STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 19, 2012 - 9:35 a.m. Concord, New Hampshire

RE: DG 12-068

NORTHERN UTILITIES, INC.

2012 SUMMER PERIOD COST OF GAS ADJUSTMENT

PRESENT: F. Anne Ross, Hearings Examiner

Clare E. Howard-Pike - Clerk

APPEARANCES:

Representing Northern Utilities, Inc.

Susan M. Geiger, Esq.

Representing PUC Staff:

Alexander Speidel, Esq.

Robert Wyatt, Gas & Water Division

COURT REPORTER: Susan J. Robidas, LCR No. 44



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PROCEEDINGS

HEARINGS EXAMINER ROSS: Good morning. My name is Anne Ross. I'm going to be the hearings examiner. Just a couple of preliminary matters. And by the way, please refer to me as "Attorney Ross."

We are going to be testing a new audio system this morning to see if it will work as a backup or substitute for our court reporting service. So, please speak into the mics and make sure that, you know, the mics are on. You should hear -- I can hear right now that my voice is coming over the system. Hopefully we'll be able to kind of hear the feedback as well.

This is Northern's summer cost of gas proceeding. I will be acting as hearings examiner and filing a recommendation today based upon the filings and the testimony presented to the Commission, and the Commission will act on that recommendation prior to your requested effective date of May 1st.

Do we have any procedural 1 matters before we begin this hearing? 2 3 MS. GEIGER: Attorney Ross, the 4 only thing I would mention is that the 5 Company has filed its affidavit of publication, as required by the order of 6 7 notice. That was filed on April 5th. 8 **HEARINGS EXAMINER ROSS:** Thank 9 you. MS. GEIGER: And in addition to 10 that, there was a motion for protective order 11 and confidential treatment that was filed 12 seeking protective treatment for some of the 13 14 pages that were submitted with the original filing in Schedule 5-A. So I just wanted to 15 make sure that you were aware of that. 16 17 **HEARINGS EXAMINER ROSS:** Thank I was aware of the motion. And since 18 you. we're on that subject, I will be making a 19

HEARINGS EXAMINER ROSS: Thank
you. I was aware of the motion. And since
we're on that subject, I will be making a
recommendation on the motion. Could you just
tell me quickly what types of information
you're seeking to treat as confidential?

MS. GEIGER: Yes. Basically,

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the information consists of peaking demand cost estimates, asset management agreement revenues, peaking supply demand cost, transportation and delivery terms and conditions, and liquified natural gas trucking and transportation costs. And these documents contain competitively sensitive commercial information and trade secrets that Northern seeks to keep confidential and that have previously been afforded confidential treatment by the Commission in other cost of gas proceedings. **HEARINGS EXAMINER ROSS:** Thank And I assume there are no objections to you. the motion for confidential treatment?

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MR. SPEIDEL: No objections,

Attorney Ross.

HEARINGS EXAMINER ROSS: Thank you.

Okay. Why don't we begin by marking for identification the affidavit of publication as Exhibit 1.

And then, again, there are no

1	intervenors? My filing record here
2	indicates no intervention. Is that correct?
3	MS. GEIGER: That's correct.
4	HEARINGS EXAMINER ROSS: So we
5	only have Staff and the Company appearing
6	today.
7	(Exhibit 1 marked for identification.)
8	MS. GEIGER: Correct.
9	HEARINGS EXAMINER ROSS: All
10	right. So I would also suggest that we mark
11	the filing that was made on March 15th by the
12	Company, which includes a number of items
13	the motion, tariff pages, a summary, three
14	different prefiled testimonies and
15	schedules as Exhibit 1. Do you want to
16	designate the first as the public, and then
17	we'll enter the confidential exhibit as
18	Exhibit 2? Would that be helpful?
19	THE CLERK: Excuse me,
20	Attorney Ross. Just a correction. You had
21	mentioned using the affidavit as Exhibit 1.
22	HEARINGS EXAMINER ROSS: Yes.
23	I'm sorry. I misspoke. I meant Exhibit 2.

		0
1	Thank you.	
2	THE CLERK: Two. Okay.	
3	HEARINGS EXAMINER ROSS: Are	
4	there two versions, a public and	
5	MS. GEIGER: My understanding	
6	is that the confidential information that I	
7	just referred to had been submitted with the	
8	motion for protective order, and I don't	
9	believe we're going to be discussing it in	
10	the public session.	
11	MR. SPEIDEL: Yes, it's all	
12	right to mark it as an exhibit under the new	
13	procedure, wherein there's no need to	
14	resubmit material. So, just for clarity	
15	purposes, we can mark the public version as	
16	Exhibit 2, perhaps, and the confidential	
17	version as Exhibit 3.	
18	HEARINGS EXAMINER ROSS: Okay.	
19	Thank you.	
20	(Exhibits 2, 3 marked for	
21	identification.)	
22	Are there any other exhibits	
23	that parties are going to want marked for	

1	identification?
2	MS. GEIGER: Yes, Attorney
3	Ross. The Company made a supplemental filing
4	on April 13th, 2012, and we would like to
5	have that also marked for identification as
6	Exhibit 4.
7	HEARINGS EXAMINER ROSS: And
8	what was the date of that filing?
9	MS. GEIGER: April 13th, 2012.
10	HEARINGS EXAMINER ROSS: I have
11	one indicated as filed on the 16th. Would
12	that be the same?
13	MS. GEIGER: It could have
14	been. It could have been the 16th. It's
15	under a cover letter dated April 13th. I
16	just assumed it had been filed that day.
17	HEARINGS EXAMINER ROSS: Okay.
18	Is there confidential material in that filing
19	as well?
20	MS. GEIGER: I don't believe
21	so.
22	HEARINGS EXAMINER ROSS: Okay.
23	So that can be marked for identification as

Exhibit 4. 1 (Exhibit 4 marked for identification.) 2 3 All right. Let's begin by 4 taking -- I'm sorry. 5 MR. SPEIDEL: If I may, Attorney Ross, Staff would also like to mark 6 some data requests as additional exhibits. 7 8 **HEARINGS EXAMINER ROSS:** Hold on a minute. Let me make sure 9 okay. I've got a list of what we've done so far. 10 You'll have to forgive me, because my report 11 12 is due so quickly, I'm not going to have a transcript to refer to, so I have to have 13 14 notes here. Although, maybe I'll have a 15 recording. THE CLERK: 16 Maybe. 17 **HEARINGS EXAMINER ROSS:** Okay. Go ahead, please. 18 19 MR. SPEIDEL: Okay. There are a series of data responses from the Company 20 to Staff, with a cover letter dated April 13, 21

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23

2012. And I believe that would be marked as

Exhibit 5, if possible. And I would bring

that to the clerk and to the hearings examiner as well.

There's also a series of data responses dated April 16th. That would be marked as Exhibit 6. And then there is one additional data response with a cover letter dated April 17th, and that would be Exhibit 7. So I will mark those as such for the convenience --

HEARINGS EXAMINER ROSS: And that was April 17th?

MR. SPEIDEL: Yes, that is correct.

HEARINGS EXAMINER ROSS: And
you shared -- I mean, the Company knows which
data requests -- which responses these are?

MR. SPEIDEL: I believe they
would know. They should have them on file,
at least.

MS. GEIGER: Attorney Ross, I just need to confer with Attorney Speidel on the April 17th. I think it was filed directly by the Company. I did not file it.

1	So I want to make sure I have what he's
2	talking about.
3	MR. SPEIDEL: Okie dokie. I
4	can give you a copy. So the 17th is this
5	guy. Have you seen this?
6	MS. GEIGER: I probably did. I
7	just don't have the cover letter.
8	MR. SPEIDEL: Here, you can
9	just have this.
10	MS. GEIGER: Okay. Thank you
11	very much. I was just lacking the cover
12	letter.
13	(Exhibits 5, 6, 7 marked for
14	identification.)
15	HEARINGS EXAMINER ROSS: All
16	right. Any other exhibits that we need to
17	identify before we begin?
18	MR. SPEIDEL: That will be all,
19	thank you.
20	HEARINGS EXAMINER ROSS: All
21	right. With that, I'm going to suggest that
22	we do appearances, and, if you wish to make
23	any short opening statement, that you make it

when you appear. And we'll have the Company go first, and then at the end of the hearing we'll have the Company go last with the closing statement.

MS. GEIGER: Thank you. I'm
Susan Geiger, from the law firm of Orr &
Reno. I represent Northern Utilities, Inc.
And with me this morning are the witnesses
who've prefiled testimony in this case,
starting, I guess, at Attorney Ross's
immediate right: Joe Conneely, Francis Wells
and Christopher Kahl. And also with me at
counsel table this morning is George Simmons,
all from the Company.

MR. SPEIDEL: And this is
Alexander Speidel, representing Commission
Staff, and I have with me Robert Wyatt of the
Gas & Water Division.

HEARINGS EXAMINER ROSS: All right. I see that we have witnesses already seated. Maybe the court reporter could swear them in and we'll begin.

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1	(WHEREUPON, JOSEPH F. CONNEELY,	
2	FRANCIS X. WELLS AND CHRISTOPHER KAHL	
3	were duly sworn and cautioned by the	
4	Court Reporter.)	
5	JOSEPH F. CONNEELY, SWORN	
6	FRANCIS X. WELLS, SWORN	
7	CHRISTOPHER KAHL, SWORN	
8	DIRECT EXAMINATION	
9	BY MS. GEIGER:	
10	Q. We'll start with Mr. Kahl. Could you please	
11	state your name for the record.	
12	A. (By Mr. Kahl) Christopher Kahl.	
13	Q. And where are you employed, and what	
14	position do you hold?	
15	A. I'm a senior regulatory analyst with Unitil	
16	Corp.	
17	Q. And have you ever testified before the New	
18	Hampshire Public Utilities Commission?	
19	A. (By Mr. Kahl) Yes. I testified in last	
20	winter's cost of gas adjustment.	
21	Q. And Mr. Kahl, I'd like to show you the	
22	document that Attorney Ross has marked for	
2 2	identification as Exhibit 2 Could you	

- 1 please identify this document?
- 2 A. (By Mr. Kahl) Yes. That is this summer's cost of gas adjustment filing.
- 4 Q. And did you assist in preparing that filing?
- 5 A. (By Mr. Kahl) Yes, I did.
- Q. And I'd like to show you another document that Attorney Ross has marked for identification as Exhibit No. 4. Do you
- 10 A. (By Mr. Kahl) Yes, I do. That is the
 11 revised summer cost of gas filing which
 12 updates the original filing.

recognize that document?

13 Q. Okay.

9

14 A. (By Mr. Kahl) Let me also add that this
15 updated filing reflects NYMEX gas future
16 prices as of April 9th, 2012, as well as
17 other updates, revisions and corrections to
18 the initial filing that were discussed at
19 the technical conference held April 9th in.
20 This docket.

HEARINGS EXAMINER ROSS: Mr.

Kahl, you could use that microphone. I hate
to see you leaning so.

1 MR. KAHL: Thank you.

2 BY MS. GEIGER:

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- 3 Q. Now, Mr. Kahl, did you prefile testimony in 4 this docket?
- 5 A. (By Mr. Kahl) In this docket? Yes, I did.
- Q. And is it your prefiled testimony contained in what's been marked for identification as Exhibit 2 under the tab entitled "Kahl
- 10 A. (By Mr. Kahl) Yes, it is.

Testimony"?

- 11 Q. And to the best of your knowledge and
 12 belief, was your prefiled testimony true and
 13 accurate at the time it was filed?
- 14 A. (By Mr. Kahl) Yes.
- 15 Q. Do you have any corrections or updates to your prefiled testimony?
- A. (By Mr. Kahl) Yes. To the extent that my
 prefiled testimony is inconsistent with the
 information contained in the revised cost of
 gas filing that has been marked as
 Exhibit 4, the revisions in Exhibit 4 take
 precedence and supersede any conflicting
 information in my prefiled testimony.

[WITNESS PANEL: CONNEELY|WELLS|KAHL]

- Q. Okay. And subject to the changes that have
 been -- or would have been necessitated to
 your prefiled testimony as the result of the
 revised COG filing that's been marked as
- 5 Exhibit 4, do you adopt your prefiled
- 6 testimony under oath today?
- 7 A. (By Mr. Kahl) Yes, I do.
- Q. Do you wish to add anything further to your prefiled testimony?
- 10 A. (By Mr. Kahl) No.
- 11 Q. Thank you.
- Mr. Wells, could you please state your name for the record.
- 14 A. (By Mr. Wells) My name is Francis Wells.
- Q. Where are you employed, and what position do you hold?
- 17 A. (By Mr. Wells) I am employed by Unitil
- 18 Service Corp. I am the manager of gas
- 19 supply.
- 20 Q. Did you prepare prefiled testimony for this docket?
- 22 A. (By Mr. Wells) Yes, I did.
- 23 Q. And is that prefiled testimony contained

- under the tab entitled "Wells Testimony" in what's been marked as Exhibit 2?
- 3 A. (By Mr. Wells) Yes.
- Q. And to the best of your knowledge and belief, was that prefiled testimony true and accurate at the time it was filed?
- 7 A. (By Mr. Wells) Yes.
- Q. Do you have any corrections or updates to your prefiled testimony?
- 10 A. (By Mr. Wells) I did provide some updated
 11 schedules that were provided in the updated
 12 filing which was marked as Exhibit 4.
- 13 Q. Okay. And as a result of the updated
 14 filing, subject to any changes that might be
 15 necessitated to your prefiled testimony as
 16 the result of that updated filing, do you
 17 adopt your prefiled testimony under oath
 18 today?
- 19 A. (By Mr. Wells) Yes.
- Q. Okay. Do you have anything further to add to your prefiled testimony?
- 22 A. (By Mr. Wells) No.
- 23 Q. Thank you.

- 1 Mr. Conneely, could you please state 2 your name for the record.
- 3 A. (By Mr. Conneely) My name is Joseph
 4 Conneely.
- Q. Where are you employed, and what position do you hold?
- 7 A. (By Mr. Conneely) I'm employed by Unitil 8 Service Corp. as a senior regulatory analyst.
- 10 Q. And did you prepare prefiled testimony for this docket?
- 12 A. (By Mr. Conneely) Yes.
- Q. And is that prefiled testimony under the tab entitled "Conneely Testimony" in what's been marked as Exhibit 2?
- 16 A. (By Mr. Conneely) Yes.
- 17 Q. And to the best of your knowledge and
 18 belief, was your prefiled testimony true and
 19 accurate at the time it was filed?
- 20 A. (By Mr. Conneely) Yes.
- Q. Okay. And do you have any corrections or updates to your prefiled testimony?
- 23 A. (By Mr. Conneely) Yes, I do. To the extent

- that my prefiled testimony is inconsistent with the information contained in the cost of gas filing that has been marked as Exhibit 4, revisions in Exhibit 4 take precedence and supercede any conflicting information in my prefiled testimony.
 - Q. Okay. So, subject to any changes to your prefiled testimony that would be necessitated by the updated cost of gas filing, do you adopt that testimony today?
 - A. (By Mr. Conneely) Yes, I do.

- Q. One additional thing, Mr. Conneely. For
 Attorney Ross's benefit, could you please
 provide a brief explanation of the effects
 of Northern's proposed cost of gas filing on
 the monthly bill of a typical residential
 heating customer consuming 50 therms per
 month?
 - A. (By Mr. Conneely) Yes. Revised Schedule 8 provides information that's on Bates Stamp 156 of 238. And this page shows the effect of the revised cost of gas on residential customers.

[WITNESS PANEL: CONNEELY|WELLS|KAHL]

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1	HEARINGS EXAMINER ROSS: Hold
2	on a minute. Can you give me one of the
3	Exhibits 2 and 3 from the file, just so I
4	have them for reference?
5	MR. SPEIDEL: Here, we have
6	this.
7	MS. GEIGER: And this
8	actually I think the page that Mr.
9	Conneely is referring to, it's in Exhibit 4,
10	actually.
11	HEARINGS EXAMINER ROSS: In
12	Exhibit 4?
13	MS. GEIGER: Yeah.
14	MR. SPEIDEL: So here we have
15	the updates. Is there
16	(Off-the-record discussion.)
17	HEARINGS EXAMINER ROSS: All
18	right. We're going to turn off the audio
19	because of the static. We'll have to fiddle
20	around with that some other time.
21	All right. And we were on
22	Exhibit 4.
23	MR. CONNEELY: Yeah. Attorney

Ross, it's on Page 156 of 238 of the Bates Stamp, and this Schedule 8.

HEARINGS EXAMINER ROSS: And could I ask you a question, only because I need to understand as we go. When you say a typical customer with 50 therms per month, is that the Company's assessment of what a summer heating or non-heating customer would use? I mean, what customer are we talking about here?

MR. CONNEELY: This is the residential heating customer for the summer period.

HEARINGS EXAMINER ROSS: Okay.
Thanks.

A. (By Mr. Conneely) And on that Page 156, the residential customer using 50 therms monthly would expect to see a decrease of \$9.12 in their overall monthly bill. This is a decrease of 14.2 percent from last summer's season's gas bill for the same consumption levels.

HEARINGS EXAMINER ROSS: Thank

• • •

23

1 you.

2 BY MS. GEIGER:

- 3 Q. And Mr. Conneely, do you have anything 4 further to add to your testimony?
- 5 A. (By Mr. Conneely) No.

6 MS. GEIGER: Thank you. The

7 witnesses are available for

8 cross-examination.

9 MR. SPEIDEL: Okay. Very good.

10 I will provide Attorney Ross with the

remainder of Exhibit 4's schedule summary so

that she has it handy in case she wants to

13 review it.

14 HEARINGS EXAMINER ROSS: Thank

15 you.

16 CROSS-EXAMINATION

17 BY MR. SPEIDEL:

18 Q. Let's start from the top. If we can begin

19 with Mr. Conneely, would you be able to give

a quick capsule summary, not in terms of

21 bill impacts, but in terms of dollar values,

of how the proposed 2012 off-peak period

cost of gas rate, as revised, compares to

{DG 12-068} [04-19-12]

- 1 last year's seasonal average rate?
- 2 A. (By Mr. Conneely) This would be on
- 3 Exhibit 4, and that's Bates Stamp 152 of
- 4 238.
- 5 Q. Okay.
- 6 A. (By Mr. Conneely) Revised Schedule A is the
- 7 tab. And this list of -- the first page
- 8 would be the typical residential heating
- 9 bill using 318 therms for --
- 10 HEARINGS EXAMINER ROSS: Could
- 11 you repeat the page again?
- MR. CONNEELY: Yeah. It's Page
- 13 152 of 238 and that's in the revised
- 14 Schedule 8.
- 15 HEARINGS EXAMINER ROSS: Thank
- 16 you. Okay. Please continue.
- 17 A. (By Mr. Conneely) And this schedule
- 18 contains -- the first page is the
- 19 residential heating bill, and behind that
- are a few different classes of customers:
- 21 G40, G41 and G51. Do you want me to just
- speak to the residential heating bill?
- 23 O. Sure. That would be fine.

A. (By Mr. Conneely) So, on the right-hand side of the layout is May through October, which comprises the summer period. So, for the typical residential heating customer, \$339.01 is the forecasted amount for this upcoming 2012 summer. Down below has a total for the summer 2011 of \$396.53. So, the change, season over season, would be \$57.52, or a net change of 14.51 percent.

HEARINGS EXAMINER ROSS: You just indicated that the -- I apologize for interrupting the cross. But I thought I had a note earlier that the bill impacts were 15.2 percent reduction, and now you're telling me it's a 14.5 percent reduction. Did I get that wrong?

A. (By Mr. Conneely) There's two different kinds of benchmarks that we're using. On this particular one that we're speaking of, the \$57.52 change, that's using 318 therms for the whole season. And if you look under -- this schedule's a little difficult to read for the first time. But it has the

	26	
1	months above, and it has different usage for	
2	each month; whereas, on Page 156	
3	HEARINGS EXAMINER ROSS: I	
4	think I understand. Would you say the 14.5	
5	number might be a little more accurate, since	
6	it's based on a monthly variation as opposed	
7	to average monthly therm used?	
8	MR. CONNEELY: Yeah, it's	
9	seasonal. It's kind of trying to capture a	
10	benchmark of each month.	
11	HEARINGS EXAMINER ROSS: Okay.	
12	Thank you.	
13	BY MR. SPEIDEL:	
14	Q. Now, Mr. Conneely, can you compare the rate	
15	itself that's proposed for this summer as	
16	compared to the seasonal average rate of	
17	last summer?	
18	A. (By Mr. Conneely) Yeah. It's again on	
19	Page 152 of 238. We have on the left-hand	
20	column the summer 2012 proposed cost of gas,	
21	and that's .4264. And then last year, down	
22	below, under the summer 2011, there's a	
23	boxed number that says "Summer Period 2011	

- Average Cost of Gas," and that's .6218.
- 2 Q. Per therm; right?
- A. (By Mr. Conneely) Per therm, yeah. So the change -- excuse me. I'll do this calculation. It's a decrease of .1954 per

6 therm.

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7 THE COURT REPORTER: Point?

MR. CONNEELY: .1954.

MR. SPEIDEL: Dollars.

- 10 BY MR. SPEIDEL:
 - Q. All rightie. Moving on, Mr. Conneely. Are any of the gas supplies in this off-peak cost of gas forecast hedged, pre-purchased or otherwise tied to a predetermined fixed price?
 - A. (By Mr. Wells) I'll take that one, Attorney Speidel.

The Company, consistent with its approved hedging plan, has May and October futures contracts purchased for the summer period. The detail of this is found on Schedule 7, which was revised in Exhibit 4. And it's revised on Page 150 of 238.

- So we can incorporate that by reference. Q. think we're all set on that question. you, Mr. Wells.
- 4 To the Panel: Do you know if the Audit Staff has completed its review of cost of 5 gas reconciliation from last summer? 6
- 7 (By Mr. Conneely) I can speak to that, Α. Attorney Speidel. 8

As of yet, we have not heard back from the Audit Staff. Historically, they are 10 still looking into it at this point. And if 11 12 they have any problems, it's usually looked at and reconciled in the next cost of gas. 13

- Okay. Are you aware of any issues, at least Q. on an interim basis, resulting from the Audit Staff's review of the reconciliation from 2011?
- (By Mr. Conneely) No, sir, I am not. 18 Α.
- 19 Thank you very much.

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These questions are for Mr. Kahl. 20 on21 Page 7, beginning at Line 6 of your 22 testimony --

23 MR. SPEIDEL: And Attorney Ross, that can be found within the Exhibit 2
copy that I've shared with you.

BY MR. SPEIDEL:

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- Q. You state the demand costs for the summer period have undergone significant changes, making it necessary for the Company to change the annual demand cost allocations in this filing. Are these demand cost allocations normally determined with each peak period cost of gas forecast?
- A. (By Mr. Kahl) Yes. Excuse me. Yes, they are typically done with the peak period winter filing.
- 14 Q. What are some of the demand costs that have
 15 undergone significant changes since the peak
 16 period forecast?
- 17 A. (By Mr. Kahl) I will turn this one over to Mr. Wells.
- 19 A. (By Mr. Wells) So the demand cost update is
 20 based upon a change in TransCanada demand
 21 tolls from what was available during the
 22 winter season to what was approved by the
 23 NEB prior to the preparation of the budget

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30
1
         for the summer season.
2
                        HEARINGS EXAMINER ROSS:
                                                  What
3
         is the NEB?
4
                        MR. WELLS:
                                    Excuse me.
                                                 It is
5
         the National Energy Board in Canada --
                        HEARINGS EXAMINER ROSS:
6
                                                  Oh,
7
         thank you.
8
                        MR. WELLS: -- that regulates
         TransCanada tolls.
9
                        HEARINGS EXAMINER ROSS:
10
                                                  Okay.
11
         Thank you.
         (By Mr. Wells) So the reduction of demand
12
    Α.
13
         costs that was anticipated due to the
14
         National Energy Board order results in a
         projected total Company demand cost
15
         reduction of about $1.8 million per year.
16
17
         The Company believes that it is appropriate
         to reflect that change on a current basis in
18
         the summer filing. So the filing that has
19
         been prepared shows a different demand cost
20
21
         than what had been approved in the winter
22
         COG filing on that basis. However, the
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Company does not propose to change the PR

allocator of actual demand costs incurred for the summer -- during the summer period from the PR allocator that was approved by both the New Hampshire and Maine Commissions out of the winter COG period.

The result of changing the annual demand cost in this filing is intended only to reflect a lower amount of cost that is required to be recovered from New Hampshire summer COG customers for this period, but will not affect the allocator of actual costs as they are incurred during the summer period between the Maine and New Hampshire divisions.

- Q. And that would be a good segue into my next question. Did the changes result in any changes in the cost allocation factors used to allocate these costs between Northern's Maine and New Hampshire divisions? And you can give a yes or no answer to that. The answer would probably be?
- A. (By Mr. Kahl) I'll take that question.

There are several components to the PR

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         allocators. And all we've noticed is one
         small change to one component of one
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3
         one-hundredth of a percent. Overall there
4
         is no change to the PR allocators.
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                        HEARINGS EXAMINER ROSS: Could
         you tell me what "PR" stands for?
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7
                        MR. KAHL: Proportional
8
         responsibility.
9
                        HEARINGS EXAMINER ROSS:
                                                  Thank
10
         you.
                        MR. KAHL:
                                   This is the
11
         allocation between New Hampshire and Maine.
12
13
                        HEARINGS EXAMINER ROSS:
                                                  Thank
14
         you.
    BY MR. SPEIDEL:
15
         On Page 15, Line 6 of your testimony, Mr.
16
    Q.
17
         Kahl, you state, "The Company is projecting
18
         no refunds related to gas supply-related
19
         costs in this filing." Has the Company
         decided how it would treat the Tennessee Gas
20
         Pipeline refunds related to its FERC rate
21
22
         case?
23
         (By Mr. Kahl) The Company intends to flow
    Α.
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those through in a -- consistent with the Company's tariff. The Company can attempt to flow those in in the summer CGA.

When my initial testimony was submitted, the Company had not received that refund. However, the Company does have to do or undertake a number of steps to make sure that refund is flowed through accurately. The Company will make its best effort to get that into the May 1 rates. If it feels that it needs additional time, it will flow that into the first adjustment a month later, which would occur towards the end of May and be effective June 1st.

Q. Thank you for that explanation.

HEARINGS EXAMINER ROSS: I assume that means that the change will be less than, is it a 20-percent threshold that we have that you can make changes without review?

MR. KAHL: Yes, 25 percent.

HEARINGS EXAMINER ROSS: Thank

you.

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1
    BY MR. SPEIDEL:
         Mr. Kahl, will the Company be providing
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    0.
         Staff with detailed summaries and
3
         explanations of how the refund allocators
4
         are applied?
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6
          (By Mr. Kahl) Yes, it will.
    Α.
7
         Thank you.
    Q.
          (By Mr. Kahl) Attorney Speidel, let me just
8
    Α.
         add, it's highly likely we will have that in
9
         place for the May 1st summer season.
10
               And one other just slight correction.
11
12
         We have a 25-percent threshold upwards.
13
         this is going to be a refund pushing rates
14
         downward --
15
                        HEARINGS EXAMINER ROSS:
                                                  Thank
         you for the clarification.
16
17
         There is no threshold downward.
    Α.
                        HEARINGS EXAMINER ROSS:
18
                                                  You're
         right.
19
               (Court Reporter interjects, as parties
20
               are speaking at the same time.
21
22
               Previous response read back.)
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(By Mr. Kahl) Earlier, the issue of a

23

Α.

threshold came up. And there is a 25-percent threshold in which, if rates -- rates can go up by as much as 25 percent without any approvals -- specific approval. Rates can decrease 100 percent without any approval. There is no threshold downward for price adjustments.

MS. GEIGER: And I'm sorry to disrupt the flow of the cross-examination, but the Company had submitted to Staff some schedules yesterday via e-mail that would outline and describe how this adjustment would be made, or the refund. I don't know if that's something that would be helpful for the record at this point, but the Company would like to make that available.

MR. SPEIDEL: As a matter of fact, I had conferred with Mr. Wyatt about that. It had come in pretty close to our hearing. And we think it best for us to review it for accuracy, and then the Company can provide such explanations within the context of one of its monthly over/under cost

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of gas filings -- for example, for May or
1
         June or something along those lines -- so
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3
         that we can get everything right.
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                        MS. GEIGER: Okay.
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                        MR. SPEIDEL: So, thank you.
         Thank you for offering that, though.
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7
                        MS. GEIGER: Okay.
8
                        MR. SPEIDEL: And that's why
9
         it's nice to have a court reporter in person
         at these hearings, because you can get
10
11
         everything in accurately.
    BY MR. SPEIDEL:
12
         All rightie. We have some general questions
13
    Q.
14
         about company-managed supply allocation for
         the entire panel. Anyone who'd like to
15
         answer can answer. And these are just
16
17
         general background questions.
              Perhaps someone could explain as to
18
         when company-managed supply resources -- how
19
         that has developed over time, when they
20
21
         first came into use, some of the corporate
         history of that.
22
23
         (By Mr. Kahl) I'll start out. And it might
    Α.
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- help just to clarify what company-managed gas, or company -- we're talking about company-managed or company use? I'm sorry?
- Q. Company-managed. That's right. Yeah.

A. (By Mr. Kahl) All right. Company-managed gas. This is tied to capacity assignment for third-party providers. So if we just pick a third-party-provider, such as Sprague or Amerada Hess, they will serve customers who won't require our supply. And these customers are customers that have migrated. They used to be our customers and they've left our system and they're allowing this third party to provide their supply. When they migrate from a sales customer to a pure transportation customer, they are getting the capacity that we had subscribed for them.

So now, their third-party-provider is assigned capacity. And the way that the system operates is contracts, such as pipeline contracts, are released to that third-party-provider. For instance:

Tennessee Gas Pipeline, who is one of our major pipelines, we will release some of that, and the contract basically goes to that third-party-provider. However, some contracts cannot be released. And in that case, it is a company-managed contract, which means that a third-party-provider will nominate the gas, and we will make sure that that gas shows up at their receipt point -- I'm sorry -- at the delivery point. And we will invoice the customer in that case -- or, actually, the third-party provider. So that's what company-managed gas is.

So it is gas that we are still buying. It's flowing on our system. And because we couldn't release it, now Northern Utilities will bill the third-party provider for the fixed and variable costs related to that capacity.

(Off-the-record discussion between Staff counsel and Mr. Wyatt)

BY MR. SPEIDEL:

Q. Mr. Kahl, thank you for your patience.

So when you refer to capacity being
released to certain customers, you're making
a shorthand reference to the mandatory
capacity assignment provisions of Northern's
tariff?

A. (By Mr. Kahl) Yes, I am.

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- Q. Very good. And when you refer to customers migrating out of Northern's system, you are referring to them migrating out of Northern's supplier/customer stable, but they remain as transportation customers; correct? They're not shutting down their operations, for instance.
- 14 A. (By Mr. Kahl) That's correct. They're

 15 simply not relying on Northern Utilities for

 16 the gas itself. They're relying on a

 17 third-party-provider for that gas and the

 18 transportation to get it to their delivery

 19 point.
- Q. And obviously, Northern still provides
 delivery service to those customers. Would
 that be right?
- 23 A. (By Mr. Kahl) That is correct.

- 1 Q. Okay. Very good.
- 2 MR. SPEIDEL: So I think we can 3 skip through this question, Mr. Wyatt. This 4 is redundant at this point.

5 BY MR. SPEIDEL:

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- Q. All right. Now, in general terms, Mr. Kahl, could you tell us the dollar amount of these company-managed supply resources assigned to transportation customers in both the Maine division and the New Hampshire division for the 12-month period from May 2010 to April 2011? Now, that's a very detailed question. But we were wondering if you happen to have that handy in one of your schedules.
- A. (By Mr. Wells) When you ask that question as a clarifying question, are you referring to the commodity cost or to total cost?
- Q. Well, commodity or total, perhaps we could have both. I think that would be best to have both.
- 22 A. (By Mr. Wells) I would have to take that as
 23 a record request. I don't have -- I mean,

- if we're looking for actual data for the
 last 12 months, I would have to take that as
 record request.
- 4 Q. Okay. Let's just wait a second.
- 5 A. (By Mr. Wells) Unless you're looking for a ballpark figure.
- 7 (Off-the-record discussion between 8 Staff counsel and Mr. Wyatt)
- 9 BY MR. SPEIDEL:
- 10 Q. A ballpark figure would be fine for the time being.
- 12 A. (By Mr. Kahl) Can we just clarify what time 13 period we're looking at?
- Q. May 2010 through April 2011. So, that gas year, if you will.
- A. (By Mr. Wells) It was -- you know what? I

 would -- even a -- I would say it was

 several million dollars. And I would be

 reluctant to give a tighter range than that.

 It was significant.
- Q. Okay. That's satisfactory. Thank you,

 Mr. Wells.
- In what year was mandatory capacity

- assignment for transportation customers
 required in New Hampshire as part of the
 tariff?
- 4 A. (By Mr. Kahl) I believe that was 2001.
- Q. Okay. And in what year was mandatory capacity assignment for transportation customers required in Maine?
- 8 A. (By Mr. Kahl) I believe that was either -- I think it was 2006.
- All right. So, prior to Maine implementing 10 Q. capacity assignment in 2006, or thereabouts, 11 12 company-managed supply resources, along with 13 the associated costs, were only required to 14 serve capacity-assigned transportation customers in New Hampshire; and in 2006 or 15 thereabouts, these supply volumes and costs 16 17 became necessary in both Maine and New Hampshire. Is that right? 18
- 19 A. (By Mr. Kahl) That's correct.
- Q. Okay. So in what year did Unitil acquire the Northern gas utility?
- 22 A. (By Mr. Wells) It was 2008.
- 23 A. (By Mr. Conneely) December.

1 A. (By Mr. Wells) December 1st of 2008 I
2 believe was the exact date of transaction.

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- Q. So, since acquiring Northern, how long have company-managed supply resource volume and costs been assigned strictly to New Hampshire, and how long have they been assigned to both Maine and New Hampshire?
- 8 A. (By Mr. Kahl) Since -- I'm sorry. Since 9 Northern was acquired this is?
- 10 Q. Yes, by Unitil, by the current parent company.
- 12 A. (By Mr. Kahl) So it's been since...
- (By Mr. Wells) I would -- as a point of 13 Α. 14 clarification, I would say that I would -- I 15 would say that since we acquired the Company in December 2008, we have been using only 16 17 New Hampshire company-managed volumes in the calculation of the allocator of commodity 18 costs from December 2008 through 19 October 2011. 20

Now, that may not be the exact same thing as how you phrased your question, Attorney Speidel, and so that's why I am

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answering in a different format, is that we calculated a percentage of variable -- you know, a percentage cost variable allocator each month between Maine and New Hampshire, and then all bills that come in are allocated on that basis. So, as an invoice comes in, we determine if the cost was a demand cost or a commodity cost and then apply the appropriate allocator. And so that's why I phrased -- that's why the response is that we considered New Hampshire -- you know, we've considered New Hampshire company-managed sales in that allocator consistently since the beginning and have realized recently that it is inappropriate to consider only New Hampshire company-managed in the calculation of the allocator, and have determined that company-managed sales in both the Maine and New Hampshire divisions are necessary in order to determine an appropriate allocator of variable commodity costs between the divisions on a prospective basis.

So, as of November 2011, we changed our allocation -- the process by which we calculate the allocator each month to include company-managed sales in both the Maine and New Hampshire division.

So the result is we come out with a percentage that takes into account sales service for both Maine and New Hampshire, company-managed service for both Maine and New Hampshire, and then take those into account to come up with a total percentage of all variable costs.

- Q. Okay. And as part of that, the Company has adjusted these calculations and has applied those adjustments to the current off-peak period cost of gas filing; is that correct?
- 17 A. (By Mr. Kahl) That is correct.
- 18 Q. Thank you very much.

- MR. SPEIDEL: I think we're all set for cross-examination.
- 21 INTERROGATORIES BY HEARINGS EXAMINER ROSS:
- Q. Just to follow up on the questions onallocation, before you were actually looking

- at both sales and company-managed service
 for the two jurisdictions, Maine and New
 Hampshire, to a arrive at an allocator, you
 were, what, applying an allocator that had
 been established prior to -- how did you
 derive an allocator before that? I'm not
 following it.
- 8 A. (By Mr. Kahl) An indicator was, you know,
 9 taken from our information on how much
 10 throughput was going through the system. So
 11 we're looking at our sales volumes, and we
 12 had been looking at --
 - Q. For both jurisdictions?

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- 14 A. (By Mr. Kahl) Both jurisdictions, and look
 15 at company-managed volumes. But consistent
 16 with the instructions from NiSource, the
 17 company-managed from Maine was not included
 18 in that. So it was giving us basically a
 19 number that is not really an appropriate
 20 number to use.
 - Q. And of your -- I'm trying to get a sense of proportion.
- Of your total -- let's take New

- Hampshire for a minute. Seems to me I
 remember in the filing that, of your total
 gas volumes, about a third of them are sales
 volumes and two thirds of them are
 transportation customer volumes; is that
 correct?
 - A. (By Mr. Kahl) Well, the issue of what's sales versus what's transportation isn't exactly what you want to compare. You want to compare what the transportation volumes are that are company-managed.
- Q. Okay. And what subset of transportation volumes are company-managed, roughly?
 - A. (By Mr. Kahl) In our response to Data

 Request 1-3, I believe we do provide some
 information on this. You know, I'm looking
 right now at -- this is attachment Staff
 1-3A, 2 of 13.
- MR. SPEIDEL: And that would be within Exhibit 6, Attorney Ross, the big one,
 I believe.
- 22 BY HEARINGS EXAMINER ROSS:

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23 Q. And what page again? On 119 did you say?

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1
         I'm not finding the page number. But I'll
         take your word for it, if you'll just give
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3
         me a percentage or something that I can use
4
         as a...
5
                        MR. SPEIDEL: What is the page
         number, Mr. Kahl?
6
7
                        MR. KAHL: It's Page 2 of 13.
8
                       MR. SPEIDEL:
                                      Two of 13.
         Attachment Staff 1-3A. Here we go.
9
         you very much.
10
11
         (By Mr. Kahl) Yeah, so as we look at these
    Α.
         numbers, we see total sales volumes for New
12
13
         Hampshire, 229,000; Maine, 206,000. We also
14
         factor in company use, which is a fairly
         small amount; loss and unaccounted for
15
         amounts; and then we factor in
16
17
         company-managed. So this amount for New
         Hampshire has about 8,000. For Maine, it's
18
         about 40,000. And again, the total sales
19
         number is about 229,000 for New Hampshire;
20
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And the total number would include -- in

other words, the company-managed would be a

206,000 for Maine.

21

22

23

Q.

subset of the total number?

- A. (By Mr. Kahl) Yes. Now --
- Q. Thank you. That at least gives me a sense of proportion. I was just trying to...
 - A. (By Mr. Kahl) Right. I'd also like to follow up on that. If we jump ahead and look at Page 7 of 13 -- and one other point that's important to mention here is that the assignment programs in New Hampshire and Maine are different. They operate on a different set of rules. And so if we look here on Page 7, we're going to see that the company-managed for New Hampshire is just under 3,000, but there's nothing for Maine. So Maine does not have any company-managed volumes from April through October.

If you turn to the next page, Page 8, we are in the month of May of 2011. Again, you're seeing there's no company-managed supplies in this case for either state. But Maine will not have any and cannot have any by the structure of its program, April through October.

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			50
1	Q.	I don't see a line on Page 7 that shows a	
2		zero for Maine. What am I missing here?	
3	A.	(By Mr. Kahl) This is Page 7 of 13?	
4	Q.	Yes.	
5	A.	(By Mr. Kahl) Company-managed for New	
6		Hampshire, do you see 2,786?	
7	Q.	No. I see total	
8	A.	(By Mr. Kahl) Just above the shaded bar.	
9		It's two rows up from that.	
10	Q.	Oh, okay. I do see a blank. All right.	
11		You're right. Got it. Thank you.	
12		HEARINGS EXAMINER ROSS: All	
13		right. Does Staff have any further	
14		questions?	
15		MR. SPEIDEL: No further	
16		questions. We have a closing statement.	
17		HEARINGS EXAMINER ROSS: Does	
18		the Company wish to redirect?	
19		MS. GEIGER: Very briefly for	
20		clarification, and it's really just for	
21		Attorney Ross's benefit.	
22		REDIRECT EXAMINATION	
23	BY M	MS. GEIGER:	

And I don't know if -- Mr. Wells brought Q. this issue up, and I think Mr. Kahl continued speaking about it.

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4 There was some testimony on cross regarding the fact that, pursuant to 5 instructions from NiSource, the Company had 6 7 not included the Maine company-managed volumes in the PR allocator. Could you 8 please explain for Attorney Ross's benefit exactly what those directions were and the 10 Company's reaction to them? 11

Α. (By Mr. Kahl) Yeah. When we -- when Northern undertook getting all the data from NiSource for this transition --

15 **HEARINGS EXAMINER ROSS:** 16 when you say "Company," you're now referring 17 to Unitil.

- Yes, thank you MR. KAHL: Yes. for the clarification.
- (By Mr. Kahl) But part of that included a Α. set of instructions from NiSource. Those have also been included in the response to Data Request 1-3, and it is attachment Staff

1 1-3B that does list this and...

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HEARINGS EXAMINER ROSS: That's Staff Data Request 1-3, Attachment B, did you say?

MR. KAHL: Attachment 1-3B.

HEARINGS EXAMINER ROSS: Okay.

(By Mr. Kahl) And this is, I believe, shown Α. on the top of Page 10 of that attachment, where we will see instructions saying "Include company-managed volumes for New Hampshire only." And this is on that first little list of items. It's about the third one down. Yeah, you'll see that. So these were the instructions that we had. And we had looked into that. We talked with our accounting staff. Best of my knowledge, accounting staff had actually talked with NiSource, and this was the way that they instructed us to handle this. We looked into this further last year over a fairly lengthy period and basically came to the

conclusion that either NiSource gave us a

faulty set of instructions or that their

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1		allocation method simply was not appropriate
2		for assigning cost between the two states.
3		MR. SPEIDEL: And if I may just
4		ask one small question. And whenabouts was
5		that, roughly, in time?
6		MR. KAHL: This was all in
7		2011.
8		MR. SPEIDEL: 2011? In the
9		springtime, roughly?
10		MR. KAHL: This was a
11		multi-month period that it was looked at.
12	A.	(By Mr. Kahl) I believe we also attached two
13		data requests: 1-3 response, Attachment
14		Staff 1-3C which provided some testimony
15		from a hearing that NiSource had. And I
16		believe this was in 2008. But again and
17		I bring up this attachment because this is
18		part of the additional work that we had
19		looked into to
20		MR. SPEIDEL: Okay.
21		MR. KAHL: try to rectify
22		this.
23		HEARINGS EXAMINER ROSS: Does

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         the Company have any further re-cross or --
         redirect? I'm sorry.
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                        MS. GEIGER: One moment,
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         please.
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               (Pause in proceedings)
                        MS. GEIGER: Just one further
6
         question for clarification.
7
8
    BY MS. GEIGER:
         In terms of the allocator adjustment that's
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    Q.
         being made in this cost of gas, is it the
10
         Company's position that it's -- that the
11
         allocator adjustment that's being made now
12
13
         is being implemented to be -- to update,
14
         basically, or to correct for erroneous
         instructions that the Company received from
15
         NiSource?
16
17
         (By Mr. Kahl) Yes. Yes, it is.
    Α.
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                        HEARINGS EXAMINER ROSS:
                                                  I
19
         think I get the picture.
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                        MS. GEIGER:
                                     Okay.
                        HEARINGS EXAMINER ROSS:
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                                                  All
22
         right. I think we're -- any other procedural
23
         issues?
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	[WITNESS PANEL: CONNEELY WELLS KAHL]
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1	(No verbal response)
2	HEARINGS EXAMINER ROSS: Are
3	there any objections to admitting these
4	exhibits as full exhibits?
5	(No verbal response)
6	HEARINGS EXAMINER ROSS: All
7	right. They'll be admitted then as exhibits.
8	We have six of them, I believe?
9	THE CLERK: Seven.
10	HEARINGS EXAMINER ROSS: Seven?
11	Thank you.
12	And I would invite Staff to
13	present their closing statement first and
14	then the Company. And if you have anything
15	in writing that you can share with me, it
16	would assist me in preparing a report
17	quickly.
18	MR. SPEIDEL: This time around,
19	Attorney Ross, I'd like to give it orally
20	from the basis of memory
21	HEARINGS EXAMINER ROSS: That's
22	fine.
23	MR. SPEIDEL: from short

{DG 12-068} [04-19-12]

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notes, because this is a little bit of an unusual cost of gas proceeding. However, Staff does believe that the Commission's approval of the Company's cost of gas rates as part of this off-peak proceeding is appropriate at the present time, subject to reconciliation.

The supply planning and demand forecasting presented by the Company as part of this filing are acceptable and within the normal range of precedent. We do note that the rate as presented and revised before the Commission reflects the Company's revisions to the company-managed supply allocations. However, we do believe that it is time for the Commission to grant the opening of a separate investigative docket to examine this issue. It's a very technical issue. Quite an amount of money might be involved, and Staff believes that further investigation is appropriate at the present time.

The revisions we believe are

sufficient for the purpose of this cost of gas rate that is being considered as part of this docket. But the matter at hand should be considered as part of a separate investigative docket going forward, and we do reserve the right to request further reconciliation and revisions as necessary.

We thank the Company for its cooperation in providing data responses on a fast track before this proceeding, and we also recommend that the Company continue to work to enhance their legibility and user-friendliness of its filings. Thank you.

MS. GEIGER: Yes, thank you.

Northern would respectfully ask that the

Commission put into place the rates that the

Company has requested for the summer period

COG, in terms of the updated filing the

Company made on April 13th -- dated

April 13th. I believe Staff has no objection

to those rates.

In addition, as testimony has

indicated, the Company will be including, in addition to the filing its made, refunds from the Tennessee Gas Pipeline case.

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And lastly, with respect to the request by Staff for a separate docket to consider the allocator adjustment issue, the Company certainly would be very happy to cooperate with Staff in providing whatever information Staff wants. But we don't, quite frankly, see the need for a separate docket to consider the issue. You know, for In Unitil's -- on the electric example: side of the company Unitil's default service filings, issues come up in between default service filings that we work with the Electric Staff on, and we deal with resolution of them in the subsequent filing. And we certainly understand in this case that Staff hasn't had a lot of time to review and analyze the allocator adjustment issue. So, this is sort of a long way of saying is we don't believe that a separate docket should be opened to consider this,

but the Company would be willing to work
with Staff over this summer to answer
whatever questions Staff has, to meet in a
technical session.

Also, because this issue affects the Maine division, we believe that we would need to coordinate with Maine Staff on this as well. So there may be a need for a joint meeting with Maine Staff on the issue.

So, certainly, the Company would be happy to respond to any data request, formal or informal, as if we were in a separate or formal docket. But we feel that we can talk to Staff and work through these issues outside the need of an official docket, and then hopefully resolve the issue, or tee it up, if you will, during the peak period, or winter 2012-2013 COG filing. Thank you.

HEARINGS EXAMINER ROSS: All right. Thank you for your time. Are there any other items we need to cover before we

[WITNESS PANEL: CONNEELY|WELLS|KAHL]

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         close the hearing?
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               (No verbal response)
                        HEARINGS EXAMINER ROSS: I will
3
         take all of these matters under advisement
4
5
         and will issue a recommendation, written
6
         shortly, that you'll all get. Thank you.
7
                        MS. GEIGER:
                                      Thank you.
8
                        MR. SPEIDEL: Thank you.
        (Whereupon the hearing concluded at 9:38 a.m.)
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CERTIFICATE

I, Susan J. Robidas, a Licensed
Shorthand Court Reporter and Notary Public
of the State of New Hampshire, do hereby
certify that the foregoing is a true and
accurate transcript of my stenographic
notes of these proceedings taken at the
place and on the date hereinbefore set
forth, to the best of my skill and ability
under the conditions present at the time.

I further certify that I am neither attorney or counsel for, nor related to or employed by any of the parties to the action; and further, that I am not a relative or employee of any attorney or counsel employed in this case, nor am I financially interested in this action.

Susan J. Robidas, LCR/RPR Licensed Shorthand Court Reporter Registered Professional Reporter N.H. LCR No. 44 (RSA 310-A:173)