as revised by your supplemental prefiled
13 testimony?

14 A. (Wells) I do.

15 Q. Do you have anything further to add to either of those
16 testimonies?

17 A. (Wells) No.

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

20 A. (Conneely) My name is Joseph F. Conneely.

21 Q. Mr. Conneely, where are you employed and what position
22 do you hold?

23 A. (Conneely) I work for Unitil Service Corp. as a
24 Regulatory -- Senior Regulatory Analyst.

1 Q. Okay. Did you prepare prefiled testimony in this
2 docket?

3 A. (Conneely) Yes.

4 Q. And, is that prefiled testimony contained under the tab
5 entitled "Conneely Testimony" --

6 A. (Conneely) Yes.

7 Q. -- in the document that has been premarked for
8 identification as "Exhibit 1"?

9 A. (Conneely) Yes.

10 Q. And, did you also prepare supplemental prefiled
11 testimony in this docket?

12 A. (Conneely) Yes.

13 Q. And, is that supplemental testimony contained in the
14 supplemental COG filing that has been premarked for
15 identification as "Exhibit 2"?

16 A. (Conneely) Yes.

17 Q. Okay. What was the purpose of your supplemental
18 prefiled testimony?

19 A. (Conneely) The purpose of my supplemental prefiled
20 testimony was to make corrections to my prefiled
21 testimony that results from the Company's revised cost
22 of gas filing made on October 17th, 2011.

23 Q. Do you have any corrections or updates to your
24 supplemental prefiled testimony?

1 A. (Conneely) Yes. The sentence at the bottom of Page 2
2 and the top of Page 3 of my supplemental prefiled
3 testimony should be changed to read "This update does
4 not change the RLIAP charge of 0.0056 that was proposed
5 on September 15th, 2011 for effect November 1st, 2011."
6 I've also prepared "Corrected Schedule 16-RLIAP", which
7 contain corrections to the Revised Schedule 16-RLIAP
8 submitted with the revised cost of gas filing. That
9 schedule consists of two pages, only which of -- only
10 one of which was corrected. That page is Bates stamped
11 "corrected Page 231 of 263".

12 MS. GEIGER: And, Mr. Chairman, I've
13 provided both the Clerk and Commissioners with copies of
14 this schedule that Mr. Conneely just referenced. And, I'd
15 ask that it be marked for identification as "Exhibit 3"?

16 CHAIRMAN GETZ: Okay. So marked.
17 (The document, as described, was
18 herewith marked as **Exhibit 3** for
19 identification.)

20 MS. GEIGER: Thank you.

21 BY MS. GEIGER:

22 Q. Now, with the revisions that you've just indicated, Mr.
23 Conneely, do you adopt today under oath your prefiled
24 testimony, as revised by your supplemental prefiled

1 testimony?

2 A. (Conneely) Yes.

3 Q. And, Mr. Conneely, could you please describe briefly
4 what the effect of Northern's proposed COG filing would
5 be on a monthly bill of a typical residential heating
6 customer consuming 50 therms per month.

7 A. (Conneely) Yes. The residential winter cost of gas
8 proposed here is a rate of \$1.08, 1.0837. Revised
9 Schedule 8, starting on Page Bates stamped 162 of 263
10 shows the effect of the revised cost of gas on
11 residential customers. Effects on other customer
12 classes are shown on subsequent pages. A revised -- a
13 residential customer using 50 therms monthly is
14 expected to see a decrease of 1.1 percent from last
15 year's winter season gas bill for the same consumption
16 level. This is shown on Bates Revised 166 of 263.

17 Q. Thank you, Mr. Conneely. Do you have anything further
18 to add to your testimony?

19 A. (Conneely) No.

20 Q. And, Mr. Conneely, one final thing. Did you also
21 submit, as part of Northern's filing in this docket, an
22 Environmental Response Cost Report through June 2011,
23 dated September 15th, 2011?

24 A. (Conneely) Yes.

1 MS. GEIGER: And, Mr. Chairman, I would
2 ask that that report, which has been filed with the
3 Commission and submitted to the Clerk, be marked for
4 identification as "Exhibit 4"?

5 CHAIRMAN GETZ: So marked.

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

9 MS. GEIGER: Thank you. I have no
10 further questions for these witnesses. They're available
11 for cross-examination.

12 CHAIRMAN GETZ: Thank you.
13 Ms. Hatfield.

14 MS. HATFIELD: Thank you, Mr. Chairman.
15 Good morning.

16 WITNESS WELLS: Good morning.

17 **CROSS-EXAMINATION**

18 BY MS. HATFIELD:

19 Q. Mr. Kahl, could you please look at your testimony in
20 Exhibit 1, your original prefiled testimony.

21 A. (Kahl) Are you referring to "Schedule 1", ma'am?

22 Q. I'm referring to your written prefiled testimony that
23 you filed on September 15th. And, would you please
24 turn to Page 3. Beginning on Line -- beginning at Line

1 12, you discuss Northern's use of a certain lead/lag
2 study, and you also discuss the use of a certain bad
3 debt number. Do you see that discussion?

4 A. (Kahl) Yes, I do.

5 Q. And, you also note that those are proposed figures that
6 the Company has filed in its pending rate case, is that
7 correct?

8 A. (Kahl) That is correct.

9 Q. And, would you agree that, pending the outcome of the
10 rate case, that those numbers may change next year?

11 A. (Kahl) Yes. I agree.

12 Q. Mr. Conneely, could you please look at your
13 supplemental testimony that you filed on October 17th,
14 that's part of Exhibit 2. And, would you please turn
15 to Page 3. Beginning at Line 4, you start a discussion
16 of your proposed change to the Demand Side Management
17 or Energy Efficiency Charge, do you see that?

18 A. (Conneely) Yes.

19 Q. And, on Line 6, you state that "The Company proposes to
20 increase the charge." But, when I look at the numbers
21 on Line 8, I think you're actually proposing a
22 decrease?

23 A. (Conneely) Yes. I'm sorry, yes. It is a decrease.

24 Q. So, the word "increase" we should change to "decrease"?

1 A. (Conneely) Yes.

2 Q. Thank you. And, if we -- in order to get the details
3 on what the Company is proposing, what schedule of
4 yours would we look at?

5 A. (Conneely) For DSM, we would look at Schedule 16-DSM,
6 Page 3 of 4. I'm sorry, yes. And, that's on the
7 revised schedules. It's Revised Page 235 of 263 Bates
8 stamp.

9 Q. And, Page 3 of that schedule deals with residential
10 customers, correct?

11 A. (Conneely) It's Page 3 of 4, yes.

12 Q. And, then, Page 4 of 4 addresses commercial/industrial
13 customers?

14 A. (Conneely) Correct.

15 Q. Why is the Company proposing to reduce the Efficiency
16 Charge?

17 A. (Conneely) On Revised Schedule 16-DSM, it has a
18 historical record of all the expenditures and income,
19 plus interest, for the last 12 months, which provides
20 an over or undercollection. Beginning November '11,
21 that overcollection --

22 (Court reporter interruption.)

23 **CONTINUED BY THE WITNESS:**

24 A. (Conneely) Oh, I'm sorry. The overcollection of 29,000

1 is the starting point of the calculation for the next
2 12 months, which is including all collections, costs,
3 and shareholder incentives, plus interest, to calculate
4 the cost -- or, the rate of 0.0315.

5 BY MS. HATFIELD:

6 Q. Do you know what the Company's approved 2011 Energy
7 Efficiency Program Budget is?

8 A. (Conneely) Our Energy Efficiency Group, I would have to
9 speak with them, as they are the ones that provided the
10 numbers here that were used for this forecast.

11 Q. If the Commission approves the Company's proposed
12 reduction, do you know what programs would be cut or
13 reduced?

14 A. (Conneely) I do not.

15 Q. Do you participate in the Company's Energy Efficiency
16 Program docket?

17 A. (Conneely) I do not.

18 Q. Have you reviewed any of the Company's recent filings
19 that discuss the Company's progress toward its goals
20 for 2011?

21 A. (Conneely) I have not.

22 Q. Do you know what the Company has proposed for 2012
23 efficiency programs?

24 A. (Conneely) When were they proposed?

1 Q. The Company made its filing on September 15th.

2 A. (Conneely) Of 2011?

3 Q. Excuse me, I think it was earlier than that. In
4 September of 2011.

5 A. (Conneely) I have not seen that.

6 MS. HATFIELD: Mr. Chairman, I'd like to
7 approach the witness and just ask him a few questions
8 about an efficiency filing. I don't intend to make it an
9 exhibit.

10 (Atty. Hatfield handing document to
11 Witness Conneely.)

12 BY MS. HATFIELD:

13 Q. Mr. Conneely, can you please identify the document
14 based on the title on the first page?

15 A. (Conneely) The first page reads: "New Hampshire CORE
16 Energy Efficiency Programs NHPUC Docket DE 10-188
17 Summary".

18 Q. And, then, there is also a header that says "2011
19 Quarterly Report". Do you see that?

20 A. (Conneely) Yes.

21 Q. And, it says "CORE New Hampshire Program Highlights
22 January 1 through June 30, 2011". Do you see that?

23 A. (Conneely) Yes.

24 Q. Would you please turn to Page 12 of this document. Do

1 you see, in the left-hand corner, it says "Unitil Gas
2 Energy Efficiency Programs"?

3 A. (Conneely) Yes.

4 Q. And, then, in the first box, under "Program Expenses",
5 there are a variety of efficiency programs listed?

6 A. (Conneely) Yes.

7 Q. And, it includes, for example, "Home Performance with
8 ENERGY STAR", "Low Income Weatherization", and "C&I
9 Programs"?

10 A. (Conneely) I see that.

11 Q. Do you see the total budget for 2011 is "\$985,188"?

12 A. (Conneely) Yes.

13 Q. And, do you see that, as of June 30th, the Company had
14 spent 45.4 percent of its budget?

15 A. (Conneely) Yes.

16 Q. And, do you see that, for the Low Income Weatherization
17 Gas Efficiency Program, as of June 30th, the Company
18 had spent 74 percent of its budget?

19 A. (Conneely) Yes.

20 Q. And that, for the next program, which is "C&I Custom
21 Programs", as of June 30th, the Company had spent
22 99.2 percent of its budget?

23 A. (Conneely) I see that.

24 Q. I think you just testified that you don't participate

1 in the CORE Program docket, is that correct?

2 A. (Conneely) Correct.

3 Q. So, you wouldn't have attended a technical session in
4 that case on September 12th?

5 A. (Conneely) Correct.

6 Q. But would your colleagues from Unitil in the Efficiency
7 Department have attended that meeting?

8 A. (Conneely) Yes, they would have.

9 Q. Do you -- did they share with you at that time that the
10 Community Action Agencies indicated that some of the
11 Low Income Efficiency Programs actually were out of
12 funds at that time?

13 A. (Conneely) That was not communicated.

14 Q. I'm not sure which witness would be able to answer
15 this, but, if you would look at Revised Page 162 of
16 263, which is a part of Schedule 8 please. Is that for
17 you, Mr. Conneely?

18 A. (Conneely) Sure, I can help you. Yes.

19 Q. The top row of this page has a title that says "Typical
20 Usage: therms", do you see that?

21 A. (Conneely) Yes.

22 Q. And, it lists numbers at the top. Do you see those
23 numbers?

24 A. (Conneely) Yes, I do.

1 Q. I believe you just testified a few moments ago that the
2 typical usage of a residential heating customer in the
3 winter is "50 therms per month", is that correct?

4 A. (Conneely) That would be used as a benchmark, industry
5 benchmark, to communicate changes industrywide.

6 Q. So, for comparison purposes, from year-to-year on a
7 bill impact?

8 A. (Conneely) Correct.

9 Q. So, are these numbers on this schedule, are these more
10 indicative of average use or typical use?

11 A. (Conneely) These, again, are used as a benchmark from
12 the industry. So, I would say it may have been typical
13 at one point.

14 Q. So, is the Company seeing declining use over time?

15 A. (Conneely) The Company has seen declining use.

16 Q. So, where the winter figure here, on this first line,
17 is "932", if it was -- if that number was changed to be
18 based on 50 therms per month, what would that number
19 look like?

20 A. (Conneely) For the winter season?

21 Q. Yes.

22 A. (Conneely) Around 300.

23 Q. And, then, if you look over on the left, in that first
24 column, it's titled "Winter 2011-2012", do you see

1 that?

2 A. (Conneely) Yes.

3 Q. And, it shows the "Customer Charge". And, then, it
4 shows -- it says "First 50 units" and then "Over 50
5 units", do you see that?

6 A. (Conneely) Yes.

7 Q. If I look at those numbers associated with those units,
8 does that show that the Company has a declining block
9 rate design?

10 A. (Conneely) Yes.

11 Q. And, then, this is where I find your overall cost of
12 gas rate, which is around \$1.08 per therm, is that
13 correct?

14 A. (Conneely) Correct.

15 Q. Is anyone on the panel aware that National Grid's
16 proposed cost of gas rate is just over 86 cents per
17 therm for this winter?

18 A. (Wells) No. I was not aware.

19 Q. Would you accept that subject to check?

20 A. (Wells) Sure.

21 Q. Mr. Wells, do you know what might account for that
22 pretty significant difference in the therm rate between
23 the two companies?

24 A. (Wells) I have some ideas. From a demand cost

1 perspective, you know, what I know of the EnergyNorth
2 portfolio, is that it is primarily Tennessee Gas
3 Pipeline for pipeline contracts. Those are
4 significantly less expensive than the pipeline
5 contracts used to serve the market that Northern
6 serves. Northern is served -- a significant portion of
7 our supply is served off of the PNGTS pipeline, which
8 is -- and which is fed by TransCanada. These pipelines
9 are much more expensive than Tennessee. And, because
10 of the -- and due to the location of Northern and its
11 existing portfolio, I would expect that Northern's cost
12 of gas to be higher than EnergyNorth's cost of gas for
13 those reasons.

14 Q. Is that something that Northern can look at in terms of
15 making future contracting decisions, in an effort to
16 reduce those costs?

17 A. (Wells) That is going to be subject to the physical
18 constraints of our system, to (a) move gas from
19 Tennessee into our markets. You know, I want to remind
20 the Commission, our markets stretch all the way up to
21 Lewiston, Maine. The second is the ability of the
22 Company to be able to contract for additional Tennessee
23 supplies. The other aspect to consider is that
24 capacity into Tennessee's Zone 6 is highly constrained,

1 and not generally available in the marketplace. So, I
2 would agree, boy, wouldn't it be great if we could have
3 less Portland and more Tennessee to serve our
4 particular markets. But there are market
5 considerations that will impede our ability to make
6 that kind of a shift. And, there are physical
7 limitations as well. You know, the Northern and the
8 combined Granite and Northern systems, to move gas from
9 Tennessee up to all of our markets is going to be -- is
10 going to be limited, due to operational considerations.

11 Q. Thank you.

12 A. (Wells) You're welcome.

13 Q. Mr. Conneely, one question for you about the low income
14 rate. You discuss this in your prefiled testimony on
15 Page 3, and then, in your revised testimony, on Page 2.
16 And, you state in your testimony that you are -- the
17 Company is proposing to increase the low income rate,
18 is that correct?

19 A. (Conneely) In the supplemental prefiled testimony, I
20 have that we are increasing it. Today's correction
21 that we submitted to the Commission leaves the rate at
22 0.0056.

23 Q. But, if I look at your original testimony, in
24 Exhibit 1, at Page 3 of 6, you state "Northern is

1 proposing to increase [that] rate from 0.0043 to
2 0.0056"?

3 A. (Conneely) Correct.

4 Q. So, the "0.0056" is an increase from what is currently
5 in place?

6 A. (Conneely) Yes.

7 Q. And, then, further down on Page 3, you note that even
8 though you have an overcollection balance at this time,
9 you believe that, due to an increase in costs and
10 participants, that you still need that increase. Is
11 that right?

12 A. (Conneely) Yes.

13 MS. HATFIELD: Okay. Thank you, Mr.
14 Chairman. I have nothing further.

15 CHAIRMAN GETZ: Thank you. Mr. Speidel.

16 MR. SPEIDEL: Yes. Thank you, Mr.

17 Chairman.

18 BY MR. SPEIDEL:

19 Q. While we're on the topic of the LDAC rate related to
20 low income assistance, Mr. Conneely, perhaps we can
21 begin with Fourteenth [Fifteenth?] Revised Page 56,
22 Superseding Tariff Page Fifteenth [Fourteenth?] Revised
23 Page 56.

24 A. (Conneely) This is in the revised filing?

1 Q. Yes. That's correct. Exhibit 2.

2 A. (Conneely) I'm sorry, on which page?

3 Q. That would be Fifteenth Revised Tariff Page 56,
4 Superseding Fourteenth Revised Tariff Page 56.

5 A. (Conneely) Okay.

6 Q. It's roughly, well, it's a little bit more than that,
7 but, among the tariff pages, it's about seven pages in,
8 about this far in (indicating). And, there's a table
9 that reads "Local Delivery Adjustment Clause". Do you
10 have it?

11 A. (Conneely) Yes. I have it.

12 Q. Okay. Well, as Ms. Hatfield mentioned, there has been
13 discussion of an update of the RLIAP line item in the
14 far left to 56/10,000th of a dollar, or 0059, after the
15 decimal point, as it's indicated here. But, in fact,
16 the actual update we believe, on the basis of the
17 October 19th filing, is to \$0.0056?

18 A. (Conneely) Correct.

19 Q. Is that correct?

20 A. (Conneely) Yes.

21 Q. Would you be able to update the tariff pages that are
22 affiliated with this change?

23 A. (Conneely) Yes. In our compliance filing, we update
24 the LDAC page.

1 Q. Thank you very much. I guess we can also stick with
2 Mr. Conneely. Do you know if the Audit Staff has
3 completed its review of the cost of gas reconciliation
4 from last winter?

5 A. (Conneely) The Company has not gotten word that they
6 have completed their audit as of yet.

7 Q. Are there any issues with last year's result in the
8 Audit Staff's review of the cost of gas reconciliation
9 from the 2010-2011 that you are aware of?

10 A. (Conneely) Not that the Company has been notified or
11 aware of.

12 Q. Would you briefly summarize how the proposed LDAC rates
13 compare to last year's, and what are the primary
14 reasons for the changes?

15 A. (Conneely) Yes. The Residential Low Income Assistance
16 Program Charge, the Demand Side Management Charge, and
17 the Environmental Response Cost Rate, the LDAC
18 components, were all updated to include September
19 actual information in the revised filing. With that,
20 the proposed LDAC rate of 0.0422, which is going to be
21 the new LDAC for residential customers after the LDAC
22 has been -- the compliance filing which actually will
23 show 0.0422. This rate is 0.0034 cents lower than last
24 year's rate. And, for the C&I customers, it will be

1 0.0064 lower than last year's rate.

2 Q. Now, I notice that there's a proposed reduction in the
3 Environmental Remediation Charge. Have all the MPG
4 sites in New Hampshire for which Northern might be
5 responsible been cleaned up?

6 A. (Conneely) After speaking over the last few months with
7 our ERC Group for the ERC filing, there's still some
8 MPG site work to be done of, from what I'm hearing, a
9 multiyear commitment, I guess, by Unital for the
10 remediation of those sites.

11 Q. Could you please provide a little description of what
12 categories of environmental remediation expenses
13 Northern is incurring? What sorts of types of work?

14 A. (Conneely) Yes. It's three sites; Exeter, Rochester,
15 and Somersworth, New Hampshire. In Exeter, the -- what
16 the ongoing project is the storm water outfall into the
17 Swampscott River. Rochester site is about 90 percent
18 complete. And, the Somersworth is about 95 percent
19 complete. All of the invoices and exact descriptions
20 are in the ERC filing, Exhibit 3, I believe.

21 Q. Could you provide a description of how much the Company
22 spent on environmental remediation last year and what
23 it expects to spend next year?

24 A. (Conneely) From June 2010 through July 2011, the

1 Company spent roughly \$121,000. And, I believe they're
2 anticipating to spend about the same for the upcoming
3 calendar year.

4 Q. Has the Company provided the PUC Audit Staff with the
5 supporting documentation for these environmental
6 remediation costs and litigation expenses?

7 A. (Conneely) Yes.

8 Q. Has the Audit Staff completed its audit of those
9 environmental remediation and litigation costs and
10 expenses?

11 A. (Conneely) I don't believe so, but the Company hasn't
12 been notified.

13 Q. How has this situation related to the audit report been
14 addressed in the past?

15 A. (Conneely) Can you expand on that?

16 Q. Well, when there's been a time lag between the
17 submission of the audit-related expense materials and
18 the final report of the Audit Staff, how have the
19 expenses been collected for?

20 A. (Conneely) Historically, the ERC has been amortized
21 over five years. And, any discrepancies that were
22 found in the audit for the ERC has been reconciled in
23 the next year's ERC filing.

24 Q. So, would such a reconciliation be acceptable for the

1 Company in this proceeding?

2 A. (Conneely) Yes.

3 Q. Beginning on Page 2, Line 18, of your supplemental
4 testimony in Exhibit 2, you discuss the proposed
5 Residential Low Income Assistance Program Rate. Would
6 you be able to tell us, Mr. Conneely, if the
7 development of this rate is supported in
8 Schedule 16-RLIAP, which begins on Bates Page 231?

9 A. (Conneely) Yes, that's correct.

10 Q. Okay. How was the RLIAP discount applied to the
11 residential heat base rate components in Supplement
12 Number 1, Proposed Second Revised Tariff Page 2, that
13 would be -- that would be the schedule here, roughly
14 about eight or nine pages in from the beginning of the
15 package. There's --

16 A. (Conneely) Are you referring to the Second Revised Page
17 2?

18 Q. Yes.

19 A. (Conneely) I'm sorry, could you repeat the question
20 also.

21 Q. How is the RLIAP discount applied to the residential
22 heat base rate components in this page?

23 A. (Conneely) Are you talking about the tariff rates?
24 Under "tariff rates", those line items?

1 Q. Yes. There are certain base rate components. You can
2 see there's a customer charge, and then there's an
3 LDAC. And, you can see there's an item at the bottom,
4 a box that reads "Residential Non-Heating Low Income",
5 and the second box from the top reads "Residential
6 Heating Low Income". And, so, the question is, is the
7 RLIAP discount applied to these residential heat base
8 rate components?

9 A. (Conneely) And, this is for the R-10 customer class, is
10 that where you are?

11 Q. Yes. R-10, and also -- Yes. Right.

12 A. (Conneely) And R-11?

13 Q. Yes.

14 A. (Conneely) The discount was applied in accordance with
15 Commission's Order 25,252, in Docket 11-069. The order
16 stated that the temporary rate factor charge of 0.0293
17 per therm would be applied uniformly to all Northern's
18 rate schedules to customer classes. So, it's
19 40 percent, including a temporary rate.

20 Q. Thank you. Also, on Page 3 of your supplemental
21 testimony, on Line 18, you reference a change to
22 Northern's ERC rate.

23 A. (Conneely) Yes.

24 Q. Is the development of this rate supported in the

1 Revised Schedule 16-ERC, which begins on Page 237,
2 Bates Page 237?

3 A. (Conneely) That's correct.

4 Q. Thank you very much, Mr. Conneely. These questions are
5 for Mr. Wells. Did Northern experience any operational
6 problems or supply disruptions during the last year?

7 A. (Wells) No, we did not.

8 Q. Did the Company experience any unexpected pricing
9 issues regarding supply purchases last winter?

10 A. (Wells) No.

11 Q. Could you please briefly summarize any changes in the
12 supply portfolio from what was in place last year?

13 A. (Wells) Certainly. The biggest change is that the FPL
14 and Distrigas peaking contracts, that had been in place
15 for ten years, ended as of October 31st, 2011, of this
16 year, or will end as of this year. They have been
17 replaced with peaking supply contracts that I describe
18 as "Peaking Supply 1", "2", and "3" in my prefiled
19 testimony. Basically, the difference between these two
20 supplies are actually -- it's reduced demand cost and
21 reduced total volume. These benefit our consumers by
22 basically having a better matching our portfolio
23 requirements with -- or, better matching our supply
24 with our requirements, and also at a reduced demand

1 cost.

2 Secondly, from a portfolio perspective,
3 we have a series of new asset managers that we selected
4 in our spring RFP for the upcoming year. So, we have
5 new asset managers for our W10 supply -- our W10
6 storage, rather, new asset managers for our Tennessee
7 long-haul storage, and for our Tennessee Niagara, and
8 also a new asset manager for what we call our "Chicago
9 path", it's just a string of transportation contracts
10 stretching from Vector, all the way to Tennessee and
11 Algonquin pipelines.

12 Basically, these asset management deals
13 are pretty similar in terms and conditions to what we
14 had contracted for previously, just different, you
15 know, different asset management payments and different
16 -- different suppliers.

17 Q. Okay. Thank you. In your supplemental testimony, you
18 note that the Tennessee settlement rates have been
19 approved by FERC, and are being inserted into this
20 revised cost of gas filing?

21 A. (Wells) I would, without looking at my testimony, the
22 settlement has not been approved by FERC. FERC has
23 given authorization to Tennessee to begin billing the
24 settlement rates.

1 Q. Okay.

2 A. (Wells) And, the important difference being that, in my
3 forecast of both commodity costs and demand costs, I
4 reflect the settlement rates. However, the settlement
5 also calls for refunds back to June 2011, when the rate
6 case went into effect. It does not reflect a refund,
7 because FERC has not -- FERC has only granted
8 authorization to begin billing under the settlement
9 rates as of November 1st. It has not yet ruled on
10 approving the settlement and, therefore, authorizing
11 the refunds.

12 Q. All righty. Now, these capacity rate changes for the
13 Tennessee Gas Pipeline that have at least been
14 integrated on an interim basis, for lack of a better
15 term, are they favorable to ratepayers, when compared
16 to those used in the initial cost of gas filing?

17 A. (Wells) Yes. They do reflect -- the cost of gas, the
18 updated cost of gas reflects overall lower costs due to
19 the fact that there was a settlement put into place.
20 To say that another way, Tennessee's proposed rate case
21 would have been a higher overall result than the
22 settlement.

23 Q. Were there also changes to the TransCanada rates?

24 A. (Wells) Yes. To give a little bit of history, there

1 are multiple -- there are multiple cases involving
2 TransCanada that impact this cost of gas. The first is
3 that, on September 13th, Canada's National Energy Board
4 set the 2011 final tolls at a rate that was equal to
5 what had already been in place as interim tolls. And,
6 as a bit of background, I'm a little new on National
7 Energy Board's process. But, in the U.S., when a
8 pipeline puts in rates, they are put into place subject
9 to refund pretty routinely. In the National Energy
10 Board, their process is a little different. A pipeline
11 needs to file for interim rates, and then they file for
12 final rates. So, it's possible that the interim rates
13 could be substantially different from the final rates.
14 In the case of 2011, the interim rates were put into
15 effect starting in March. And, then, subsequently,
16 what had happened is TransCanada had filed for final
17 rates, which were somewhat higher than the interim
18 rates that were in effect at that time. The National
19 Energy Board determined that they were only going to --
20 they were going to hold the rate at the initially filed
21 interim rate level. So, whereas the initial filing had
22 reflected the proposed final 2011 rates for November
23 and December, the updated filing reflects the actual
24 approved final 2011 rates, which were at the lower

1 interim rate levels.

2 Q. Thank you. Mr. Kahl, I have a few questions for you.
3 In your testimony from the original cost of gas filing,
4 which would be Exhibit 1, beginning on Page 3, on Line
5 15. You state that the "forecast of Bad Debt expense
6 is based on actual experience and not on a fixed
7 percentage." Is that correct?

8 A. (Kahl) That's correct.

9 Q. What is the Bad Debt fixed percentage applied to gas
10 costs that the Company is currently allowed to recover
11 through the cost of gas?

12 A. (Kahl) I have 0.45 percent.

13 Q. Thank you.

14 A. (Kahl) And, that is of the anticipated direct cost of
15 gas. If you look through the summary sheet, plus I
16 think there's an allowance for some working capital.

17 Q. Okay. Now, Mr. Kahl, did the temporary rate settlement
18 approved by the Commission in Docket Number DG 11-069,
19 which is Northern's current base rate case, allow for a
20 change in the commodity bad debt calculation?

21 A. (Kahl) Not explicitly. However, what was proposed in
22 that base rate filing was to remove all bad debt that
23 was tied to the supply portion and remove that out.
24 So, it would only be collected in the cost of gas

1 proceeding. So, we do think it is consistent with our
2 initial filing and with the approval of the temporary
3 rates. I should also add that the bad debt expense
4 would be reconciled.

5 Q. So, just to back up a little bit. What would the bad
6 debt expense be if calculated as currently required by
7 the Commission?

8 A. (Kahl) If we were using the 0.45 percent?

9 Q. Yes, I believe so.

10 A. (Kahl) I've got about 130,000.

11 Q. And, how does that compare to the bad debt expense
12 included in the filing?

13 A. (Kahl) It's significantly lower. I believe, in our
14 filing, we're showing about 379,000.

15 Q. Okay. As you alluded to this, will next winter's
16 reconciliation of the winter commodity bad debt
17 recoveries and expense reflect the methodology for
18 calculating commodity bad debt as to be determined by
19 the Commission in DG 11-069?

20 A. (Kahl) Yes.

21 Q. And any overrecovery would be credited back to
22 customers with interest?

23 A. (Kahl) Yes.

24 Q. Thank you. Without going into specifics, the cost of

1 gas working capital calculation is also based on a
2 similar structure, in which you'd have a proposed
3 change reflected in this cost of gas?

4 A. (Kahl) Correct.

5 Q. And, it would be resolved and reconciled similarly to
6 the cost of gas bad debt element after the final
7 determination of the rate case, is that correct?

8 A. (Kahl) That's correct.

9 Q. Okay. Now, we'll go back to the tariff pages, Mr.
10 Kahl. I'm going to the proposed Revised Page 38,
11 Forty-Ninth Revised Page 38, about here (indicating) in
12 the filing.

13 A. (Kahl) Excuse me. Is this in the supplemental filing
14 or in the --

15 Q. Yes, in the supplemental, Exhibit 2, the revised
16 filing. It's approximately seven, eight, nine pages
17 in.

18 A. (Kahl) Is this "Page 38", you said?

19 Q. Yes.

20 A. (Kahl) Okay.

21 Q. Forty-Ninth Revised Page 38.

22 A. (Kahl) Okay.

23 Q. Now, you've referred to some bad debt expense in your
24 testimony. Is it reflected on this page as a line

1 item?

2 A. (Kahl) Yes, it is. Let me elaborate. We do show -- we
3 have a whole section here labeled "Bad Debt". And,
4 what we start out with is what we project for the year
5 our total bad debt will be, that shows \$650,000. We
6 then take the portion that we think will be allocated
7 to the supply function, and that's based on historical,
8 what we've seen over the last 12 months ending
9 July 2012, and what portion of that would be recovered
10 or incurred over the winter period. So, again, based
11 on historical levels. And, we take our reconciliation
12 and add that altogether. And, as you can see, the
13 total is about 379,000.

14 Q. Now, is that reconciliation figure, is that presented
15 within the filing that we've received for this cost of
16 gas?

17 A. (Kahl) Yes.

18 Q. Could you point us to where that is?

19 A. (Kahl) In the initial filing, in Schedule 15, and it
20 would be Bate Page 225. And, the bottom right would
21 show the "\$1,935".

22 Q. Thank you. Now, just as a prospective matter, will
23 this bad debt figure be supported clearly in subsequent
24 cost of gas filings?

[WITNESS PANEL: Conneely|Kahl|Wells]

1 A. (Kahl) Yes. In discussions with Staff, I did realize I
2 did not provide sufficient information on how this
3 number is derived, for instance, the bad debt number of
4 650,000. You know, that number we had gotten from
5 talking with our Billing Department, who know or have
6 firsthand knowledge of how much bad debt we will be or
7 are incurring. And, speaking with them, tried to get
8 their best estimate for what we thought it would be for
9 this year. Keeping in mind that the last 12 months
10 that we had looked at had roughly \$600,000 of bad debt.
11 Because we have a new rate filing, a base rate filing
12 going on, costs will be a little bit higher.
13 Therefore, they thought that bad debt would go up at
14 least for this year. And, so, that was the basis for
15 that 650,000. And, as I said, going forward, we will
16 be, you know, supplementing that, those numbers, with
17 how they were derived, where they came from.

18 Q. Thank you, Mr. Kahl.

19 A. (Kahl) Thank you.

20 MR. SPEIDEL: All right. No further
21 questions from Staff for the witnesses.

22 CHAIRMAN GETZ: Thank you.

23 BY CMSR. BELOW:

24 Q. I was wondering if any of you know the mean or median

{DG 11-207} {10-20-11}

1 consumption in therms for any of the different classes
2 of residential customers by either winter or summer
3 season?

4 A. (Wells) I can handle that, Commissioner. On, and this
5 is weather-normalized, I provide in Attachment 1, I
6 believe it is, to Schedule 10B, on Page 182 of the 263
7 Bates stamp.

8 Q. In the original filing?

9 A. (Wells) In the original filing. Yes. I sponsor a
10 schedule that shows, for residential heat metered
11 deliveries, if you look at the -- give you a second to
12 find the page.

13 Q. Yes, let me get there. Page 182?

14 A. (Wells) 182, correct.

15 Q. Okay.

16 A. (Wells) It is labeled "Meter Distribution Deliveries
17 and Meter Counts". And, this is for residential heat
18 metered customers.

19 Q. Okay.

20 A. (Wells) So, this is -- well, this is total distribution
21 deliveries. Although, because I also provide this for
22 C&I metered customers, I just want to point out, this
23 schedule is total distribution, not just our sales
24 service customers. But residential heat metered

1 customers, if you look at the last block, it says
2 "Total Division Use Per Meter", for the last year of
3 complete data for 2009-2010, the average annual use,
4 this is in dekatherms, so it's 76.73 dekatherms per
5 year. So, about 767 therms per year. You know, we
6 were projecting, it was probably five months -- or,
7 excuse me, it's probably six months actual/six months
8 estimate at the time of this forecast, about 79.01
9 annual dekatherms per year, the actual. And, then, the
10 forecast was about 79 dekatherms per year. And, then,
11 I also have that broken out by, you know, just November
12 through April and then just May through October as
13 well, those figures.

14 Q. So, this is all residential heat customers, the Tariff
15 Rate R-5 and R-6?

16 A. (Wells) I believe R-5 and R-6 are residential heat,
17 correct.

18 Q. And, you could -- one could figure the seasonal use by
19 just dividing up the months, splitting up the numbers
20 by groups of months?

21 A. (Wells) Actually, I do that on Line 70.

22 Q. Oh.

23 A. (Wells) So, if you were interested in the winter-only
24 usage, it's about, you know, our most recently

[WITNESS PANEL: Conneely|Kahl|Wells]

1 completed winter, and this is weather -- I just want to
2 remind myself, this is weather-normalized data, was
3 about 641, call it 642 therms per customer for the
4 winter -- for the recently completed winter period.

5 Q. Okay. And, do you have any idea how that might compare
6 to the median, half above/half below?

7 A. (Wells) I wouldn't be able to tell you --

8 Q. Okay.

9 A. (Wells) -- what the median was.

10 CMSR. BELOW: Okay. Okay, thanks.

11 WITNESS WELLS: You're welcome.

12 CMSR. BELOW: That's all.

13 CHAIRMAN GETZ: Any redirect,

14 Ms. Geiger?

15 MS. GEIGER: Yes, Mr. Chairman. May I
16 have a moment to approach the witnesses? Thank you.

17 (Atty. Geiger conferring with the
18 witnesses.)

19 MS. GEIGER: Thank you, Mr. Chairman. I
20 don't have any further questions for the witnesses.

21 CHAIRMAN GETZ: Okay. Then, the
22 witnesses are excused. Thank you, gentlemen.

23 WITNESS WELLS: Thank you.

24 CHAIRMAN GETZ: Is there any objection

{DG 11-207} {10-20-11}

1 to striking the identifications and admitting the exhibits
2 into evidence?

3 (No verbal response)

4 CHAIRMAN GETZ: Hearing no objection,
5 they will be admitted into evidence.

6 Are there any issues to address before
7 opportunity for closings?

8 (No verbal response)

9 CHAIRMAN GETZ: Hearing nothing, then
10 we'll begin with Ms. Hatfield.

11 MS. HATFIELD: Thank you, Mr. Chairman.
12 The OCA has no objection generally to the Company's
13 overall cost of gas proposed rate. And, we note for the
14 record that we have no position on the Company's proposed
15 use of the new lead/lag and bad debt figures, because we
16 understand that the parties will resolve that in the rate
17 case, and we understand that it's reconcilable, if the
18 Commission determines that something other than the
19 Company's proposal is adopted in its final order.

20 With respect to the Company's proposal
21 to reduce the energy efficiency rates, we do oppose that
22 for several reasons. First, no notice was provided that
23 we're aware of to the parties in DE 10-188, despite the
24 fact that we had a meeting on September 12th in that

1 docket, and the Company's filing was made a few days
2 later. And, we think that changing the budgets for the
3 efficiency programs is really a programmatic question that
4 should be addressed by the parties in those dockets. And,
5 based on information that we have from that other docket,
6 the Company was on -- has been on track to spend its
7 approved budget. There are some areas where they were
8 actually on track to overspend, as I discussed with Mr.
9 Conneely during this hearing. And, before the Commission
10 approves a change in the efficiency spending, we would
11 respectfully request that the other parties in the
12 efficiency docket have a chance to weigh in.

13 And, then, I would also point out that,
14 based on the Company's filing for its proposed 2012
15 efficiency programs, they are actually requesting an
16 increase in the budget. And, so, that calls into
17 question, for us, you know, just what is their basis for
18 reducing the spending? And, I think Mr. Conneely
19 testified today that he doesn't have the information
20 necessary, and he's not familiar with the programs. So,
21 we don't believe the Company has met the burden for
22 reducing spending in that particular area. Thank you.

23 CHAIRMAN GETZ: Okay. Thank you.

24 Mr. Speidel.

1 MR. SPEIDEL: Thank you, Mr. Chairman.
2 Staff supports the Northern Utilities' proposed revised
3 2011-2012 peak period cost of gas rates as filed, subject
4 to Audit Staff's review of the filed 2010-2011 peak period
5 cost of gas reconciliation, which should be completed in a
6 few days. No issues of concern are expected to come out
7 of the audit of last winter's reconciliation. If
8 something material should arise, Staff will notify the
9 Commission.

10 The sales forecast for the 2011-2012
11 peak period cost of gas was developed in a consistent
12 manner with prior cost of gas forecasts, based primarily
13 on normalized actual sales from the prior year.

14 The supply plan is based on the
15 principles of least cost planning. And, the direct gas
16 costs are based on actual or hedged prices and projected
17 pricing that reflect market expectations.

18 The projected commodity bad debt expense
19 and working capital in the filing was calculated using the
20 proposed, rather than a Commission-approved methodology,
21 but the actual commodity bad debt expense and working
22 capital to be recovered through the cost of gas will
23 ultimately reflect the Commission's decision on these
24 matters in the base rate case. There will be a

1 reconciliation of forecast and actual gas costs for the
2 2011-12 peak period that will be filed prior to next
3 winter's cost of gas proceeding. And, any concerns that
4 may arise related to the 2011-2012 cost of gas forecast
5 may be raised and addressed in the 2012-2013 peak period
6 cost of gas.

7 The Company has been active within its
8 pipeline shipper groups, participating in efforts to
9 mitigate the proposed rate increases by the pipeline
10 companies, and that has borne fruit.

11 The Company's hedging policy has offered
12 and continues to offer some measure of price stability in
13 the commodity portion of the cost of gas rates for
14 customers. Northern's hedging activities supported in
15 this cost of gas forecast appears to be consistent with
16 Commission policy currently in place.

17 The Local Delivery Adjustment Charge is
18 comprised of a number of surcharges, all of which have
19 been established in other proceedings, with the actual
20 amounts of each determined in these winter cost of gas
21 proceedings and effective for one year. Staff has
22 completed its review of the calculations supporting the
23 proposed LDAC rates, and has found that the rates, as
24 revised and corrected, appear to be correct. Audit Staff

1 has not quite completed its review of the environmental
2 remediation costs, but does not foresee any material
3 issues.

4 Based on the updated calculations and
5 supporting schedules for each LDAC component rate
6 adjustment, Staff recommends approval of the proposed LDAC
7 rates effective beginning on service rendered November
8 1st, 2011. If the Audit Staff finds a material error in
9 its review of the environmental remediation costs, Staff
10 will notify the Commission.

11 Staff has reviewed the proposed supplier
12 balancing charges and capacity allocator percentages, and
13 charges appear to be accurate and reasonable, based on the
14 updated information, and recommends Commission approval.
15 Also, we support the Company's proposal for readjustment
16 of the reentry fee as reasonable.

17 In sum, Staff appreciates the efforts of
18 the Company in this matter and recommends approval of the
19 cost of gas and LDAC rates, subject to the final audits
20 and the reconciliations mentioned. Thank you.

21 CHAIRMAN GETZ: Thank you. Ms. Geiger.

22 MS. GEIGER: Yes. Thank you, Mr.
23 Chairman. Northern respectfully requests that the
24 Commission approve the Company's revised filing for the

1 upcoming winter season's cost of gas.

2 The Company is sensitive to the Office
3 of Consumer Advocate's request and position in this case.
4 However, we do not feel that, at the present time, that
5 there should be any change made to the proposed rate for
6 the low income -- or, excuse me, for the Demand Side
7 Management Charge. That charge is decreasing in this
8 docket. And, to the extent that, in the CORE docket,
9 there is discussion and consensus and agreement around
10 changing the budget, which would necessitate a midcourse
11 correction to the rate, then the Company would be amenable
12 to revisiting the DSM charge in the spring COG filing.
13 Thank you.

14 CHAIRMAN GETZ: Okay. Then, with that,
15 we will close the hearing and take the matter under
16 advisement. Thank you, everyone.

17 (Whereupon the hearing ended at 11:16
18 a.m.)