STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

NORTHERN UTILITIES, INC.	)	DG 14-239
2014-2015 Winter Season Cost of Gas and Associated Charges	)	

NORTHERN UTILITIES, INC. EXCEPTIONS TO HEARING EXAMINER'S REPORT

On October 23, 2014, a hearing was held to consider Northern Utilities, Inc.'s ("Northern" or "the Company") proposed Cost of Gas ("COG"), Local Delivery Adjustment Clause ("LDAC"), and miscellaneous rates for the winter 2014-2015 season. At the very end of the hearing, during the closing statement of the Staff of the Public Utilities Commission ("Staff"), it was alleged, for the first time on the record, that certain costs incurred during the 2013-2014 winter were misallocated by the Company to the New Hampshire Division of Northern.

In its closing statement following the Staff, the Company pointed out that there was no evidence on the record of any misallocation of costs, and, to the contrary, the record evidence was that the Company's filing had strictly adhered to the cost allocation methodology previously approved by the Commission. At page 4 of the Hearing Examiner's Report ("Report"), however, the Hearing Examiner recommends approval of the COG, LDAC, and miscellaneous rates filed for by the Company, "on the condition that 2013-2014 winter costs <u>misallocated</u> to the New Hampshire Division of the Company will be subject to further Commission review and potential reimbursements to New Hampshire Division customers." (Emphasis supplied.) The Company submits that the conclusion that any misallocation of 2013-2014 winter costs occurred is a prejudgment not supported by the record, and respectfully requests that the Commission not adopt this portion of the Report.

In all of its seasonal COG filings, Northern adheres to its Commission-approved method of assigning costs between divisions: The allocation of demand costs is pursuant to the settlement agreement in DG 05-080, and the allocation of monthly commodity costs is based on volume dispatched to each division consistent with DG 12-131. There is no testimony or evidence in this docket that any other methodology was used. The allocation methodology in question was arrived at as a result of settlement negotiations and has been approved by both the New Hampshire and Maine Commissions. If the Staff has question or concerns about the allocation methodology, and wishes to change the terms of the settlement agreement or the PR Allocator, those concerns must be raised in a manner where all interested parties, including those in Maine, can participate.

The Staff offered no testimony, nor any evidence to support its misallocation claim. The Staff allegation appears to have been based upon a concern that costs for Company-managed supplies incurred to serve Maine transportation (capacity-exempt) customers and incremental costs related to the return of Maine transportation customers to Maine Sales Service were not fully recovered from those customers during the 2013-2014 winter season, and resulted in a portion of these costs being shifted to New Hampshire Division customers. However, the Staff's reliance upon Exhibit 6 for support of its claim is misplaced.

Exhibit 6 (the Company's response to Technical Session Data Request TC-5) expressly states that "[t]here are a number of significant challenges in attempting to estimate the incremental costs incurred to supply reverse migration load during the 2013-2014 winter in both New Hampshire and Maine," and that "it is unlikely Northern would have required any incremental resources had this been the only factor impacting Northern's sales service requirements this past winter." Exhibit 6, page 1. This Exhibit explains further that there were a number of dynamic events which affected last winter's cost of gas, such as the higher than forecasted demand in both the Maine and New Hampshire divisions last winter due to the addition of new customers, a low estimate of existing customer use and sustained extreme cold weather. It is therefore very difficult, if not impossible to determine which, if any, individual factor actually was the cause of the incremental costs. Id. at 2. Moreover, even if such a conclusion could be reached, and it was determined that costs to serve Maine's capacity exempt load were allocated, in part, to New Hampshire customers, it cannot be shown that such allocation was improper or not contemplated by the DG 05-080 settlement agreement and methodology approved in DG 12-131.

As the Commission is aware, the Company makes no profit as a result of its commodity sales. The cost of gas is a direct pass-through to its customers. If the Commission were to deny recovery of any portion of the gas commodity costs without <u>any</u> finding of unreasonable or imprudent action by the Company, and find instead that the costs should have been allocated to its other division despite the fact that they were allocated pursuant to the approved methodology, those costs would be trapped: the Company would be unable to recovery them. Such a result would be contrary to past Commission orders as well as settled New Hampshire law. The Commission cannot expect the Company to fulfill its obligation as supplier of last resort if it will be subject to such risk.

As the Company stated in its closing, it values its Maine and New Hampshire customers equally and does not wish to burden either of its division's customers with costs which are improperly allocated. Should the Commission determine that the issue described above requires further review, the Company will cooperate fully. The Company simply requests that this issue not be prejudged.

WHEREFORE, the Company respectfully requests that the Commission:

1. Not adopt the conclusion of the Hearing Officer that there was a misallocation of 2013-2014 winter costs of gas to the Company's New Hampshire division; and
2. Take such further steps and make such further findings and orders as the Commission deems reasonable and necessary.

Respectfully submitted,
Northern Utilities, Inc.

By:______________________________

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