

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

October 18, 2017 - 9:15 a.m.  
Concord, New Hampshire

30 OCT '17 PM 12:26

RE: DG 17-144  
NORTHERN UTILITIES, INC.:  
2017-2018 Cost of Gas.

**PRESENT:** Chairman Martin P. Honigberg, Presiding  
Commissioner Kathryn M. Bailey  
Commissioner Michael S. Giaimo

Sandy Deno, Clerk

**APPEARANCES:** Reptg. Northern Utilities, Inc.:  
Patrick H. Taylor, Esq.

**Reptg. Residential Ratepayers:**  
Brian D. Buckley, Esq.  
Office of Consumer Advocate

**Reptg. PUC Staff:**  
Alexander F. Speidel, Esq.  
Stephen Frink, Asst. Dir/Gas & Water  
Al-Azad Iqbal, Gas & Water Division

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

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**CERTIFIED  
ORIGINAL TRANSCRIPT**

**I N D E X****PAGE NO.**

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

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**E X H I B I T S**

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1	2017-2018 Cost of Gas filing <b>{CONFIDENTIAL &amp; PROPRIETARY}</b>	9
2	2017-2018 Cost of Gas filing, consisting of Tariff Pages; Table of Contents and Summary; Prefiled Testimonies of Messrs. Kahl, Wells, and Conneely; Schedules; and Re-Entry Fee Filing <i>[REDACTED - For Public Use]</i>	9

**P R O C E E D I N G**

CHAIRMAN HONIGBERG: Good morning, everyone. We're here in Docket DG 17-144, which is the Northern Utilities 2017-2018 Cost of Gas proceeding. We have the files in front of us. We do have the affidavit of publication, which I think came in this morning.

So, before we do anything else, let's take appearances.

MR. TAYLOR: Good morning, Commissioners. Patrick Taylor, on behalf of Northern Utilities, Inc.

MR. BUCKLEY: Good morning, Mr. Chairman and Commissioners. My name is Brian D. Buckley. I'm a staff attorney with the Office of the Consumer Advocate. And I am here representing the interests of residential ratepayers.

MR. SPEIDEL: Good morning, Commissioners. Alexander Speidel representing the Staff. And I have with me Al-Azad Iqbal of the Gas and Water Division and Assistant Director Stephen Frink of the Gas and Water

1 Division.

2 CHAIRMAN HONIGBERG: So, how are we  
3 proceeding this morning? And do we have any  
4 preliminary matters we need to deal with,  
5 Mr. Taylor?

6 MR. TAYLOR: One preliminary matter  
7 that I wanted to bring to the Commission's  
8 attention. I don't know if I'd call it a  
9 "matter". It's really more of a status report.

10 As you know, we also have a  
11 corresponding docket going on in Maine for our  
12 Maine Division in the Cost of Gas there.  
13 Yesterday evening the Commission Staff in Maine  
14 issued its Examiner's Report. And the  
15 Examiner's Report in Maine, and I'm probably  
16 telling you something you already know, the  
17 Examiner's Report in Maine comes in the form of  
18 a Draft Order. It constitutes the  
19 recommendation of the Commission Staff, and the  
20 parties to the case will have an opportunity to  
21 file exceptions to that, and that will be next  
22 week.

23 In that case -- well, it came out  
24 last night, so we haven't had a chance to

1 really analyze it. But, giving it a quick read  
2 among those of us who are here today, there  
3 were two things that we just wanted to bring to  
4 the Commission's attention that may be of  
5 interest.

6 One, and this is something that will  
7 probably be discussed today, Northern has  
8 proposed a approximately \$128,000 adjustment to  
9 account for a misallocation of costs to Maine  
10 last year. The Commission Staff has used a  
11 methodology different from that than the  
12 Company and has arrived at a \$148,000  
13 adjustment. So, we'll be filing exceptions on  
14 that next week, but I wanted to bring that to  
15 the Commission's attention.

16 Also, just with respect to the method  
17 of allocating off-system peaking supplies and  
18 demand costs on the Division going forward,  
19 just scanning the order, it appears that the  
20 Staff has come up with a different methodology  
21 than that of the Company. We don't know what  
22 the impact of that would be. But that's  
23 something that remains an open issue in the  
24 State of Maine.

1                   And, so, again, it's something that  
2                   was just issued late yesterday. We haven't had  
3                   a chance to analyze it. But I did want to  
4                   bring to the Commission's attention that it has  
5                   been issued, and that there are some unresolved  
6                   issues that remain pending.

7                   CHAIRMAN HONIGBERG: Okay. I guess,  
8                   if there are specific questions for the  
9                   witnesses or if there's issues that the  
10                  witnesses can elaborate on the effects of those  
11                  reallocations if they were to hold, if they do  
12                  have an effect on New Hampshire ratepayers,  
13                  that could be explained, or if you want to  
14                  explain how that might affect New Hampshire's  
15                  ratepayers, I think that it might be useful to  
16                  have that on the record.

17                  MR. TAYLOR: Yes. And, again, we  
18                  haven't really had an opportunity to examine  
19                  that yet. So, I don't know -- I don't  
20                  anticipate that it would be a very significant  
21                  impact to either jurisdiction. The method for  
22                  allocating the costs, we may have different  
23                  ways of doing it, but it's still going to  
24                  reflect the realities in both states. So, I

[WITNESS PANEL: Kahl|Wells|Conneely]

1 don't anticipate that there would be a  
2 significant swing between one methodology and  
3 another. Some of my witnesses may have a more  
4 refined opinion on that.

5 And, again, these issues won't  
6 actually be resolved until an order is issued  
7 at the end of the month. And we do intend to  
8 file exceptions, or I expect that we will file  
9 exceptions. I mean, again, we still need to  
10 unpack this Examiner's Report. So, we can  
11 answer your questions as best we can. But,  
12 just because of the timing, it may be difficult  
13 for us to do that with the level of analysis  
14 that we might typically like to do. But we did  
15 want to bring it to your attention.

16 CHAIRMAN HONIGBERG: Okay. Anything  
17 else in the way of preliminaries?

18 MR. TAYLOR: Not from the Company.

19 CHAIRMAN HONIGBERG: All right. The  
20 witnesses are prepositioned. Mr. Patnaude,  
21 would you like to do the honors?

22 (Whereupon **Christopher A. Kahl,**

23 **Francis X. Wells,** and

24 **Joseph F. Conneely** were duly

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[WITNESS PANEL: Kahl|Wells|Conneely]

1                               sworn by the Court Reporter.)

2                               CHAIRMAN HONIGBERG: Mr. Taylor, you  
3 may proceed.

4                               MR. TAYLOR: Thank you. And I guess,  
5 just before we start, I don't know if it would  
6 be helpful for us to mark the exhibits in this  
7 case?

8                               CHAIRMAN HONIGBERG: We could have  
9 done that before they were sworn in or after.

10                              MR. TAYLOR: Sorry.

11                              CHAIRMAN HONIGBERG: If you want to  
12 do it now, that's fine.

13                              MR. TAYLOR: Okay. I know that we  
14 have a confidential version, and we can mark  
15 that as "Hearing Exhibit 1", and the  
16 non-confidential version as "Hearing  
17 Exhibit 2".

18                                       (The documents, as described,  
19 were herewith marked as  
20 **Exhibit 1** and **Exhibit 2**,  
21 respectively, for  
22 identification.)

23                              **CHRISTOPHER A. KAHL, SWORN**

24                              **FRANCIS X. WELLS, SWORN**

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**JOSEPH F. CONNEELY, SWORN**

**DIRECT EXAMINATION**

BY MR. TAYLOR:

Q Mr. Kahl, could you please state your name and your position with the Company.

A (Kahl) Christopher Kahl, Senior Regulatory Analyst, Northern Utilities.

Q Have you previously testified before the Commission?

A (Kahl) Yes.

Q And referring to Hearing Exhibit 1, if you could turn to the tab containing your testimony. And was this testimony prepared by you?

A (Kahl) Yes, it was.

Q Do you have any changes or corrections that you would like to make to your testimony or to the schedules appended to your testimony today?

A (Kahl) Yes. There are three corrections. These all pertain to the redline versions of the tariff pages. They don't apply to the clean tariff pages. But, if you look through, and we don't have Bate page numbers for the tariff pages, but, when we get into the redline

[WITNESS PANEL: Kahl|Wells|Conneely]

1 pages, the very first one is called "Supplement  
2 Number 2 Original Page Number 1", that's the  
3 very first redline page you'll run into. That  
4 one has no corrections.

5 However, when we get to Original Pages 3,  
6 4, 5, and 6, just at the top, on the title,  
7 these are referred to as "Residential Rates",  
8 but these are all Commercial or C&I Rates,  
9 Commercial and Industrial Rates. Again, --

10 CHAIRMAN HONIGBERG: Off the record.

11 *[Brief off-the-record discussion*  
12 *ensued.]*

13 **BY THE WITNESS:**

14 A (Kahl) One other redline page correction I just  
15 wanted to point out. And this would be Revised  
16 Page 43. There's a lot of numbers on this  
17 page, but the replacement commercial and  
18 industrial rates are not the actual ones that  
19 show up on the clean version. And, again, the  
20 rates showing in the clean version are accurate  
21 and correct.

22 BY MR. TAYLOR:

23 Q Thank you. And, so, just to reiterate, with  
24 all of the changes you just -- or, all of the

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1 errors that you just identified in the redline  
2 pages, none of those appear in the clean pages  
3 that have been filed in this docket, correct?

4 A (Kahl) That is correct.

5 Q Putting those corrections aside, do you have  
6 any other changes that you wish to make to your  
7 testimony today?

8 A (Kahl) No.

9 Q Mr. Wells, could you please give your name and  
10 position with the Company.

11 A (Wells) My name is Francis Wells. I'm the  
12 Manager of Energy Planning for Unitil Service  
13 Corp.

14 Q And have you previously testified before the  
15 Commission?

16 A (Wells) I have.

17 Q With respect to the Company's filing and the  
18 testimony that bears your name within it, do  
19 you have any corrections to your testimony or  
20 the schedules?

21 A (Wells) No.

22 Q And, Mr. Conneely, can you please give your  
23 name and position with the Company?

24 A (Conneely) Good morning. My name is Joseph

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[WITNESS PANEL: Kahl|Wells|Conneely]

1 Conneely. I'm a Senior Regulatory Analyst with  
2 Unitil Service Corp.

3 Q Have you previously testified before the  
4 Commission?

5 A (Conneely) Yes.

6 Q Do you have any changes or corrections that  
7 you'd like to identify in your testimony or the  
8 schedules that were included with your  
9 testimony?

10 A (Conneely) No.

11 MR. TAYLOR: I do have a few brief  
12 direct questions that I'd like to ask the  
13 witnesses.

14 BY MR. TAYLOR:

15 Q I'll direct this to Mr. Kahl. Although, if any  
16 of the other witnesses feel that they're better  
17 positioned to answer, please go ahead.

18 Are you familiar with the Company's  
19 proposed tariff changes in Docket DG 17-104 and  
20 the Commission's recent approval of those  
21 changes?

22 A (Kahl) Yes, I am. This is the changes to the  
23 Retail Choice Program -- actually, it's changes  
24 to the Delivery Service Terms and Conditions.

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[WITNESS PANEL: Kahl|Wells|Conneely]

1       So, these are tariff changes reflecting the  
2       changes to that Retail Choice Program. And  
3       those changes were designed basically to make  
4       the program run better, and also to keep it  
5       more in line or more consistent with how the  
6       program is run in the Maine Division.

7   Q   And does the Commission's approval of the  
8       proposed tariff changes in DG 17-104 have any  
9       impact on the tariff pages that were submitted  
10      for approval in this docket?

11  A   (Kahl) Yes, it does. I believe, in my  
12      testimony, I did mention that there are two  
13      versions of Tariff Page 171. If we look at the  
14      proposed tariff pages here, and these are the  
15      last of the clean tariff pages, you'll notice  
16      there's two versions. There is "Fourth Revised  
17      Page 171" and an "Alternate Fourth Revised  
18      171".

19           Alternate Fourth Revised 171 reflects  
20      changes that were proposed in the Retail Choice  
21      or Delivery Service Terms and Conditions  
22      filing. And, as I had mentioned in my  
23      testimony, if we had approval of Docket 17-104,  
24      we would put into place the Alternate Fourth

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1 Revised Page 171.

2 So, the page before that will not be going  
3 into effect. We will be replacing the "Firm  
4 Sales Service Re-Entry Fee" listed there with  
5 the two charges, the "Re-Entry Surcharge" and  
6 the "Conversion Surcharge".

7 Q Thank you. Mr. Conneely, these questions are  
8 for you. For a typical residential heating  
9 customer using 609 therms per winter, could you  
10 please explain how the rates for November 2016  
11 through the end of April 2017 compare with all  
12 of the new rates that are proposed for the  
13 period November 2017 through April 2018?

14 CHAIRMAN HONIGBERG: Let's go off the  
15 record for a second.

16 *(Whereupon an off-the-record*  
17 *discussion ensued at 9:29 a.m.*  
18 *and the hearing resumed at*  
19 *9:39 a.m.)*

20 CHAIRMAN HONIGBERG: All right. We  
21 had a period off the record that I'm sure that  
22 the transcript will reflect. Two problems  
23 happened coincidentally. One was a technical  
24 problem with Mr. Patnaude's machine, and so

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1 he's got a replacement machine that he's  
2 currently using. And we'll hope that one  
3 doesn't break, because, if it does, he will be  
4 taking shorthand.

5 The substantive problem had to do  
6 with what appears to be a production error in  
7 the creation of the binders that generated  
8 problems in what looked like everyone's books,  
9 and also a unique problem with one of the  
10 books.

11 So, Mr. Taylor, we had a  
12 conversation, it was off the record. The  
13 upshot of it is you're going to be able to  
14 provide corrected versions of the pages that  
15 are incorrect, which is, as I understand it,  
16 redline pages in everyone's book appear to be  
17 wrong, and those can be replaced. And, then,  
18 the unique problem in the one book is, probably  
19 don't need to deal with, but that could be  
20 corrected as well, right?

21 MR. TAYLOR: That is correct. And  
22 we'll do that as soon as possible.

23 CHAIRMAN HONIGBERG: All right. I  
24 have no idea what the last question and answer

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[WITNESS PANEL: Kahl|Wells|Conneely]

1       were you had with your witnesses. Do you want  
2       to -- you want to go back to where you were,  
3       which I think is the alternate version of Page  
4       171, which is the one that's going to take  
5       effect, assuming this all gets approved?

6               MR. TAYLOR: Sure. I can ask  
7       Mr. Kahl to restate his answer on that.

8               WITNESS KAHL: Yes.

9       BY MR. TAYLOR:

10    Q       So, yes. Mr. Kahl, just the Commission's  
11       approval of the tariff changes in Docket DG  
12       17-104, could you please explain the impact  
13       that they have on the tariff pages submitted in  
14       this docket?

15    A       (Kahl) Yes. As I had explained in my  
16       testimony, there are two versions of Tariff  
17       Page 171 that we're proposing: Fourth Revised  
18       and Alternate Fourth Revised. And Alternate  
19       Fourth Revised was included in the event that  
20       we get approval for the revised Delivery  
21       Service Terms and Conditions, which we did get.

22               So, in that case, we are proposing to put  
23       into place the rates associated with Alternate  
24       Fourth Revised Page 171. And, basically, to,

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1       for lack of a better term, ignore what was on  
2       the initial Fourth Revised Page 171.

3       Q     Okay. Mr. Conneely, these are some fairly  
4       specific questions. But, for a typical  
5       residential heating customer using 609 therms  
6       per winter, could you please explain how the  
7       rates for November 2016 through the end of  
8       April 2017 compare with all of the new rates  
9       that are proposed for the period of November  
10      2017 through April 2018?

11      A     (Conneely) Yes. Schedule 8, Bates Page 192.  
12      This page shows the impact of the proposed  
13      rates for this period. An average residential  
14      heating customer, using 609 therms per year,  
15      paid \$960.34 for the period November '16  
16      through April 2017. The same customer will pay  
17      \$954.13 for the period November 2017 through  
18      April 2018 if the proposed rates in this docket  
19      are approved. This is a decrease of \$6.21, or  
20      0.65 percent.

21      Q     And could you also provide a brief explanation  
22      of the effect of Northern's proposed rates on  
23      the bills of a typical residential heating  
24      customer consuming 129 therms during the entire

[WITNESS PANEL: Kahl|Wells|Conneely]

1 Summer 2018 period?

2 A (Conneely) Yes. Again, on Schedule 8, this  
3 page is 197. And this pages provides the  
4 information. It shows the impact of the  
5 proposed rates in this docket. An average  
6 residential heating customer consuming 129  
7 therms during the entire six-month summer  
8 period of May through October 2018 will see  
9 bills that total \$259.91. This is \$1.67 or  
10 0.65 percent higher than the bill for the same  
11 usage during the Summer 2017 period.

12 MR. TAYLOR: I have no further  
13 questions for the witnesses.

14 CHAIRMAN HONIGBERG: Mr. Buckley.

15 MR. BUCKLEY: Thank you, Mr.  
16 Chairman.

17 **CROSS-EXAMINATION**

18 BY MR. BUCKLEY:

19 Q Mr. Kahl, can you turn for me to Bates 202,  
20 which is Schedule 9? So, Schedule 9 compares,  
21 and correct me if I'm wrong, it compares the  
22 cost of gas from last winter to this winter,  
23 and seems to show the winter cost of gas rate  
24 going from about 76 cents to 71 cents per

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[WITNESS PANEL: Kahl|Wells|Conneely]

1 therm, is that correct?

2 A (Kahl) Yes.

3 Q Thank you. And just so I make sure that I  
4 understand this schedule correctly, is it  
5 possible that there is an error in this, or  
6 actually three errors in this schedule? One  
7 being just below the "2016 through '17 Cost of  
8 Gas Rates" title, where it says "January-18",  
9 it should be "January-17", I think; and, then,  
10 just below where it says "Average Winter 17  
11 through 18" should be "16 through 17"; and,  
12 then, where it says "Summer 2018", just below  
13 that, should be "Summer 2017"?

14 A (Kahl) One minute.

15 *[Short pause.]*

16 **BY THE WITNESS:**

17 A (Kahl) Yes. So, under where it says "Summer  
18 2018", that should say "2017". And where it  
19 says "January-18", that should be a "17". And,  
20 then, the "Winter Average" period, that should  
21 be "16 through 17".

22 BY MR. BUCKLEY:

23 Q Thank you very much, Mr. Kahl. Moving to the  
24 corresponding testimony, which is Bates 039,

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[WITNESS PANEL: Kahl|Wells|Conneely]

1 Line 17 through 21 is where I would direct you  
2 to.

3 A (Kahl) I'm sorry, what page is that?

4 Q Bates 039. So, this testimony suggests that  
5 the variance is "primarily due to a higher  
6 customer demand forecast that offsets slightly  
7 higher expected demand costs". Can you just  
8 unpack that for me for a moment? Just give me  
9 an -- so, it seems like the higher customer  
10 demand that's relating more to peak and  
11 capacity, and then the slightly higher  
12 expected -- or rather, the slightly higher  
13 expected demand costs are related to capacity  
14 and peak, and the higher customer demand is  
15 across the entirety of the usage?

16 A (Kahl) Yes. It's basically there is -- demand  
17 costs are slightly higher than they were  
18 initially projected at last year. However, the  
19 forecast for customer demand is also higher,  
20 and that increase is larger than what we're  
21 seeing in demand costs. So, that's going to  
22 bring down your per unit cost.

23 Q Thank you, Mr. Kahl. Moving onto Mr. Wells, at  
24 Bates Page 063, I think this is Line 1 I'm

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1 directing you to. And this is another just  
2 housekeeping thing. Where it says "2015  
3 through '16 Winter Cost of Gas", should that  
4 have said -- read "2016 through '17"?

5 A (Wells) Yes.

6 Q Thank you, Mr. Wells. And just one more  
7 question here, moving to Bates 074 through 075,  
8 and Mr. Taylor already covered this quite a  
9 bit. So, relating to the Modified  
10 Proportional Responsibility allocator, which  
11 Northern has proposed to credit back to Maine  
12 customers and a debit to New Hampshire  
13 customers of \$128,639 [\$128,693?].

14 Can you tell me a little bit about the  
15 mechanics of this? For example, is that  
16 \$128,000, does that end up in the prior period  
17 under-recovery/over-recovery line item in this  
18 current cost of gas?

19 A (Wells) Yes. It would end up in the  
20 over-/under-recovery. But I believe, Mr. Kahl,  
21 did you have any clarification you'd like to  
22 make to that?

23 A (Kahl) Yes. That number does show up in  
24 Schedule 15, and that would be on Bate Page

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1       255. And, on this page, we don't have line  
2       numbers, but we have sections. The first  
3       section is "Pipeline Reservation". The second  
4       is "Product Demand". It's the last item on  
5       "Product Demand" you'll find that number.

6   Q   Great. Thank you. And, just last follow-up  
7       question here. The projected 44,199 associated  
8       with the same Modified Proportional  
9       Responsibility allocator, that would be  
10      somewhere different, right? That wouldn't be  
11      in the prior period?

12   A   (Kahl) Yes. That is what we're projecting for  
13      this year, what we've calculated for this year.  
14      So, that shows up in Schedule 1A, Bate Page  
15      089, Line number 81. And this is a credit.  
16      And, in this section, Line 75 through 81, all  
17      those numbers are credits. So, they all get  
18      subtracted from the costs.

19               MR. BUCKLEY: Okay. Thank you very  
20      much. No further questions.

21               CHAIRMAN HONIGBERG: Mr. Speidel.

22               MR. SPEIDEL: Thank you, Mr.

23      Chairman.

24   BY MR. SPEIDEL:

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[WITNESS PANEL: Kahl|Wells|Conneely]

1 Q Synching off of Mr. Buckley's line of  
2 questioning, Mr. Kahl, will the recent tariff  
3 changes address the cause of the \$128,000  
4 adjustment in the future?

5 A (Kahl) The tariff changes from Docket 17-104?

6 Q You got it.

7 A (Kahl) That will not have any impact on the  
8 cost of gas. So, --

9 Q Okay. That's good to have clarified. Thank  
10 you. How is the Company's sales forecast  
11 compared to last year? And, in particular, and  
12 this is for the open panel, could you please  
13 explain the reasons behind the 4.2 percent  
14 increase in sales volume referenced on Bates  
15 Page 048?

16 A (Wells) So, Bates Page 048 shows a "Table 1",  
17 which is titled "2017-18 Winter New Hampshire  
18 Division Billed Distribution Service Volumes  
19 Forecast Compared to Prior Years". And, so,  
20 the first point of clarification I'd like to  
21 make is this is the total system, including  
22 both sales service customers and delivery  
23 service customers. And the annual increase of  
24 4.2 percent is attributable, you know, if I

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[WITNESS PANEL: Kahl|Wells|Conneely]

1 would start with one issue that we have in  
2 '16-17, as many of you I'm sure are aware, the  
3 Company recently installed a new billing system  
4 for its retail customers.

5 And one of the -- one of the steps that  
6 the Company took, in order to prepare for that  
7 cutover, was actually shortening the billing  
8 period last winter. So, there were actually  
9 fewer bill days for the '16-17 Winter Period  
10 than there typically are and that what we are  
11 forecasting for the '17-18 billing period. So,  
12 that affected the winter billed sales, insofar  
13 as in order to -- there was a period of time  
14 when the billing system had to be, you know,  
15 the billing system needed to be -- the old  
16 billing system needed to be completely shut  
17 down prior to the new billing system being  
18 started. And, so, in order to minimize, you  
19 know, minimize the impact on a monthly basis,  
20 what the Company did is we slowly moved the --  
21 shortened the billing period prior to cutover.  
22 And then we are slowly increasing the billing  
23 period back to what it would typically be.

24 So, that the -- when you look at the

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1 Winter Period '16-17 billed sales relative to  
2 the forecast, a significant portion of that is  
3 attributable to the fact that we had fewer bill  
4 days in the '16-17 period than we do in the  
5 '17-18 period.

6 That having been said, the entire, you  
7 know, my understanding is, is that by -- when  
8 you compare annualized '17-18 to '16-17, this  
9 impact would have been resolved. And that  
10 we -- that the projection was that, by the end  
11 of '16-17, we would be back to a full billing  
12 period. But it's not clear, because '16-17  
13 actual, the footnote here is that it's  
14 "Weather-normalized data through July" and  
15 "Projected data beginning August '17". It's  
16 not clear that the forecast data necessarily  
17 reflects that, bringing the data back into the  
18 full bill -- it's probably more of a typical  
19 bill cycle, rather than the reflecting the  
20 increase in bill cycle data.

21 So, when I look at -- when I'm evaluating  
22 the sales forecast, I like to look at the two  
23 years prior. When you look at the 2015-16  
24 actual and compare that to the forecast, the

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[WITNESS PANEL: Kahl|Wells|Conneely]

1 annualized increase is more like 5.4 percent.  
2 And, so, I'm viewing it as more of a compound  
3 average growth rate of between two and three --  
4 or, excuse me, between two and a half and three  
5 percent, rather than a six percent in one year.  
6 Because I do think that the '16-17 data has  
7 some anomalous attributes due to the cutover of  
8 the new billing system.

9 Q So, it's essentially, due to an accounting  
10 change, there is a data noise blip, and that  
11 should revert to mean in the coming years under  
12 the new methodology. Is that fair to say,  
13 Mr. Wells?

14 A (Wells) I think that would be a fair  
15 characterization of my testimony. Thank you.

16 Q Okay. Excellent. Moving on. How do the  
17 current NYMEX futures prices compare to those  
18 used in the cost of gas filing for the winter  
19 and the summer periods?

20 A (Wells) So, in the winter period, the current  
21 NYMEX, based on yesterday's natural gas  
22 settlement prices, is between 5 to 10 cents  
23 lower than what we originally filed when we  
24 filed this, in our original filing. The summer

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[WITNESS PANEL: Kahl|Wells|Conneely]

1 prices are between 5 and 10 cents higher than  
2 what we originally filed.

3 MR. SPEIDEL: Thank you. At the  
4 present time, and since we're almost at the  
5 hour of ten o'clock, Staff would like to point  
6 out to the Commissioners, if they're interested  
7 in engaging in Bench questioning about this,  
8 that Mr. Wells goes into some detail regarding  
9 some of the negotiations and reworking of the  
10 Company's supply portfolio for the coming year.

11 And it's very detailed information,  
12 and the Commissioners may want to ask a few  
13 questions about it. But I don't want to  
14 necessarily crash into your time, giving that  
15 it's a short hearing today. So, I would --

16 CHAIRMAN HONIGBERG: Mr. Speidel, if  
17 you have questions about those, you should ask  
18 them.

19 MR. SPEIDEL: Okay.

20 CHAIRMAN HONIGBERG: It's much more  
21 likely that you will -- that you'll know what  
22 to ask there than we would cold.

23 MR. SPEIDEL: Okay.

24 CHAIRMAN HONIGBERG: So, why don't

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1       you go ahead.

2                   MR. SPEIDEL:  It's a very simple  
3       question.

4  BY MR. SPEIDEL:

5  Q       Was there any significant change in Northern's  
6       portfolio for the upcoming cost of gas year  
7       that you'd like to discuss?

8  A       (Wells) Yes, there were.  And probably the  
9       easiest way to -- I do have a discussion of the  
10      portfolio in my direct testimony, and that  
11      discussion of the changes begins on Page 055,  
12      Bates Page 055.  I discuss the end of a  
13      long-term capacity release, just for some  
14      background.  But probably the -- rather than  
15      trying to go through word-for-word of that  
16      testimony here, if you refer to -- there's a  
17      table on my testimony, Table 3.  It's Page 11  
18      of 33 of my testimony, Page 053 of the overall  
19      filing.  And all of this data is also found in  
20      Schedule 12, and more supporting detail to  
21      that.

22           But, in summary, there are several changes  
23      to portfolio that are anticipated for 2017-18  
24      compared to prior years.  Under "Pipeline

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1 Capacity Paths", "Dawn Supply", we anticipate  
2 some new TransCanada capacity. We will be --  
3 currently, we have a capacity contract from  
4 TransCanada that gives us capacity from the  
5 interconnection with Union Pipeline, that's in  
6 Ontario, at a location at Parkway, Ontario.  
7 That capacity on TransCanada goes from the  
8 Union system, at Parkway, to Iroquois Pipeline,  
9 at that point. We are going to be turning back  
10 that capacity and replacing it with capacity  
11 that goes from Union's system all the way to  
12 the PNGTS system. And, for the '17-18 year, we  
13 will be buying supply -- we anticipate to be  
14 able to buy supply at Dawn in order to fill  
15 that capacity. And that is a new supply onto  
16 our system.

17 Moving one line down on that section,  
18 "Leidy Supply", I mentioned the ending of a  
19 long-term release of Texas Eastern capacity.  
20 Rather than releasing that capacity in '17-18,  
21 we will be utilizing that capacity and buying  
22 supply at the Leidy storage area, rather than  
23 buying it at the interconnection between Texas  
24 Eastern and Algonquin.

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1           Moving down to the "Storage Capacity  
2       Paths", the line item says "Washington 10  
3       Storage". In previous winters, we had 33,000  
4       decatherms of Portland capacity for Washington  
5       10. We anticipate having 34,000 decatherms for  
6       the upcoming winter.

7           And those are, at a very high level, the  
8       anticipated changes to our long-term portfolio.

9       Q     Thank you, Mr. Wells. Also going back to your  
10      Table 3, on Page 053, Bates Page 053 of your  
11      testimony, there's a reference to "Design Day  
12      Excess Capacity" towards the end of that table.  
13      Maybe you could provide a kind of a capsule  
14      primer of what "design day excess capacity" is  
15      and what its role on the Northern system is?

16     A     (Wells) Certainly. You know, in the past when  
17      I presented this table, I only listed the  
18      supply resources that we have. So, we have a  
19      115,000 decatherm Granite capacity contract  
20      that was -- that is in our portfolio, and we've  
21      had that for some years now. We don't actually  
22      currently need all 115,000 on our design day.  
23      The reason for this -- the reason that we have  
24      115,000 is because, in essence, we are buying

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1        115,000 on design day, and only 85,000 on the  
2        off-peak. So, from a cost standpoint, we are  
3        paying for the same amount of, you know, we're  
4        paying the same annual amount as it would cost  
5        for 100,000 decatherms of year-round capacity.

6                So, this creates some additional Granite  
7        capacity, which you can find under the "Peaking  
8        Capacity Paths". It's the last line item  
9        before the total. And, so, this is the amount  
10       of capacity that is basically contracted with  
11       Granite that we do not currently have a supply  
12       for. It's not needed in order to meet our  
13       design day.

14               So, when I subtotal our capacity, I'm  
15       showing total design day capacity of "128,344".  
16       And the reason that -- that's adding including  
17       the 115,000 of Granite capacity. If I compare  
18       that to our design day capacity, we have  
19       119,134, and we end up with an excess of 9,000  
20       approximately.

21               When I show the supply, there are several  
22       adjustments to the supply that I need to make  
23       when we are determining how much supply we need  
24       for the coming year.

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[WITNESS PANEL: Kahl|Wells|Conneely]

1           The first item is, of course, that we  
2           don't actually currently need the entire  
3           115,000. And, as I previously mentioned, that  
4           additional Granite capacity shows the volume of  
5           capacity that we have under contract isn't  
6           currently utilized for our design day planning.

7           The second adjustment I am making is, due  
8           to the changes in both the Maine and the New  
9           Hampshire Capacity Assignment Programs, we  
10          previously would, in essence, buy off-system  
11          peaking capacity -- or, excuse me, off-system  
12          peaking contract supply, and then we would  
13          assign that supply to retail marketers. Both  
14          programs have been reformed, both Maine and New  
15          Hampshire, so that we, instead of giving them  
16          off-system peaking supplies that they end up  
17          buying from us, we just give them the  
18          upstream -- excuse me -- the Granite capacity  
19          that they could go buy their own off-system  
20          peaking supply with.

21          And, so, the difference between the  
22          "119,134", the total design day capacity  
23          required and the total design day supply  
24          required, the difference is the amount of

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1 off-system peaking supply that we no longer  
2 need to acquire for retail -- for our retail  
3 marketers.

4 MR. SPEIDEL: Thank you very much,  
5 Mr. Wells, for that explanation. Staff has no  
6 further direct questions.

7 CHAIRMAN HONIGBERG: Commissioner  
8 Bailey.

9 BY CMSR. BAILEY:

10 Q Mr. Kahl, on Bates Page 041 of your testimony,  
11 you talk about an update that you may file, if  
12 Staff requests such update --

13 A (Kahl) Yes.

14 Q -- by November 1st. Has Staff requested the  
15 update?

16 A (Kahl) It has not.

17 Q Does it need to be updated?

18 A (Kahl) It does not. I should mention that,  
19 typically, we can adjust rates during the  
20 summer/winter period, as much as 25 percent up  
21 or down by any amount. And we do that with  
22 changes in, you know, due to colder weather,  
23 prices spiking, various reasons. So, we do  
24 have that. But there's no changes that we

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1 think are necessary at this time.

2 Q Okay. And is that because the NYMEX pricing  
3 that you see is lower than what you proposed,  
4 so you have the flexibility to lower the rates  
5 as much as needed?

6 A (Kahl) That's correct.

7 Q Okay.

8 A (Kahl) Yes.

9 Q Thank you. Mr. Conneely, on Page 3 of your  
10 testimony, which is Bates Page 078, you talk  
11 about the Low Income rate, that also includes  
12 the Regulatory Assessment Rate. Why were those  
13 two things combined?

14 A (Conneely) Excuse me. A few years ago we felt  
15 that was the appropriate mechanism to include  
16 the Regulatory Assessment. Sometimes we will  
17 put in changes to other LDAC items in the ERC,  
18 because we kind of use that as another vehicle  
19 to recoup. So, like the -- or, when we have  
20 rate cases, the Rate Case Expense and the RPE  
21 will go into the ERC as a line item, for --

22 Q Which is the Environmental Recovery Charge?

23 A (Conneely) Correct. So, the Residential Low  
24 Income was kind of the mechanism that was still

1 available to use.

2 Q Okay. What is the "non-distribution portion of  
3 the PUC Assessment"? What do you mean by that?

4 A (Conneely) So, the Assessment is broken up into  
5 two buckets; one goes into the base rates,  
6 which is the distribution amount, and the  
7 non-distribution amount is the amount that's  
8 included in my Residential Low Income  
9 Assessment, RLIARA.

10 Q And how do you allocate it between the two?  
11 Why doesn't everything go into the distribution  
12 rate? Or is it just the change from one year  
13 over the other that goes into the Low Income  
14 rate?

15 A (Conneely) The amount is set in the rate case,  
16 the amount that we're going to put into the  
17 residential, --

18 Q Okay.

19 A (Conneely) -- into that bucket is set in the  
20 rate case. And then anything incremental is  
21 put into this RLIARA component.

22 Q Okay. Thank you. Can we look at Page 8, which  
23 is Bates Page 083? And can you explain to me  
24 why the environmental costs were so much higher

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1 in the 2015-16 period than all the other years?

2 A (Conneely) Sure. In Exeter, which is one of  
3 the remediation sites, last year we had a big  
4 cleanup, which will remediate a lot of the  
5 problems going forward for that site. Which  
6 will leave just the Rochester and Somersworth  
7 sites. So, last year we saw a big -- a big  
8 amount, and our Remediation staff was in  
9 talking with Staff and giving updates to the  
10 progress of that cleanup. So, essentially,  
11 that Exeter site is now remediated. So, that's  
12 why last year was such a big amount. This year  
13 is more of what we'll see going forward, as far  
14 as maintenance to those sites.

15 Q So, that cleanup amount was seven times the  
16 number that we see in this table?

17 A (Conneely) It was over two million. Yes.

18 CMSR. BAILEY: Okay. All right.  
19 Thank you. That's all I have.

20 CHAIRMAN HONIGBERG: Commissioner  
21 Giaimo.

22 CMSR. GIAIMO: Thank you.

23 BY CMSR. GIAIMO:

24 Q So, just a point of clarification, make sure I

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1 understand this right. So, am I correct in  
2 saying the effect -- that effective this  
3 upcoming summer, Northern customers are no  
4 longer going to be receiving the rebate  
5 associated with the \$10.4 million rebate from  
6 PNGTS?

7 A (Kahl) Yes. That's correct. The refund, as  
8 you probably know, was credited back to  
9 customers over a three-year period. So, this  
10 winter will mark the last period to flow that  
11 refund over.

12 Q So, what would the adder now be? What would it  
13 look like, the savings that is going to be  
14 removed? It's going to look like a two cents a  
15 month --

16 A (Kahl) Schedule 1A does show the total amount  
17 that's in there.

18 Q Okay.

19 A (Kahl) And the way the refund was credited  
20 back, 50 percent went in year one.

21 Q Right.

22 A (Kahl) Okay, and 30 and 20. So, I believe the  
23 number is slightly over a million dollars. Let  
24 me just see if I can verify that.

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1 Q So, half of 20 percent of 10 million is about a  
2 million. So, --

3 A (Kahl) Yes. Approximately 1.4 million.

4 Q Okay.

5 A (Kahl) And then that would be basically divided  
6 by the total, the winter throughput, which is  
7 about, and I think we do have that, yes, about  
8 34.9 million. So, --

9 Q Goes back and forth?

10 A (Kahl) A small percentage, yes.

11 Q This is an answer probably everyone knows but  
12 me, so I'm going to ask it anyway. How does  
13 New Hampshire's bad debt compare to Maine? And  
14 what safeguards are there that ensures -- are  
15 there safeguards to make sure that there's no  
16 cross-subsidies with regard to one state paying  
17 the other's?

18 A (Kahl) Yes. I don't believe there's any  
19 problem with any cross-subsidies at all. New  
20 Hampshire's is lower, and I don't know exactly  
21 why that's the case. But we do have, I'd say,  
22 a significantly lower amount in New Hampshire.

23 Q So, it seems to me, and I may be wrong, but  
24 there seems to be a two-fold discrepancy

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1       between the LDAC charge between residential  
2       and C&I. That number looks like it's about  
3       0.560 [0.0560?] for residential and 0.0293. Is  
4       there a -- maybe someone could provide some  
5       clarity as to why that is?

6   A     (Kahl) It's Tariff Page 59.

7   A     (Conneely) This is Page 59? Page 59? The  
8       tariff page?

9   A     (Kahl) The tariff page.

10   A    (Conneely) Oh, okay. Yes. The reason why  
11       there's a difference between the residential  
12       and the C&I customers for the overall LDAC is  
13       that some of the individual components are  
14       different per class. For instance, the RLIARA  
15       is across the board the same rate. However,  
16       the EEC, the residential customers pay more  
17       than the C&I customers, same with the LRR and  
18       EEC -- or, the ERC is across the board the same  
19       rate.

20               I'm sorry. Does that answer your  
21       question?

22   Q     That does. Thank you.

23   A     (Conneely) Okay.

24   Q     And my last question is, does the Company

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[WITNESS PANEL: Kahl|Wells|Conneely]

1 provide interruptible transportation service?

2 A (Wells) No. There is no -- I do not believe  
3 that we have an Interruptible Transportation  
4 Service tariff. We do have an Interruptible  
5 Supply tariff, which would be a bundled  
6 service. We haven't had any customers approach  
7 us about interruptible transportation.

8 CMSR. GIAIMO: Okay. That's what I  
9 was wondering. Thank you.

10 CHAIRMAN HONIGBERG: All right.  
11 Whatever questions I had have been answered.

12 Mr. Taylor, do you have any further  
13 questions for your witnesses?

14 MR. TAYLOR: I do not. Thank you.

15 CHAIRMAN HONIGBERG: All right. I  
16 think the witnesses can stay where they are,  
17 because we can wrap up fairly quickly.

18 Without objection, we'll strike ID on  
19 Exhibits 1 and 2. Mr. Taylor, you'll be  
20 providing some corrected pages for both  
21 exhibits with respect to the redline tariff  
22 pages that are in the filings.

23 Is there anything else we need to do  
24 before the parties sum up?

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1 Mr. Speidel.

2 MR. SPEIDEL: Mr. Chairman, I just  
3 wanted to alert everyone that the Company filed  
4 its affidavit of publication yesterday  
5 afternoon for the publication of notice. And  
6 that's that.

7 CHAIRMAN HONIGBERG: Yes. Thank you.  
8 So, with that, I'll let the parties sum up.  
9 Mr. Buckley, please start us off.

10 MR. BUCKLEY: The OCA sees the rates  
11 in the current Petition as just and reasonable,  
12 and suggests their approval by the Commission.

13 CHAIRMAN HONIGBERG: Mr. Speidel.  
14 Can you go shorter than that?

15 MR. SPEIDEL: I don't think so.  
16 There's only so many words you can cut out of  
17 an English sentence, but I'll try. The Staff  
18 supports approval of the Company's requested  
19 cost of gas rate components as filed, subject  
20 to reconciliation.

21 CHAIRMAN HONIGBERG: Thank you,  
22 Mr. Speidel. Mr. Taylor.

23 MR. TAYLOR: I have nothing to add.  
24 I appreciate the Staff -- I appreciate the

1 Commission's time today, and I appreciate the  
2 support of the OCA and the Staff.

3 As is often the case, this is a  
4 fairly straightforward filing. To the extent  
5 there's anything atypical in it, like the  
6 adjustment that we've proposed, it's justified,  
7 it's nonrecurring. And we believe the filing  
8 merits the Commission's approval.

9 CHAIRMAN HONIGBERG: Thank you very  
10 much. We will take the matter under  
11 advisement, issue an order as quickly as we  
12 can.

13 ***[Whereupon the hearing was***  
14 ***adjourned at 10:17 a.m.]***