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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 16, 2007 - 9:39 a.m.
Concord, New Hampshire

RE: DG 07-102
NORTHERN UTILITIES, INC.:
Winter 2007-2008 Cost of Gas and
Local Distribution Adjustment Charge.

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

Connie Fillion, Clerk

APPEARANCES: Reptg. Northern Utilities, Inc.:
Susan S. Geiger, Esq.

Reptg. Residential Ratepayers:
Kenneth E. Traum, Asst. Consumer Advocate
Office of Consumer Advocate

Reptg. PUC Staff:
F. Anne Ross, Esq.

Court Reporter: Steven E. Patnaude, CCR

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I N D E X

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FRANCISCO C. DaFONTE

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1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning.

3 We'll open the hearing in docket DG 07-102. On
4 September 17, 2007, Northern Utilities filed its cost of
5 gas rates for the period November 1, 2007 through
6 April 30, 2008, and its Local Delivery Adjustment Clause
7 charges and certain supplier charges for the period
8 November 1, 2007 through October 31, 2008. The proposed
9 residential cost of gas rate is \$1.048 per therm, a 30.82
10 cents per therm decrease from the weighted residential
11 cost of gas rate for last winter. The estimated impact on
12 a typical residential bill is a decrease of approximately
13 \$290, or 18 percent. The proposed commercial/industrial
14 Low Winter Use cost of gas rate is 95.3 cents per therm,
15 and the commercial/industrial High Winter Use cost of gas
16 rate is \$1.1208 per therm.

17 Order of notice was issued on
18 September 19 setting the hearing for this morning. I'll
19 note that the affidavit of publication has been filed.
20 And, the Consumer Advocate has filed its notice of
21 participation.

22 So, could we take appearances please.

23 MS. GEIGER: Yes. Good morning, Mr.
24 Chairman, --

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1 CHAIRMAN GETZ: Good morning.

2 MS. GEIGER: -- Commissioner Morrison,
3 Commissioner Below. I'm Susan Geiger, from the law firm
4 of Orr & Reno, and I appear today on behalf of Northern
5 Utilities.

6 CHAIRMAN GETZ: Good morning.

7 CMSR. MORRISON: Good morning.

8 CMSR. BELOW: Good morning.

9 MR. TRAUM: Good morning, Mr. Chairman,
10 Commissioners. Representing the Office of Consumer
11 Advocate, Kenneth Traum.

12 CHAIRMAN GETZ: Good morning.

13 CMSR. MORRISON: Good morning.

14 CMSR. BELOW: Good morning.

15 MS. ROSS: Good morning, Commissioners.
16 Anne Ross, representing the Public Utilities Commission
17 Staff.

18 CMSR. BELOW: Good morning.

19 CMSR. MORRISON: Good morning.

20 CHAIRMAN GETZ: Good morning. Is there
21 any preliminary matters, before we hear from the Company's
22 witness?

23 MS. GEIGER: Yes, Mr. Chairman. The
24 Company had filed a motion for a protective order and

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1 confidential treatment of some confidential, commercially
2 sensitive answers to data requests. I believe those were
3 filed -- the answers were filed last week. And, Attorney
4 Ross has indicated that Staff doesn't have an objection to
5 that motion, although I'll let her speak to that. But
6 that's a preliminary matter. We should address that
7 motion, since Northern will be seeking to introduce that
8 information.

9 CHAIRMAN GETZ: Okay. Do we need a
10 resolution before we proceed with the testimony?

11 MS. GEIGER: I don't know that that's
12 necessary.

13 CHAIRMAN GETZ: Okay.

14 MS. GEIGER: It's just that I wanted to
15 bring that up as a threshold matter, in case the
16 Commission wasn't aware of the pending motion.

17 CHAIRMAN GETZ: Thank you. Mr. Traum or
18 Ms. Ross, did you have anything on that motion for
19 protective order?

20 MS. ROSS: We don't object to the
21 motion.

22 MR. TRAUM: We don't have an objection
23 either.

24 CHAIRMAN GETZ: Okay. Thank you.

[Witness panel: Gibbons|DaFonte]

1 MR. TRAUM: Just one other procedural
2 matter. Staff and the OCA have agreed, for purposes of
3 the cross-examination order, Staff will precede OCA today.

4 CHAIRMAN GETZ: Okay. All right. Thank
5 you. Well, then, let's hear from the Company's witness.

6 MS. GEIGER: Thank you, Mr. Chairman.
7 The Company would like to call two witnesses, and have
8 them take the stand as a panel, if that's okay with Staff
9 and OCA. We would call Mr. Gibbons and Mr. DaFonte.

10 (Whereupon Ronald D. Gibbons and
11 Francisco C. DaFonte were duly sworn and
12 cautioned by the Court Reporter.)

13 MS. GEIGER: And, Mr. Chairman, I've
14 asked that the Clerk premark for identification six
15 exhibits that we will be referring to or at least
16 introducing through the witnesses. And, so, at the
17 appropriate time, if the Chair wishes, they can actually
18 be formally marked, if that's necessary.

19 RONALD D. GIBBONS, SWORN

20 FRANCISCO C. DaFONTE, SWORN

21 DIRECT EXAMINATION

22 BY MS. GEIGER:

23 Q. We'll start with Mr. Gibbons. Could you please state
24 your name and business address for the record.

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[Witness panel: Gibbons|DaFonte]

- 1 A. (Gibbons) Yes. I'm Ronald Gibbons, Manager of
2 Regulatory Accounting, NiSource Corporate Services.
3 And, my business address is 200 Civic Center Drive, in
4 Columbus, Ohio.
- 5 Q. And, what is your job position at NiSource?
- 6 A. (Gibbons) I oversee regulatory matters, gas cost
7 filings, and other assorted matters for Northern
8 Utilities, Bay State Gas, and Columbia Gas of Maryland.
- 9 Q. And, are you the same Ronald Gibbons that prefiled
10 direct testimony in support of Northern Utilities' New
11 Hampshire Division Winter 2007 Cost of Gas filing?
- 12 A. (Gibbons) Yes, I am.
- 13 Q. I'm going to show you a document that I've asked the
14 Clerk to prefile -- or, premark, excuse me, as
15 "Northern Exhibit 1". Could you please describe the
16 exhibit or otherwise identify it?
- 17 A. (Gibbons) This is the original filing that was made
18 September 15th, 2007, in the cost of gas proceeding
19 that we're here for today.
- 20 Q. Does it contain your prefiled testimony?
- 21 A. (Gibbons) Yes, it does.
- 22 Q. Okay. Did you file any updates or revisions to what's
23 been premarked as "Northern Exhibit 1"?
- 24 A. (Gibbons) Yes, we did.

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[Witness panel: Gibbons|DaFonte]

- 1 Q. Okay. And, I'm going to show you a document that I've
2 asked the Clerk to premark for identification as
3 "Northern Exhibit 2". Could you identify this document
4 for the record please.
- 5 A. (Gibbons) Yes. This is a revision to the original
6 filing that was filed on October 11, 2007, mainly
7 containing updates based on the latest known forecasted
8 gas prices.
- 9 Q. Mr. Gibbons, could you please turn to what's been
10 premarked for identification as "Northern 1", and
11 indicate whether, in your prefiled testimony in that
12 document, whether you have any corrections or revisions
13 that you'd like to make?
- 14 A. (Gibbons) Yes, I have a few. On Page 9 of my prefiled
15 testimony, on Line 17, the category heading there, the
16 "Undercollection" should be "Overcollection".
- 17 Q. Okay. And, again, Mr. Gibbons, when you refer to page
18 numbers, could you please refer to the page numbers of
19 the filing. So, in that case, it's going to be Page 9
20 of the filing, right?
- 21 A. (Gibbons) Yes, it is.
- 22 Q. Okay. Do you have any other corrections that you'd
23 like to make?
- 24 A. (Gibbons) Yes. On Page 18 of the original filing, in

[Witness panel: Gibbons|DaFonte]

1 Line 18, the word "increase" at the end of that
2 sentence should be "decrease". Backing up slightly, on
3 Page 16 of the original filing, on Line 20, the word
4 "ERC" should be "LDAC", L-D-A-C. And, on Page 17 of
5 the original filing, Line 13, "Year Three" should be
6 "Year Four". Other than that, there's a couple typos.
7 Line 24, on Page 19, the word "Twenty-five" is
8 misspelled. And, on Page 20, Line 2, "RE" should be
9 "Re". On Line 5, the word "grandfathered" is
10 misspelled.

11 Q. Thank you, Mr. Gibbons. With those corrections to your
12 prefiled testimony, is that testimony, along with the
13 information that's contained in Northern Exhibit 1 that
14 also relates to your testimony, as well as the updates
15 and revisions in what's been marked for identification
16 as "Northern 2", true and accurate to the best of your
17 knowledge and belief?

18 A. (Gibbons) Yes, it is.

19 Q. And, do you adopt all of that information today as your
20 sworn testimony in this proceeding?

21 A. (Gibbons) Yes, I do.

22 Q. Mr. Gibbons, did you respond to a number of data
23 requests issued by the Staff relative to this cost of
24 gas filing?

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[Witness panel: Gibbons|DaFonte]

1 A. (Gibbons) Yes, I did.

2 Q. Okay. And, I'd like to show you a document that I've
3 asked the Clerk to premark for identification as
4 "Northern Exhibit 3". Could you please identify this
5 document for the record.

6 A. (Gibbons) Yes. This is the filing of the answers to a
7 number of data requests issued by Commission Staff, and
8 it was filed on October 1st, 2007.

9 MS. GEIGER: And, I'm assuming that,
10 because these are answers to data requests, that the Bench
11 does not have a copy of this?

12 CHAIRMAN GETZ: That's correct.

13 MS. GEIGER: I'd like to approach.

14 CHAIRMAN GETZ: Thank you.

15 BY MS. GEIGER:

16 Q. Mr. Gibbons, I'd like to show you a document that I've
17 asked the Clerk to premark for identification as
18 "Northern Exhibit 4", and ask you to identify this for
19 the record.

20 A. (Gibbons) Yes. This is the answers to the remaining
21 data requests. And, it was filed on October 5th, 2007,
22 and some of the information is redacted in that filing.

23 MS. GEIGER: Okay. Again, I'd like to
24 provide the Bench with copies of the redacted answers to

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[Witness panel: Gibbons|DaFonte]

1 Staff's data requests that were filed on October 5th.

2 BY MS. GEIGER:

3 Q. Now, were the unredacted versions of those data request
4 answers that were marked "confidential" in what was
5 marked as "Exhibit 4" also provided to the Commission
6 by you?

7 A. (Gibbons) Yes, they were.

8 Q. Okay. And, I'd like to show you what I've asked the
9 Clerk to premark for identification as "Exhibit 5", and
10 ask you to identify that document for the record
11 please.

12 A. (Gibbons) Yes. This is the confidential version of the
13 redacted information that was filed on October 1st
14 [5th?].

15 MS. GEIGER: And, Mr. Chairman, this is
16 the information for which Northern seeks protective
17 treatment that I mentioned in our introductory remarks.

18 BY MS. GEIGER:

19 Q. Lastly, Mr. Gibbons, I'd like to show you a document
20 that I've asked the Clerk to premark for identification
21 as "Northern Exhibit 6", and ask you to identify this
22 for the record please.

23 A. (Gibbons) Yes. At the technical session that was held
24 with Commission Staff and the Company it was requested

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[Witness panel: Gibbons|DaFonte]

1 by Staff that we produce a tariff sheet which would
2 tariffize the firm sales service Re-Entry Fee. And,
3 that's what this filing is here.

4 MS. GEIGER: Okay. And, do the
5 Commissioners have copies of this filing?

6 CHAIRMAN GETZ: Let me make sure. Yes.

7 MS. GEIGER: Great. Thank you.

8 MS. ROSS: Could I -- one procedural
9 point. These exhibits have been premarked for
10 identification, but we'll await -- Staff will wait and see
11 whether they actually are used during the hearing as the
12 basis for any questions. And, it will be our position, if
13 they're not used, that they not be used as exhibits.

14 MS. GEIGER: Okay.

15 CHAIRMAN GETZ: All right. Well, they
16 will be marked for identification as Exhibits 1 through 6
17 as described by Ms. Geiger for the time being.

18 (The documents, as described, were
19 herewith marked as Exhibits 1 through 6,
20 respectively, for identification.)

21 MS. GEIGER: And, Mr. Chairman, just
22 sort of out of an abundance of caution, the Staff --
23 excuse me, the Company wanted to premark these in case
24 Staff had any questions about the information that was

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[Witness panel: Gibbons|DaFonte]

1 contained in them, because during the technical session
2 there was some discussion around some of them. So, we
3 thought that we would get the preliminaries out of the way
4 and premark them. If there aren't any questions about
5 them or if they don't need to be in the record, then,
6 certainly, we'd have no objection to not introducing them.
7 We thought we would get that out of the way now. Thank
8 you.

9 BY MS. GEIGER:

10 Q. Now, Mr. Gibbons, turning back to the COG filing,
11 which, obviously, consists of Exhibit 1 and
12 complimented by Exhibit 2, could you please summarize
13 briefly for the Commission the portions of that filing
14 and the information in those filings that provides the
15 basis for Northern's calculation of its Winter
16 2007-2008 Cost of Gas rates?

17 A. (Gibbons) Yes. Page 3 of the revised filing, there's a
18 summary of commodity costs and demand costs, and they
19 sum down to the total anticipated cost of gas. That
20 amount of gas costs then flows over to Page 5 of the
21 revised filing, where there are -- there is a credit
22 for direct costs assigned to non-grandfathered
23 transportation, along with making a working capital
24 calculation rate and a bad debt rate calculation.

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[Witness panel: Gibbons|DaFonte]

1 Ultimately, the rate to the residential customers of
2 \$1.0610, C&I Low Winter rate of \$0.9801, and the High
3 Winter rate of \$1.1289 is ultimately calculated. Might
4 point out on Page 36 of the revised filing is a
5 hypothetical residential typical bill. And, on this
6 bill -- or, on this page, it shows that the -- this
7 hypothetical residential customer would, if the costs
8 came in exactly the way they are in this filing, they
9 would experience a 17 percent decrease from last
10 winter, or a \$47 a month savings over last winter.

11 Q. Mr. Gibbons, could you briefly describe for the
12 Commission the primary reasons why this year's winter
13 COG rate is lower than last winter's?

14 A. (Gibbons) Yes. There are a couple of reasons. Turning
15 to Page 35 in the revised filing, which is a Variance
16 Analysis of this winter's costs as compared to last
17 winter's actual costs, a couple things stand out.
18 Number one, last winter we had a undercollection, which
19 was a charge to the customer in that upcoming winter.
20 This year we have an undercollect -- or, an
21 overcollection, sorry, overcollection, which results in
22 a credit to the customers. Total commodity costs are
23 down this winter, compared to last winter. And, these
24 are partially offset by a modest increase in demand

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[Witness panel: Gibbons|DaFonte]

1 costs.

2 Q. Thank you. Mr. DaFonte, did you prefile testimony in
3 this docket?

4 A. (DaFonte) Yes, I did.

5 Q. And, where is that prefiled testimony located in
6 Exhibit 1?

7 A. (DaFonte) It is located in the filing on Pages 22
8 through Page 30.

9 Q. Okay. And, Mr. DaFonte, what was the purpose of your
10 prefiled testimony?

11 A. (DaFonte) The purpose of the testimony is to provide
12 the manner in which Northern Utilities was able to meet
13 the requirements of its firm customers in the 2006-2007
14 Winter Period, and also to provide the manner in which
15 Northern Utilities expects to meet the requirements of
16 its firm customers in the upcoming 2007-2008 Winter
17 Period.

18 Q. And, Mr. DaFonte, do you have any corrections to make
19 to your prefiled testimony?

20 A. (DaFonte) I do not.

21 Q. And, do you adopt your prefiled testimony as your sworn
22 testimony in this proceeding?

23 A. (DaFonte) Yes, I do.

24 Q. Could you please briefly summarize for the Commission

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[Witness panel: Gibbons|DaFonte]

1 the supply issues which you've discussed in your
2 prefiled testimony?

3 A. (DaFonte) Yes. Basically, within the testimony, I
4 provide for the actual dispatch of resources in the
5 prior year, 2006-2007 Winter Period, and also, for the
6 upcoming winter period, provide for any changes that
7 may be occurring to the portfolio, and also to provide
8 for the expected dispatch of resources. As of this
9 point, there are no material changes to the portfolio.

10 MS. GEIGER: Thank you. Northern has no
11 further questions for these witnesses.

12 CHAIRMAN GETZ: Ms. Ross.

13 MS. ROSS: Good morning, gentlemen.

14 WITNESS GIBBONS: Good morning.

15 WITNESS DaFONTE: Good morning.

16 CROSS-EXAMINATION

17 BY MS. ROSS:

18 Q. I'm going to begin with Mr. Gibbons. Mr. Gibbons, what
19 percentage of gas supply volumes in this winter cost of
20 gas period forecast have costs that are already
21 determined through prepurchased storage injections,
22 fixed contracts, hedges, or other means?

23 A. (Gibbons) I would like to let Mr. DaFonte answer that
24 question.

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[Witness panel: Gibbons|DaFonte]

- 1 Q. I'm sorry. Mr. DaFonte, go ahead.
- 2 A. (DaFonte) Yes. Based on the physical hedges, they make
3 up approximately 63 percent, that's 6-3 percent of the
4 requirements of Northern's firm sales customers. Those
5 are comprised of underground storage, LNG, and propane
6 supplies. Of the remaining 37 percent, approximately
7 40 percent will be hedged through the nondiscretionary
8 portion of the Company's hedging plan, and an
9 additional 6 percent will be hedged through the
10 execution of five of the predetermined discretionary
11 price targets. That would make up essentially a total
12 of 80 percent of total normal winter period
13 requirements would be hedged via the physical and the
14 financial hedges.
- 15 Q. Thank you. Mr. Gibbons, beginning at the bottom of
16 Page 4 of your testimony, that's the original
17 testimony, you discuss the "Modified Proportional
18 Responsibility methodology", which is used to allocate
19 Northern's fixed gas costs between its Maine and New
20 Hampshire Divisions?
- 21 A. (Gibbons) Yes.
- 22 Q. If we look at the revised cost of gas exhibit, Page 29,
23 can you point us to where we would see the MPR used in
24 this filing?

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[Witness panel: Gibbons|DaFonte]

- 1 A. (Gibbons) The MPR would be a process which would result
2 in the percentage shown on Line 44 and on Line 52, out
3 to the right, under the "Total" column.
- 4 Q. Okay. So, it's -- 44 is Maine and 52 is New Hampshire
5 in that chart?
- 6 A. (Gibbons) Yes.
- 7 Q. Okay. Has there been much change in the New Hampshire
8 Division's allocation factor used in this winter cost
9 of gas filing, when compared to the factor used last
10 year?
- 11 A. (Gibbons) I don't recall exactly what the percentages
12 were last year. But I believe it is basically the same
13 as what it's been, within a percent or so.
- 14 Q. Okay. Thank you. Beginning on Page 5, Line 12 of your
15 testimony, you talk about the "variable gas costs". By
16 "variable costs", are you referring to the COG forecast
17 commodity costs for each division?
- 18 A. (Gibbons) Yes, I am.
- 19 Q. How are actual gas commodity costs assigned to the
20 Maine and New Hampshire Divisions?
- 21 A. (Gibbons) The Accounting section receives all the gas
22 costs in total, and then they do a calculation based on
23 the actual firm sendout to each division. And, then,
24 the actual commodity gas costs are then divided up

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[Witness panel: Gibbons|DaFonte]

1 between the two jurisdictions.

2 Q. And, what time interval do you use for that exercise?

3 Is that monthly or --

4 A. (Gibbons) Yes. It's done each month. Now, the demand
5 costs, once we establish the allocation between the two
6 divisions in this proceeding, that will be the
7 allocation that will be used on the demand costs for
8 the next 12 months.

9 Q. The description you just gave us of how you calculate
10 the firm sendout in the allocation for commodity costs,
11 is that based on your forecasted costs or is that based
12 on actual?

13 A. (Gibbons) No, the allocation -- sorry. The allocation
14 percentage is calculated based on the actuals that come
15 in, not on the estimate.

16 Q. At the bottom of Page 5 of your testimony, you identify
17 an overcollection of 2.77 million, but you do not
18 provide an explanation as to the cause of it or what
19 actions the Company may have taken to reduce the amount
20 overcollected. To what do you attribute the
21 overcollection?

22 A. (Gibbons) A couple of things contributed to that. We
23 did change our rate using the tools provided to us by
24 the Commission. In New Hampshire, we changed the rate

[Witness panel: Gibbons|DaFonte]

1 four times last winter, eventually maxing out the rate.
2 After the last revision was filed effective March 1st,
3 the price of commodity fell. And, also, there were a
4 few costs that were used in the calculation beginning
5 in the winter period. Those had been amortized by
6 somewhat towards the middle part of the winter,
7 however, the full amount was used in making the
8 calculation, which contributed to the overcollection.
9 Also, we believe that the simplified MBA method will
10 result in better estimates in the upcoming winter.
11 We're anxious to see how that works out, if we have
12 better estimates going forward.

13 Q. If we turn to the revised COG exhibit, Page 35, can you
14 tell us what impact last winter's overcollection has on
15 this winter's proposed COG rate? I know you referred
16 to it in your summary, but I think, if we can look at
17 the actual numbers, that would be helpful.

18 A. (Gibbons) Yes. The overcollection from last winter
19 contributed to a 7.6 percent -- or, 7.6 cent reduction
20 in what the estimated average rate would be for
21 residential customers.

22 Q. Where would I find that? Is that on Page 35?

23 A. (Gibbons) Yes, that's on -- it's on Page 35, the line
24 that says "Over/Under Collection" below the bold "Total

[Witness panel: Gibbons|DaFonte]

- 1 Winter Gas Costs", go one line below that, and then go
2 to the fourth column to the right, under "Rate Effect
3 on CGA", it shows the effect on the rate.
- 4 Q. Okay.
- 5 A. (Gibbons) A credit of "0.0762".
- 6 Q. Okay. For future filings, would it be possible to put
7 line numbers on your schedules, so that we can refer to
8 them by line number?
- 9 A. (Gibbons) Yes, we can do that.
- 10 Q. Thank you. On Page 7, Line 13 of your testimony, you
11 identify a net hedging loss of "724,151". Has this
12 number been updated since the initial winter cost of
13 gas filing?
- 14 A. (Gibbons) Yes, it has.
- 15 Q. And, what would the new number be?
- 16 A. (Gibbons) The new number is "\$448,681.
- 17 Q. Thank you. What impact does this loss have on the
18 proposed cost of gas rate?
- 19 A. (Gibbons) It would cause the average rate to be a
20 little bit higher than it would be if it didn't exist.
21 However, these amounts are used to stabilize the rates.
22 And, in times when the price is rising, it would help
23 to moderate an increase to the customers, just as it's
24 moderated a decrease in this instance.

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[Witness panel: Gibbons|DaFonte]

- 1 Q. Can you point us to -- would it be shown in your
2 Variance Analysis on Page 35 of your updated filing?
- 3 A. (Gibbons) Yes, it is.
- 4 Q. Where would we find it?
- 5 A. (Gibbons) In the upper mid portion of that page, under
6 "Commodity". It has the effect of a 0.0123 effect on
7 the average rate.
- 8 Q. That's the line called "Hedging Gain/Loss"?
- 9 A. (Gibbons) Yes, it is.
- 10 Q. Okay. On Page 27, Line 23, of the revised cost of gas
11 exhibit, the schedule indicates the volumes are in
12 therms. When comparing the New Hampshire winter
13 volumes from this page to the volumes on Page 13, Line
14 13, of the revised filing, there is a large
15 discrepancy. Are the volumes on Page 27 actually
16 presented in decatherm units?
- 17 A. (Gibbons) Yes, they are.
- 18 Q. So, what would the correction be then? Could we --
19 Would we change Page 13 or would we change Page 27?
20 Which way would we go?
- 21 A. (Gibbons) Probably, the --
- 22 Q. Change the label?
- 23 A. (Gibbons) Both of them are accurate. Yes, we just need
24 to identify the measurement.

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[Witness panel: Gibbons|DaFonte]

1 Q. Okay. So, on Page 27, it would read "decatherms"
2 instead of "therms"?

3 A. (Gibbons) Yes.

4 Q. Okay. On Page 42, Line 10, of the revised filing, firm
5 sales and transportation Volumes are said to be
6 "63,542,670". Are these volumes presented in therm
7 units?

8 A. (Gibbons) Yes, they are.

9 Q. Can these volumes be reconciled to any presented on
10 Page 27 of the filing?

11 A. (Gibbons) No, it cannot.

12 Q. Could you explain?

13 A. (Gibbons) Well, the reason is, on Page 42 of the
14 revised filing, that includes firm sales and firm
15 transportation volumes. And, the filing on Page 27,
16 and elsewhere in the revised filing, the volumes would
17 be the firm sales plus the non-grandfathered volumes.
18 If the Staff would like, we can provide the backup for
19 that number.

20 MS. ROSS: Could we have a record
21 request for that supplemental information?

22 CHAIRMAN GETZ: Okay. We will reserve
23 Exhibit Number 7 for the record request.

24 (Exhibit 7 reserved)

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[Witness panel: Gibbons|DaFonte]

1 MS. GEIGER: Before we move on, I'd like
2 some clarification as exactly which numbers the backup
3 information will be provided for?

4 MS. ROSS: Okay. The record request
5 will be a request for the support for the number on Page
6 42, Line 10, "63,542,670", a description of what that
7 number includes.

8 (Witness Gibbons nodding affirmatively.)

9 MS. ROSS: Thank you.

10 MS. GEIGER: Thank you.

11 BY MS. ROSS:

12 Q. On Page 12, Lines 3 through 7, of your testimony, you
13 reference the "unaccounted-for factor" used in this
14 forecast. It reflects a four-year average, and is the
15 same data the Company has filed with Department of
16 Transportation. If we turn to Page 13 of the revised
17 COG exhibit, Line 8 shows monthly unaccounted-for
18 losses totaling "363,877 therms" for the winter period.
19 This figure appears to be approximately 1 percent of
20 firm sales listed on Line 7. Now, if we turn to the
21 reconciliation section of the original filing,
22 Page 171, the actual unaccounted for percentage for the
23 12-month period ending April 2007 is reported to be
24 7.59 percent. Can you confirm that the unaccounted-for

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[Witness panel: Gibbons|DaFonte]

1 losses identified on Page 171 of the filing was a topic
2 of interest during the cost of gas discovery process
3 and a subject of discussion during the technical
4 session with Staff?

5 A. (Gibbons) Yes, it was.

6 Q. Does the Company believe it's experiencing actual
7 unaccounted-for losses of 7.59 percent?

8 A. (Gibbons) No, we do not.

9 Q. Can you confirm that the Company has opened an internal
10 investigation of this issue?

11 A. (Gibbons) Yes, we have.

12 Q. Can you briefly describe the actions being pursued in
13 this internal investigation?

14 A. (Gibbons) I'll turn this over to Mr. DaFonte, because I
15 believe he's involved in the investigation.

16 A. (DaFonte) Yes. I'm actually part of the team that is
17 looking into the unaccounted-for situation. We have
18 looked at the program that is used to calculate this.
19 It's an automated program. It was developed initially,
20 I believe, in 2000. And, so, the Company is looking
21 into the potential that there are some errors within
22 the program itself. As Mr. Gibbons has stated, we do
23 not believe that the 7.59 percent unaccounted for is
24 accurate. We believe that there are some, again, some

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[Witness panel: Gibbons|DaFonte]

1 issues with the programming. And, we're working with
2 our IT folks and with our accounting and other
3 operations folks to determine what the actual
4 unaccounted for should be. But I believe we've gotten
5 to the point at this point in time where we believe
6 that it is an error, and that there is -- there is a
7 problem with the program itself.

8 Q. If the actual unaccounted for gas turns out to be lower
9 than the percentage that you've indicated in the
10 filing, would the cost of gas then be revised
11 accordingly as part of a reconciliation?

12 A. (Gibbons) Yes, it would.

13 Q. Okay. Does the Company feel there are any safety
14 issues related to these unaccounted-for losses?

15 A. (DaFonte) No. We've looked into that very carefully,
16 and we do not believe that there is any operational
17 issues with respect to the unaccounted for. And, that
18 would be that there would be no operational issues that
19 are causing this 7.59 percent unaccounted for.

20 Q. When does the Company expect to report back to Staff on
21 its internal investigation?

22 A. (DaFonte) We believe that we will have a better
23 understanding or narrowing of the potential issues
24 within the next month. As far as developing a

[Witness panel: Gibbons|DaFonte]

1 solution, I would have to defer to the Project Manager.
2 At this point in time, we believe it should be by the
3 end of the year. But, if Staff would like, we can
4 certainly get back with a -- maybe take an oral data
5 request or provide a better explanation as to when we
6 might be able to provide the final solution to this
7 problem.

8 Q. Staff will accept your commitment to get back to us
9 with a recommended solution by year end. I'd like to
10 look now at the Local Distribution Adjustment charges,
11 which is Page 7 of the revised filing. And, I don't
12 know whether it would be -- I believe it's Mr. Gibbons,
13 but, if it's not, please pipe up. The original filing
14 proposed an RLIAP surcharge of, I'm going to try to
15 make sure I get the decimal point right here,
16 "0.0050 per therm", compared to a revised proposal of
17 "0.0020 per therm". Why the large change and have
18 there been any changes in the RLIAP -- I'm sorry,
19 RLIAP?

20 A. (Gibbons) There have been no changes in the program.
21 However, because of estimating, overestimating the
22 response to the program, the collections -- we have an
23 overcollection situation in the RLIAP Program. And, it
24 basically reflects that overcollection being taken out

[Witness panel: Gibbons|DaFonte]

1 of the rate. We also revised the estimate in the RLIAP
2 Program. We revised the estimate to reflect current
3 participation, as opposed to any more ramping up.

4 Q. Would you please point us to the RLIAP calculation
5 schedule? I think it may be Page 43 of the revised
6 filing?

7 A. (Gibbons) Yes, Page 43 of the revised filing is the
8 calculation.

9 Q. And, what is the projected RLIAP cost for the upcoming
10 year?

11 A. (Gibbons) \$207,074.

12 Q. And, what is the projected overrecovery to be carried
13 forward?

14 A. (Gibbons) On Page 51 of the revised filing, the
15 estimated overcollection is \$80,274.

16 Q. And, what is the interest on the monthly balances?

17 A. (Gibbons) There's been a variety interest in the past.
18 It's tied to the prime interest rate, which changes
19 from time to time. Currently, it's 7.75 percent going
20 forward.

21 Q. Looking at Pages 51 and 43, the beginning balance on 43
22 is "87,033", and the ending balance on 51 is "80,274".
23 Can you explain why they don't match? It looks like
24 they're about \$7,000 off.

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[Witness panel: Gibbons|DaFonte]

1 A. (Gibbons) That probably reflects October activity,
2 which is -- this filing does not contain the RLIAP
3 report. So, there may be some costs involved or some
4 anticipated actual recoveries that aren't reflected on
5 here. However, I don't have all the information with
6 me to see why that might be.

7 Q. Is the EST, on the -- next to the "October '07" line on
8 Page 51, part of the answer? In other words, did you
9 estimate numbers in that column -- or, row, excuse me?

10 A. (Gibbons) Yes. On the "October 2007" line, yes.

11 Q. Is that the difference between that and the starting
12 number for November '07?

13 A. (Gibbons) I don't know.

14 Q. Could we get a little more detailed explanation of
15 that? I guess we should ask for a record request on
16 that?

17 A. (Gibbons) Yes, I could get you more information on
18 that.

19 Q. Okay.

20 CHAIRMAN GETZ: We will reserve Exhibit
21 Number 8 for that record request.

22 (Exhibit 8 reserved)

23 BY MS. ROSS:

24 Q. Could you just give us the interest amount -- I'm

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[Witness panel: Gibbons|DaFonte]

1 sorry, you did give us the rate, the current rate,
2 which is 7.75 percent. But can you give us the actual
3 amount of interest that's added? And, I think it would
4 be -- we're referring to Page 43. And, this is, again,
5 in the Residential Low Income Assistance Program.

6 A. (Gibbons) Are you asking for the projected 12-month
7 interest number of "2,929"? It's a credit to the
8 customers and that's shown on Page 43.

9 Q. Thank you. On the Environmental Remediation Cost
10 Recovery Surcharge, which we refer to sometimes as
11 "ERC" here, in the revised filing, it's different from
12 that in the original filing. It is 0.0052 per therm,
13 compared to 0.0055. Could you explain the difference?

14 A. (Gibbons) Yes. The revised filing reflects more months
15 of actual recoveries, as opposed to more estimated
16 months in the original filing.

17 Q. Okay. On the Energy Efficiency Program, please turn to
18 the LDAC, that's L-D-A-C, tariff page in the revised
19 COG filing on Page 7. Does the column labeled "DSM"
20 represent the Energy Efficiency Surcharge?

21 A. (Gibbons) Yes, it does.

22 Q. Okay. Is there a reason why the Energy Efficiency
23 Surcharge is labeled "DSM"?

24 A. (Gibbons) I think that's what it's been labeled in the

[Witness panel: Gibbons|DaFonte]

1 past.

2 Q. Since we refer to it as the "Energy Efficiency
3 Surcharge", would the Company be willing to change its
4 label going forward?

5 A. (Gibbons) Yes.

6 Q. Thanks. In its revised filing for the other two
7 surcharges, Northern updates the supporting schedules
8 and recalculated the surcharges. Did Northern do the
9 same for the Energy Efficiency Surcharge?

10 A. (Gibbons) Can you repeat the question please? I was
11 writing down the --

12 Q. Yes. In the revised filing, Northern updated the other
13 two surcharges, with supporting schedules and
14 recalculated surcharges. Did Northern do the same for
15 the Energy Efficiency Surcharge?

16 A. (Gibbons) No, we didn't.

17 Q. And, if -- why did you not?

18 A. (Gibbons) That is handled by the Energy Efficiency
19 Department, as opposed to my area actually calculating
20 the charges and recoveries. We did not receive any
21 indication or update in any way to revise that rate.

22 Q. How often do they report to you the rate or revisions?

23 A. (Gibbons) Annually or maybe semiannually, mainly
24 annually.

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[Witness panel: Gibbons|DaFonte]

- 1 Q. Would an update have had a material impact on the rate,
2 do you know?
- 3 A. (Gibbons) I don't know, but I would assume not.
- 4 Q. If there were a material impact, would you receive word
5 from this group?
- 6 A. (Gibbons) Yes. If they revised the rate, they would --
7 I would think that they would let me know.
- 8 Q. Have they ever revised the rate midstream, if there
9 were a change?
- 10 A. (Gibbons) Not that I can recall. That doesn't mean it
11 hasn't happened. I cannot recall if they have revised
12 that.
- 13 Q. Any discrepancy, either over or under, would be picked
14 up in a reconciliation at the next cost of gas filing,
15 correct?
- 16 A. (Gibbons) Yes, it would.
- 17 Q. All right. Okay. Turning to Mr. DaFonte, on Page 6,
18 Lines 12 through 15, of your testimony, you note that
19 there was an increase in the contracted peaking
20 quantities from Duke Energy Trading?
- 21 A. (DaFonte) Yes. The maximum daily quantity remain the
22 same at 36,000 decatherms per day. However, the annual
23 contract quantity did increase slightly from 756,000
24 decatherms to 792,000 decatherms.

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[Witness panel: Gibbons|DaFonte]

- 1 Q. Does this contract provide Northern with firm pipeline
2 supply when needed on peak days?
- 3 A. (DaFonte) Yes, it does.
- 4 Q. When does this contract expire?
- 5 A. (DaFonte) I believe that this contract expires in 2011.
- 6 Q. Will there be any additional quantity increases prior
7 to the expiration of this contract?
- 8 A. (DaFonte) Yes. This contract increases both on the
9 maximum daily quantity side, as well as the annual
10 quantity side, each year, beginning next year, 2008,
11 and it increases approximately 5,000 to 6,000
12 decatherms per day, and increases up to 54,000
13 decatherms per day in the last year of the contract.
- 14 Q. And, if you don't need the full amount that you're
15 capable of using under this contract, you're not
16 obligated to take it, is that correct?
- 17 A. (DaFonte) That's correct. This is a -- It's a peaking
18 contract, and we would only call on it in the event
19 that we would need the volumes, primarily on the
20 coldest days of the year.
- 21 Q. Is there any cost incurred if you don't call?
- 22 A. (DaFonte) No, there isn't.
- 23 Q. On Page 7, Lines 1 through 3, of your testimony, you
24 estimate that, under normal conditions, Northern will

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[Witness panel: Gibbons|DaFonte]

1 utilize approximately 3.8 million MMBtus of underground
2 storage gas supply this winter. Does Northern have
3 additional storage available if the winter period is
4 colder than normal?

5 A. (DaFonte) Yes, it does. Northern has approximately 4.6
6 Bcf, or 4,000 -- I mean, 4,600,000 decatherms storage
7 that it can call on.

8 Q. Is that storage available to New Hampshire only or is
9 that also used by other --

10 A. (DaFonte) That would be available to both the Maine and
11 New Hampshire Divisions.

12 Q. Is Northern able to sell off-system some of its storage
13 inventory, if it is not needed for on-system
14 requirements?

15 A. (DaFonte) Yes. Northern Utilities would be looking at
16 optimizing all of its resources, not just underground
17 storage. We would determine whether there is a market
18 for the inventory or for any particular resource that
19 is not required to serve the firm load of its
20 customers. In the situation of underground storage,
21 the Company does also consider what the forward pricing
22 is for the summer refill season. So that, for example,
23 if the summer prices were much higher than the current
24 inventory price, then we would not look to sell that

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[Witness panel: Gibbons|DaFonte]

1 off, because we would essentially be selling lower cost
2 gas for higher cost refill.

3 Q. Does unused storage inventory from the winter period
4 become beginning balance inventory for the next winter
5 period?

6 A. (DaFonte) Yes, it does.

7 Q. In your testimony last year, you explained that the
8 Company contracted for new pipeline capacity with
9 Vector TransCanada, and Union Gas to move supplies from
10 Chicago and Dawn markets to Waddington, New York, where
11 Northern then used its Iroquois and Tennessee capacity
12 to transport the supplies to New Hampshire. Did these
13 new pipeline capacity contracts perform to Northern's
14 expectations last winter?

15 A. (DaFonte) Yes, they did. These new capacity paths,
16 which we refer to them as, they provide Northern
17 Utilities with the flexibility to purchase gas in the
18 Chicago market or in the Dawn, Ontario market, as well
19 as at the Waddington, New York border point. So,
20 basically, it provides Northern Utilities with
21 significant price arbitrage, depending on where the
22 lowest price is along that path, which we never did
23 have before. We were confined to purchasing
24 exclusively at Waddington, New York.

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[Witness panel: Gibbons|DaFonte]

1 Q. Were there any reliability issues with these contracts?

2 A. (DaFonte) There were none.

3 Q. Did these new capacity contracts provide benefits to
4 Northern's customers?

5 A. (DaFonte) Yes. As I just explained, the benefit really
6 is the ability to arbitrage the purchase point, meaning
7 that, again, we could purchase at any one of those
8 liquid points along that path, and essentially buy the
9 lowest cost supply along any one of those paths. Also,
10 for example, if we were to determine that Waddington,
11 New York was the best place to buy, lowest purchase
12 price, we would then look to optimize the upstream
13 capacity, meaning that we don't -- if we're not
14 purchasing along that upstream path, we would look to
15 either release that capacity or make an off-system sale
16 somewhere along that path.

17 Q. You've indicated that the flexibility is a benefit.
18 Have you tried to quantify any cost savings associated
19 with it over the past season?

20 A. (DaFonte) We did not quantify any benefits. I believe,
21 in determining whether this particular capacity path
22 was the least cost, we did look at historical
23 performance of the Chicago market, relative to the New
24 England market. And, there was significant --

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[Witness panel: Gibbons|DaFonte]

1 significantly lower costs by purchasing in the Chicago
2 market.

3 Q. Has the Company been able to mitigate some of its
4 capacity costs through the capacity release markets?

5 A. (DaFonte) Yes, it has. The Company has been able to
6 enter into various asset management agreements, whereby
7 a third party asset manager would take on the
8 management of select assets, if you would, and
9 including this new path, where the asset manager has
10 the ability, better than Northern Utilities would, to
11 arbitrage that path and provide Northern with savings
12 that it can pass on to its customers.

13 Q. Are these savings reflected in the cost of gas filing?

14 A. (DaFonte) There is an estimate in there of capacity
15 release revenues, which would be an offset to gas
16 costs.

17 Q. Where is that contained in the filing?

18 A. (Gibbons) The estimate would be on Page 106 of the
19 original filing. That number would be Northern total.

20 Q. Would that be for New Hampshire and Maine?

21 A. (Gibbons) Yes. The number shown on Page 106 is total
22 Northern.

23 Q. Okay. Are there any new supply issues related to
24 Northern's supply portfolio that could impact this

[Witness panel: Gibbons|DaFonte]

1 winter's forecasted cost of gas?

2 A. (DaFonte) None that I'm aware of at this point in time.

3 MS. ROSS: Thank you. We have no
4 further questions of these witnesses.

5 CHAIRMAN GETZ: Thank you. Mr. Traum.

6 MR. TRAUM: Thank you, sir. Good
7 morning, Mr. Gibbons and Mr. DaFonte.

8 WITNESS DaFONTE: Good morning.

9 MR. TRAUM: I just have a few questions.
10 And, I'll probably direct them at one witness, but, if the
11 other one of you wants to add something, please feel free,
12 too.

13 BY MR. TRAUM:

14 Q. And, I think I just want to start with Mr. DaFonte as a
15 follow up to the question Ms. Ross ended on. What I'm
16 wondering about is, recently we've seen a run-up in oil
17 prices, to I believe record or near record highs. And,
18 at the same time, for Northern, we're seeing a decline
19 in -- significant decline in the rate for this winter.
20 I'm wondering if that's going to result in additional
21 demand on your system from customers that have the
22 capability of switching from oil to gas? And, if you
23 could comment on that.

24 A. (DaFonte) Sure. I'll provide comment on that. And,

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[Witness panel: Gibbons|DaFonte]

1 just out point that it's a good point, and we've
2 actually already seen what we would consider a
3 significant increase in the natural gas usage by these
4 dual fuel firm customers. We did take a look at last
5 winter, which was really when this began. There has
6 been a decoupling of natural gas prices from oil prices
7 over the last year, dating back to last winter. And,
8 at that time, we did see the dual fuel customers --
9 firm customers taking gas. And, some of these
10 customers hadn't used for five years. They had been
11 burning oil for the last five or so years. But, yes,
12 the answer is there should be a significant increase on
13 the part of these customers for natural gas usage.

14 Q. And, is that in any fashion reflected in this filing or
15 the update to this filing?

16 A. (DaFonte) We do have in the forecast, our Forecasting
17 Group in Columbus, Ohio is aware of the increase in the
18 dual fuel usage, and that would be reflected in the
19 forecast of usage for the upcoming winter period, both
20 for normal weather and design weather.

21 Q. And, if it turns out to be a particularly colder or a
22 design winter, with this additional demand, do you
23 think you're going to be able to meet your
24 requirements, meet your customers' requirements?

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[Witness panel: Gibbons|DaFonte]

1 A. (DaFonte) I believe that most of these customers, these
2 dual fuel customers, are transportation customers, firm
3 transportation customers. So that we would certainly
4 be relying on the performance of the retail marketer
5 serving these customers. We also -- We have some that
6 are sales customers, which, obviously, we would have
7 sufficient resources to serve. We certainly would be
8 concerned, if, in fact, the retail marketers did not
9 perform. We certainly expect that they would. But,
10 certainly, we're, as far as our planning for this
11 upcoming winter, we're only planning to meet the
12 requirements of the firm sales customers.

13 Q. So, at this point in time, I assume you feel that the
14 rate you're requesting from the Commission is still the
15 appropriate rate, based upon this run-up in oil prices?

16 A. (DaFonte) Yes. Yes, we do.

17 Q. And, Mr. Gibbons, I'll turn to you for a moment. If
18 you could look at Page 35 of the updated filing, which
19 is just the analysis of the components of the rate
20 changes. And, would it be fair to say that, as a
21 result of an undercollection a year ago and an
22 overcollection for this period, that those two items
23 account for roughly two-thirds of the reduction that
24 you're seeking here?

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[Witness panel: Gibbons|DaFonte]

1 A. (Gibbons) Yes, that would be accurate.

2 Q. And, turning to Page 171 of Exhibit 1, the original
3 filing, the unaccounted for gas that Ms. Ross was
4 asking about, and I believe, Mr. DaFonte, you were
5 responding to this. What I'm wondering is, the
6 difference, the 7.59 percent, have you filed similar
7 schedules in prior CGA periods and have they shown
8 numbers in the 7 percent range or have they been closer
9 to the 1 percent range?

10 A. (DaFonte) I can't say for sure what the number was.
11 But I'm pretty confident that it was lower than the
12 7.59 percent. This is, to my knowledge, probably the
13 highest number I've seen in any filing.

14 Q. Now, I recognize and appreciate that the Company is
15 doing an internal investigation to get to the bottom of
16 this. But, under one scenario, if the number should be
17 roughly 1 percent, not 7.59, would that mean that the
18 CGA rate is roughly six and a half percent too high?

19 A. (Gibbons) I don't believe so. The bills that are
20 coming in for the gas, and dividing between the two
21 jurisdictions, you know, based on the sales between the
22 jurisdictions, I really don't think that resolution of
23 this unaccounted-for issue is going to have much, if
24 any, effect on the costs that are flowing to the two

[Witness panel: Gibbons|DaFonte]

1 jurisdictions.

2 Q. So, I guess we'll just await the result of that?

3 A. (Gibbons) Yes.

4 MR. TRAUM: Thank you. That's all I
5 have.

6 CMSR. BELOW: Yes. Thank you.

7 BY CMSR. BELOW:

8 Q. On this Page 171, the figure "Total Sales", showing for
9 an historic annual period ending April 2007, do you
10 have a sense what portion of that total sales is firm
11 sales versus something else?

12 A. (DaFonte) On Page 170 of the filing, basically, that
13 provides a breakdown of the sales numbers. And, you
14 can see that it's broken up by C&I, which are firm.
15 The only non-firm would be this "Interruptible Gas",
16 that's the only number I see that is not firm.

17 Q. But that's a very small number, is that correct?

18 A. (DaFonte) Yes.

19 Q. Well, then, I'm having a little hard time understanding
20 how these numbers relate to those on Page 13 of the
21 revised filing or, for that matter, Page 71 of the
22 original filing. I know that one is an historic period
23 and the others are for a forecast period. And, I think
24 one of them is expressed in -- two are in decatherms

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[Witness panel: Gibbons|DaFonte]

- 1 and one of them is in therms, but the totals don't seem
2 to relate. Let me give an example. If we look on the
3 April 2007, the total sales on Page 171 is expressed as
4 "658,113 decatherms". And, if we look on Page 13 of
5 the revised filing, projection for April '08, which is
6 a different, you know, a projection, instead of
7 historic, but the total firm sales, they're projected
8 at "3,933,231 therms", which, even making the units
9 match, it's a very different number.
- 10 A. (DaFonte) Yes, I think, as Mr. Gibbons had pointed out
11 earlier, the difference is that in the transportation
12 volumes that we have in here, under Page 170, --
- 13 Q. Okay. That's --
- 14 A. (DaFonte) Those transportation volumes are not
15 reflected, I believe, on Page 13.
- 16 A. (Gibbons) Yes, that's correct.
- 17 Q. That would be actually on Page 171, near the top of the
18 page, where it says "total transportation"?
- 19 A. (DaFonte) That's correct.
- 20 Q. Okay. And, that's -- is that considered firm sales or
21 not part of firm sales?
- 22 A. (DaFonte) Those would be firm transportation customers.
- 23 Q. Firm transportation. It's not firm volumes --
- 24 A. Yes. It's not sales customer volumes, they're

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[Witness panel: Gibbons|DaFonte]

1 transportation customers.

2 Q. So, that's the number that sort of reconciles the
3 discrepancy.

4 A. (Witness Gibbons nodding affirmatively).

5 Q. Thanks. That makes more sense. I just wasn't seeing
6 that. Thank you. And, I think you mentioned in your
7 testimony that this past season's winter peak was March
8 6th or something. Is that -- That's pretty late. Is
9 that as late as you've ever seen it, do you know?

10 A. (DaFonte) Yes, that was -- that was actually a record
11 for the month of March, and we had never seen a peak
12 day occur in the month of March before, meaning that,
13 across the entire winter period, we've never seen the
14 peak occur in that particular month.

15 Q. Right. It's usually in January, maybe secondarily
16 February, then December?

17 A. (DaFonte) That's correct. That's normally when you
18 would expect it.

19 CMSR. BELOW: Okay. Thanks. That's
20 all.

21 BY CHAIRMAN GETZ:

22 Q. Yes. Mr. Gibbons, I wanted to follow up on this
23 unaccounted for gas issue. I think the last question
24 Mr. Traum posed to you was questioning whether there

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[Witness panel: Gibbons|DaFonte]

1 was any rate effect because of the 7.59 percent,
2 compared to what normally would be something closer to
3 1 percent. And, you said you didn't think there would
4 be an effect, a rate effect. Is that because you're
5 presuming that there is some kind of anomaly going on
6 here, that the 7.59 percent is not a real number for
7 some reason?

8 A. (Gibbons) As Mr. DaFonte pointed out, the thought is
9 it's within the program and the processing of the
10 numbers within the program, as opposed to being a true
11 7.59 percent unaccounted for number.

12 Q. But, if it were -- if there were some other reason, and
13 it were a real number, would that have a rate effect?

14 A. (Gibbons) Possibly. We would have to wait and see how
15 -- what that real number was or how everything fell
16 out.

17 Q. Or what the source of the problem was?

18 A. (Gibbons) Absolutely.

19 Q. Thank you. Mr. DaFonte, you said that -- I guess
20 you're speculating that this may go back to the year
21 2000 or with some software change or some programming
22 change, but you didn't recall what the previous years'
23 numbers were for the unaccounted for percentage. Can
24 we get a record request that, basically, that Page 171,

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[Witness panel: Gibbons|DaFonte]

1 if we can see what the previous years looked like, and
2 put it all in one document or one exhibit?

3 A. (DaFonte) Would you like -- Are you looking previous
4 years or previous year? Would you like to go back --
5 how far back would you like to go, basically?

6 Q. Well, I guess, if you're saying that the problem may
7 have started in 2000, I'd like to see a few years back
8 anyways, but --

9 A. (DaFonte) Yes, maybe I misrepresented the issue. This
10 particular program was developed in 2000. The problem
11 we've just noticed over the last year or so. And,
12 that's what prompted us to start looking at the initial
13 program, because it was developed in 2000, based on a
14 lot of variables that were part of the program at that
15 time. And, so, what we wanted to take a look at is,
16 have things changed with respect to, say,
17 transportation on the system, with respect to, you
18 know, various other purchases, new resources coming
19 into play, new gate stations being added, would that
20 have impacted that calculation somehow that wasn't
21 reflected in 2000, because it would have been an
22 unknown at that time. So, it's really going back into
23 the programming and determining if there's something
24 missing in there, again, because it's automated. And,

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1 what we've noticed is, again, over the past year, year
2 and a half, that's when we started to see an increase
3 in the unaccounted for, and that's what prompted us to
4 start the investigation.

5 Q. Well, I'm assuming you've -- a similar chart has been
6 put in this filing every year, is that correct?

7 A. (DaFonte) Yes.

8 A. (Gibbons) Twice a year.

9 Q. But if we can get like the last four years. Thank you.

10 MS. GEIGER: Excuse me, Mr. Chairman.

11 Could you just remind me exactly which document you're
12 looking at?

13 CHAIRMAN GETZ: I'm look at Exhibit 1,
14 Page 171.

15 MS. GEIGER: Okay.

16 CHAIRMAN GETZ: The schedule on the
17 unaccounted for gas.

18 MS. ROSS: Is that a record request with
19 an identification number?

20 CHAIRMAN GETZ: Yes, that would be
21 Exhibit Number 9.

22 MS. GEIGER: Mr. Chairman, I think that
23 what's been marked for identification, I believe it's
24 Northern's Exhibit Number 3, there is an answer to a data

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1 request that contains at least, I think, three years'
2 worth of information that might address your question. If
3 you look at -- that's the document I believe that's dated
4 October 1. Okay. And, if you look at the answer to --
5 well, look at the very top right-hand corner of the pages
6 and you'll see a document that says "Attachment Staff
7 1-10", and it starts with Page 1 of 4. This shows the
8 comparison of how the unaccounted for gas figure of
9 7.59 percent compares with the prior three years. So, if
10 that information is helpful to you, then that may dispense
11 with the need to provide the data response. That
12 information continues onto the next page.

13 Again, Mr. Chairman, if I may, I think
14 if you look at the table that --

15 CHAIRMAN GETZ: Yes, I'm trying to find
16 the --

17 MS. GEIGER: I'm sorry.

18 CHAIRMAN GETZ: -- to find the page
19 here.

20 MS. GEIGER: It's about halfway through
21 that exhibit.

22 CMSR. BELOW: Have you got it?

23 CHAIRMAN GETZ: Yes.

24 MS. GEIGER: And, there's -- actually,

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1 the answer starts on the page I referenced, but if you
2 turn and flip to the next page, it's actually Attachment
3 Staff 1-10, Page 2 of 4. There's a table at the very
4 bottom or the middle of the page labeled "Table
5 Staff/Audit 1-6", and that shows you the percentages of
6 the unaccounted for for the years 2004, 2005, 2006.

7 BY CHAIRMAN GETZ:

8 Q. Okay. So, then, if I look there, and there's the -- on
9 the far right column, the "1.26 percent", the
10 "0.02 percent", and the "3.97 percent", those are
11 calculated on the same basis as the 7.59 percent?

12 A. (DaFonte) Yes, they were.

13 CHAIRMAN GETZ: Okay. Then, we can
14 scratch the record request. Thank you. Do you have
15 redirect, Ms. Geiger?

16 MS. GEIGER: Yes. Mr. Chairman, could I
17 be permitted a five minute recess --

18 CHAIRMAN GETZ: Sure.

19 MS. GEIGER: -- just so that I could
20 confer with my clients?

21 CHAIRMAN GETZ: Yes.

22 MS. GEIGER: Thank you.

23 CHAIRMAN GETZ: We'll take a brief
24 recess.

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1 (Recess taken at 10:54 a.m. and the
2 hearing reconvened at 11:08 a.m.)

3 CHAIRMAN GETZ: Okay. We're back on the
4 record in 07-102. Ms. Geiger, redirect?

5 MS. GEIGER: Yes. Thank you very much,
6 Mr. Chairman. I have a couple of follow-up questions, for
7 either witness.

8 REDIRECT EXAMINATION

9 BY MS. GEIGER:

10 Q. We had some discussion this morning about the capacity
11 release credits. Do either of you know whether or not
12 this COG filing actually reflects credits related to
13 the capacity release program?

14 A. (Gibbons) Yes. Not only is there a projection of
15 capacity release credits, but there is also capacity
16 release credits contained in the reconciliation for the
17 previous winter period.

18 Q. Okay. Thank you. And, turning to the question of the
19 unaccounted for gas. Does Northern know whether the
20 7.59 percent unaccounted for that's been reported in
21 this COG actually represents unaccounted for gas that
22 had been charged to firm sales customers?

23 A. (Gibbons) We don't believe that to be the case, that
24 7.59 percent unaccounted for has been charged to sales

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1 customers. However, if, through the investigation, any
2 credits were to be forthcoming to Northern, those would
3 be passed through to Northern's customers through prior
4 period adjustment credits.

5 Q. And, is that what Mr. DaFonte meant when he responded
6 to Ms. Ross's questions about adjustments?

7 A. (DaFonte) Yes. Basically, the -- what I was
8 referencing was the difference between 7.59 percent and
9 whatever ultimately is calculated as the unaccounted
10 for gas.

11 MS. GEIGER: Thank you, Mr. Chairman. I
12 don't have any further questions.

13 CHAIRMAN GETZ: Thank you. Anything
14 further for these witnesses?

15 (No verbal response)

16 CHAIRMAN GETZ: Hearing nothing, then
17 you're excused. Thank you, gentlemen. Is there further
18 testimony in the proceeding?

19 (No verbal response)

20 CHAIRMAN GETZ: So, I take it there are
21 no further witnesses?

22 MS. ROSS: Staff has no witnesses.

23 CHAIRMAN GETZ: So, then, we turn to
24 dealing with any procedural matters. Motion to strike the

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1 identifications and enter as full exhibits, is there any
2 discussion?

3 MS. ROSS: Yes. Staff would suggest
4 that we not enter Exhibit 5, since -- for two reasons,
5 well, Exhibit 4 and 5 actually. I don't believe we
6 touched on either exhibit in the hearing, and Exhibit 5 is
7 confidential anyway. So, we would agree to enter as full
8 exhibits Exhibit 3 and 6 -- 1, 2, 3 and 6.

9 MS. GEIGER: That's fine, Mr. Chairman.

10 MR. TRAUM: And likewise.

11 CHAIRMAN GETZ: Then, the Exhibits 1, 2,
12 3 and 6 will be admitted into evidence. And, opportunity
13 for closing statements? Mr. Traum.

14 MR. TRAUM: Thank you, sir. Very
15 briefly. The OCA supports the filing as updated,
16 recognizing that the issue of unaccounted for is being
17 held in abeyance.

18 CHAIRMAN GETZ: Thank you. Ms. Ross.

19 MS. ROSS: Thank you. Staff has
20 reviewed Northern's demand and supply forecasts for the
21 upcoming winter period and recommends approval of the
22 proposed rates. The plans are consistent with those filed
23 by Northern in previous winter periods, which have been
24 approved by the Commission in the past. Northern's supply

1 portfolio is sufficiently diversified to provide reliable
2 service through the winter period. Northern also
3 incorporates various tools to provide price stability.

4 Also, Staff notes that a cost of gas
5 reconciliation for the forecasted and actual costs will
6 be filed prior to next winter's cost of gas, and any
7 concerns that may arise related to the 2007-2008 gas
8 planning and dispatch will be addressed in that 2008-2009
9 winter cost of gas proceeding. With the exception of the
10 environmental remediation expenses, all other gas costs
11 from the reconciliation for last winter have been reviewed
12 by the Commission Audit Staff. All errors identified in
13 the audit were corrected on the revised filing. The
14 environmental remediation expenses will be audited in the
15 near future. And, if there are any exceptions that may
16 have a material impact on the environmental remediation
17 costs rate, Staff will file a report prior to the 2008
18 Summer Cost of Gas for Commission consideration in that
19 proceeding.

20 The unaccounted for gas losses for the
21 12-month period through April 2007, as reported in the
22 Winter 2006-2007 cost of gas reconciliation, is an issue
23 that concerns Staff. First and foremost, the Company has
24 stated that there is no indication that this is due to gas

1 leakage, and therefore is not a gas safety issue. The
2 Company has expressed a strong determination to find
3 answers to this dilemma and has promised to report back to
4 Staff in a timely manner, by year end. We look forward to
5 a detailed report, including all potential likely and
6 known causes, corrective actions to be taken, and targets
7 for future 12-month unaccounted for percentage levels in
8 the New Hampshire Division.

9 Staff recommends Commission approval of
10 the proposed Tariff Page 170-b that provides the Firm
11 Sales Service Re-Entry Fee. The proposed tariff page
12 provides the rate calculation and rate which are presently
13 not contained in Northern's tariff. This will enable
14 customers considering a change in service to calculate the
15 cost of that service by referring to Northern's tariff.

16 Thank you.

17 CHAIRMAN GETZ: Thank you. Ms. Geiger.

18 MS. GEIGER: Yes. Thank you, Mr.
19 Chairman. Northern would respectfully ask that the
20 Commission approve Northern's Winter 2007-2008 COG filing
21 and as revised in Northern's Exhibit 2. We would also
22 respectfully ask that the Commission approve the tariff
23 filing for the Re-Entry Fee that Northern filed pursuant
24 to the Commission's request for that.

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1 Other than that, the Commission thanks
2 the -- the Company would thank the Commission for its
3 attention this morning, and thanks Staff and the OCA for
4 their comments in the technical session, which assisted
5 Northern in making some of the revisions that are
6 reflected in Exhibit 2. Thank you.

7 CHAIRMAN GETZ: Okay. Thank you. Then,
8 we will close the hearing, wait for the record responses,
9 and take the matter under advisement. Thank you.

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

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