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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

July 2, 2008 - 9:00 a.m.
Concord, New Hampshire

RE: DG 08-048
UNITIL CORPORATION AND NORTHERN
UTILITIES, INC.:
Joint Petition for Approval for
Stock Acquisition.
(Technical Session)

(This transcript represents the
recording of a technical session that
was conducted regarding the
above-captioned docket and which was
later transcribed from audio tapes.)

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

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

2 MR. EPLER: I'd like to welcome you all
3 to Unitil. Appreciate everyone taking the time and effort
4 to come out here. I realize for a number of you it's
5 quite a trip. So, we do appreciate that. And, just
6 coordinating this, we appreciate your efforts in that.
7 Just a couple of things to start out. I'm Gary Epler,
8 with Unitil. I know a lot of you know each other, but
9 we'll go around the room just to introduce ourselves. A
10 couple of logistical items. We'll start out with the
11 presentation of the Business Integration Plan. We plan to
12 take a break at approximately 10:30 or maybe 10:45, take a
13 short break. Then, we'll continue through the plan to
14 lunch. We'll take a break for lunch. And, then, after
15 lunch, we'll proceed with the discussion of
16 Granite/Northern issues.

17 Just so you know, there are restrooms
18 that are located right outside, across the hall to the
19 right. There are refreshments and breakfast in the room
20 right here at the back. Please feel free to partake that
21 any time you would like. When we have lunch, the lunch
22 will be outside, right outside here in the hallway. If
23 you need anything, in terms of supplies, we've tried to
24 circulate some pads and pens and all that, please let me

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1 know. We also have a complete set of the discovery right
2 outside the doors here. So, if there's any need for that,
3 we can access anything.

4 Again, welcome to Unitil. We appreciate
5 you all coming down here. And, why don't we take a moment
6 to just go around the room and introduce ourselves. You
7 want to start here.

8 MR. KIVELA: Rich Kivela, Maine PUC
9 Staff.

10 MS. SMITH: Lucretia Smith, Maine PUC
11 Staff.

12 MR. DAVIDSON: Derek Davidson, Maine PUC
13 Staff.

14 MR. AUSTIN: Tom Austin, the same.

15 MS. MacLENNAN: Carol MacLennan, Hearing
16 Examiner.

17 MR. FARMER: Gary Farmer, Maine PUC
18 Staff.

19 MR. HAGLER: Andy Hagler, from the Maine
20 PUC.

21 MR. FRINK: Stephen Frink, New Hampshire
22 PUC.

23 MR. DAMON: Ed Damon, New Hampshire PUC.

24 MR. WYATT: Bob Wyatt, New Hampshire

1 PUC.

2 MR. ECKBERG: Steve Eckberg, with the
3 New Hampshire Office of Consumer Advocate.

4 MS. HATFIELD: Meredith Hatfield, also
5 from the New Hampshire OCA.

6 MR. TRAUM: And, Ken Traum, also from
7 the New Hampshire OCA.

8 MR. JORTNER: Wayne Jortner, from the
9 Maine Public Advocate.

10 MR. WELLS: Fran Wells, Unitil.

11 MS. GEIGER: Susan Geiger, with the law
12 firm of Orr & Reno, representing Northern Utilities.

13 MR. ROGOSIENSKI: Paul Rogosienki,
14 Northern Utilities.

15 MR. FERRO: Joe Ferro, Northern
16 Utilities.

17 MR. MEISSNER: Tom Meissner, Unitil.

18 MR. LeBLANC: Chris LeBlanc, Unitil.

19 MR. LETOURNEAU: Ray Letourneau, Unitil.

20 MR. MUELLER: Scott Mueller, Dewey &
21 LeBoeuf, on behalf of Unitil.

22 MR. COLLIN: Mark Collin, Unitil.

23 MR. BROCK: Larry Brock, Unitil.

24 MR. DIXON: Chad Dixon, Unitil.

1 MR. LAMBERT: Mark Lambert, also with
2 Unitil.

3 MR. MORRISSEY: Raymond Morrissey,
4 Unitil.

5 MR. YARDLEY: I'm Bob Yardley, and I'm
6 working with Unitil.

7 MS. ROBBINS: Joanne Robbins, Unitil.

8 MR. BAKER: I'm Sean Baker, Unitil.

9 MR. MAINE: Dan Maine, Unitil.

10 MS. TAFOYA: Robin Tafoya, Unitil.

11 MR. EISFELLER: Justin Eisfeller,
12 Unitil.

13 MR. EPLER: The guys from Unitil wins.

14 MR. COLLIN: A short trip.

15 MR. EPLER: I'd just like to extend an
16 offer to Ed or to Carol, if you would like to -- anything
17 you'd like to say on opening here?

18 MR. DAMON: Just very briefly. I would
19 like to thank everyone here really for their cooperation
20 in getting this thing put together today. The subjects
21 that we're going to go over, and I understand the first
22 one would be the Business Integration Plan, an explanation
23 of that, I mean, are very helpful to understanding what
24 the proposal is. And, to have, I think Maine brought the

1 recording equipment, thank you very much, and we brought
2 Steve, and so on, so, it's a good way to satisfy
3 everybody's requirements. And, we very much appreciate
4 that.

5 I know this is Unital's presentation, of
6 course, for the Business Integration Plan. Hopefully,
7 there will be time for questions, either during or after,
8 I don't know how you want to do that though, Gary?

9 MR. EPLER: Yes, I'll have -- Larry
10 Brock is going to start out the presentation on the
11 Integration Plan, and we will take -- we will have
12 opportunities for questions throughout the presentation,
13 as well as afterwards.

14 MR. DAMON: Okay. And, just one other
15 question. I know one of the data responses mentioned the
16 synergy savings analysis would be produced after the
17 Business Integration Plan was produced. But do you have
18 that today or is that to be forthcoming soon?

19 MR. BROCK: The updated synergies
20 analysis is in process. It will be forthcoming.

21 MR. DAMON: Okay.

22 MS. MacLENNAN: Great. And, I just echo
23 Ed's thanks to you for hosting this. I do think it's an
24 efficient way to handle the presentation and the issues

1 that do involve both jurisdictions. And, we're all very
2 glad that we could actually be here today. I really have
3 no other preliminary matters.

4 MR. EPLER: Okay. With that, then let
5 me introduce Larry Brock, most of you I believe know him,
6 Controller at Unitil.

7 MR. BROCK: Thanks.

8 (Brief off-the-record discussion
9 regarding microphones.)

10 MR. BROCK: Good morning. Welcome to
11 Unitil. As Gary mentioned, my name is Larry Brock, I'm
12 the Controller of Unitil. Today, I'll be presenting the
13 introduction to the presentation on the Business
14 Integration Plan. And, to begin, I would like to
15 acknowledge the participants who have helped and worked
16 quite a bit to put this plan together, and these are
17 people that you'll hear from this morning as well. First,
18 Raymond Morrissey, our Vice President of Information
19 Systems, and Ray Letourneau, our Director of Electric
20 Operations. We have with us Mark Lambert, our Director of
21 Customer Service; Justin Eisfeller, our Director of
22 Advance Grid Operation; Chris LeBanc -- LeBlanc, our
23 Director of Gas Operations; Chad Dixon, our Director of
24 Internal Audit and Controls. And, we also have with us

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1 our consultant and adviser, Bob Yardley. Also helping
2 with the -- tremendously with the Business Integration
3 Plan and putting together all of those schedules that were
4 submitted as the Functional Integration Team plans the
5 other day was Carol Knowles, who is our support person on
6 putting together the actual project documentation, project
7 management documentation.

8 I also want to acknowledge especially
9 the great cooperation of Steve Bryant of Northern and Pam
10 Bellino and the rest of the Northern Staff. The
11 cooperation has been tremendous on putting together this
12 Integration Plan and getting information from them.

13 And, I think, before we begin the
14 presentation, that would be my first point. Our progress
15 to date has exceeded expectations. We signed the Stock
16 Purchase Agreement on February 19th. We've had tremendous
17 cooperation from the people at Northern. And, it's
18 allowed us to get where we are today. We're very pleased
19 with the level of documentation and detail that we were
20 able to put together in our business plans and our
21 Integration Plan so far. And, we expect, with this level
22 of continued oper -- continued cooperation between the
23 Companies, to really have a successful outcome here.

24 Our Integration Plan, the transaction

1 itself, of course, is a unique transaction, as we know,
2 for many reasons. And, that also, for that reason, our
3 Business Integration Plan is a unique plan. And, what we
4 have in the transaction is that Unitil was able to
5 acquire, in Northern Utilities and Granite State
6 Transmission, in such a fashion that these two companies
7 that we're acquiring are very similar in structure to
8 Unitil's structure, in that we have distribution
9 operations companies and that we have a central service
10 company. And, in this acquisition, we have been able to
11 acquire two distribution centers, one in Portsmouth and
12 one in Portland, along with approximately 80 employees in
13 place. And, that's a unique advantage to this
14 integration. Also, in the acquisition, we are taking over
15 the Central Service functions that were provided by
16 NiSource Central Services Corp. and its affiliates. And,
17 in that instance, we're not bringing over any of those
18 employees or any of those processes or systems. All we're
19 allowed -- All we will be doing from NiSource Central
20 Services is transferring the Companies to us, and that
21 means transferring books and records, data, and any other
22 information that belongs to those companies we will be
23 transferring. But replacing all those services and
24 replacing all those people and all those processes and all

1 those systems is what is an integral component of the
2 Integration Plan when you look at the perspectives in the
3 plan.

4 And, so, there are two perspectives in
5 this plan. One is from the integration of the
6 distribution operations functions and the other is from
7 the perspective of the integration of the centralized
8 services functions. And, so, as we go through the
9 presentation, if you keep those two perspectives in mind,
10 I think you'll see it will become clear as to how we
11 actually plan to do this.

12 As Gary said, I encourage, as we go
13 along, I encourage questions. We'll do our best to
14 provide the answers here this morning. Our subject matter
15 experts that I just introduced are here to present and
16 answer questions as well. And, the perspective that I
17 would add to the Integration Plan before we begin is that
18 I hope you'll gather from the presentation, and the other
19 documents that we've submitted so far, that there is a
20 heavy emphasis on the quality of the Integration Plan
21 results. And, our senior management here at Unitil is
22 very committed to this program and this plan. There's --
23 Many, many meetings have taken place already. We have
24 weekly and biweekly formal meetings. And, everyone here

1 is involved, over 100 people at Unitil are involved in
2 this integration. Again, so, I want to hand out the
3 presentation. Let me hand out the presentation materials
4 to everybody.

5 (Distribution of documents.)

6 MR. BROCK: And, for the people on the
7 telephone, --

8 MR. EPLER: I sent the document to
9 David.

10 MR. BROCK: Okay. Everyone has --
11 everyone has the materials. Okay. Turning to Page 2 of
12 the Overview Presentation on the Business Integration
13 Plan, this presentation provides an overview of the plans
14 to integrate Northern Utilities into Unitil. It
15 summarizes the information that is presented in the team
16 charters and the Functional Integration Team Leader
17 Integration plans, and the IS system documents.

18 As noted in the data response where we
19 submitted the 56 Functional Integration Team Leaders'
20 Business Integration Plans the other day, there is a team
21 charter for each one of those teams, which defines their
22 role, their leaders, their staff, their needs, and,
23 essentially, their goals and objectives for each team.
24 The consolidation of all of that, all of the team plans,

1 is what constitutes the Integration Plan on a consolidated
2 level. And, that is what now we have presented as we made
3 an Executive Summary, which was submitted as part of the
4 data response with the 56 individual team plans.

5 That Executive Summary indicates the
6 overall approach to the Business Integration Plan and
7 where we are today. That Executive Summary indicated that
8 there were phases to the integration, the planning phase,
9 the project management phase, and then we have, as part of
10 the project management phase, the actual Go-Live
11 Integration events, where we have Go-Live plans projected
12 and we have then testing the Go-Live and testing the
13 quality of that and the audit of that. And, so,
14 today's -- that brings us to today's summary of the
15 overview of that.

16 We will go through some of the technical
17 aspects of the Integration Plan. We'll go through the
18 approach that the teams are taking to the integration.
19 We'll discuss some specific team plans. We'll discuss
20 some specifics about the IS plans. And, then, we will get
21 into the -- where the plan goes from here. The plan is
22 moving from the business planning phase into the project
23 management phase, and hopefully to completion towards the
24 end of the year.

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1 So, the presentation contains six
2 sections. It has the Overview and Goals. It has Critical
3 Business Integration Plans. There's some processes that
4 are vital, that are critical, that we wanted to highlight
5 this morning. We'll go through those. We have a section
6 on our Testing and Go-Live Planning, which, again, is a
7 plan which involves a lot of tasks and subtasks. And, as
8 we get closer to the actual closing of the transaction,
9 that becomes the operative plan to integrate the two
10 companies. We will present the Schedule and Key
11 Milestones. We'll discuss our Resource Commitments. And,
12 we'll discuss the Execution of the Plan, which, as I said,
13 is moving onto the next phase, the project management
14 phase of the plan.

15 The first section, the overview, the
16 first section is a view as to how the Company views the
17 approach to the Integration Plan and what it involves.
18 Unital Service Corp. over the years has done many
19 consolidations of functions into this facility here at
20 Liberty Lane, from our distribution functions. We have
21 upgraded our processes and systems over the years. And,
22 so, the process of doing an integration or conversion or
23 an upgrade is very familiar to us. And, in those
24 processes or in the process of performing those events, we

1 have taken a view as to what's involved when you want to
2 integrate or consolidate a function or, in this case, a
3 set of companies. And, our view is that it involves
4 people, it involves hardware, software, and data. It
5 involves business processes, policies, and procedures.
6 You need to have financial resources, and you need to have
7 internal control or you need to have control over your
8 quality assurance of the results. And, so, overall, when
9 we summarize the Business Integration Plan, we look at all
10 these views.

11 The integration involves, on the people
12 side, integrating approximately 78 Northern employees. We
13 will be adding 59 positions to the Service Company. And,
14 there's some areas where we will be locating some of those
15 new hires into offices and relocating a limited number of
16 staff in places where we have to go out and either equip
17 those offices or set up those facilities.

18 In addition to that 78 people at
19 Northern and the 59 new coming into the Service Company,
20 as I mentioned before, there's over 100 people at the
21 Service Company, our current staff, who are involved on a
22 part-time, and some on a full-time basis, in the
23 integration of the project and process. And, so, there's
24 quite a few people already involved, and a number of these

1 new hires are already on board, and the integration, the
2 implementation has been going on for many weeks, if not
3 months now. And, the project management phase of this
4 integration is now taking over in importance from the
5 planning phase.

6 Data and Systems: Again, as -- our data
7 and systems here at the Service Company, we have a gas
8 operation. We have many of the resident systems and
9 processes that one would use, we have -- to run a gas
10 operation, newly installed over the last few years. They
11 are scalable and upgradeable. We will be building
12 additional systems. There is certainly a challenge to
13 adding 52,000 new customers to our portfolio. However,
14 our base of processes and systems is well suited to the
15 transfer. And, so, you'll be hearing today about some
16 specific IS development projects that we are undertaking
17 to build the things that we are not acquiring in this
18 operation from NiSource Central Services Corp. Those
19 things we are replacing and building to provide those
20 services to these distribution centers.

21 As far as Business Processes and
22 policies and procedures, in one of the data responses we
23 did submit the list of 700 processes. We'll talk a little
24 bit about how those processes were identified in our

1 approach to the integration. But our team leaders, and
2 there's 33 functional team leaders of the 56 teams,
3 identified over 700 processes that would be considered for
4 integration as we went forward. And, this has now become
5 our checklist of things to take care of in order to
6 determine that we are fully integrated and finish.

7 Essentially, we want to migrate Northern
8 processes to the Unitil processes. This won't happen in
9 every case, but this is the general rule. In cases where
10 there are things that are unique or done uniquely at
11 Northern or Granite, that are either different from the
12 way we do things at our gas operations in Fitchburg or
13 different from the way we do things in the Service
14 Company, there's room in the Integration Plan to consider
15 which is the best practice or what we have to add to our
16 level of processes and policies to make the integration
17 happen and so certain processes reflect the Northern
18 environment, which are processes that we will integrate
19 into our environment.

20 Financial Resources: We are, having now
21 compiled the individual team plans, we're in the process
22 of scrubbing the individual budget submissions and
23 approving those. Our estimate for the integration was
24 \$3 million, and that estimate is generally being looked to

1 as our goal. The budget submissions appear to be
2 consistent with that. And, we're going through a final
3 scrubbing and, as the project management team takes over,
4 they will be coming up with the absolute, you know, the
5 final approved budget for the project.

6 Transition services: We are in the
7 process and we will be submitting a draft of our
8 Transition Services Agreement with NiSource for review.
9 And, there will be a period where transition services will
10 be available to support the post-closing operations of
11 these companies, until the integration is fully completed
12 and Unitil is available to operate independently these
13 functions and processes that are required to support and
14 operate Northern.

15 All the while the internal control
16 function here at Unitil has been expanded and is deeply
17 involved in this integration. As I said before, our
18 senior management is very committed to this, to the
19 project. Our internal audit staff is very focused on
20 that. Our external auditors are also providing assurance
21 to us. And, we also have, as a final level of assurance,
22 the Transition Services Agreement to ensure the quality of
23 these results.

24 Turning to the next page, the Plan

1 Goals. The number one goal of the Integration Plan is to
2 develop a detailed comprehensive plan that provides for a
3 smooth transition after the transaction closes. Quality
4 is the number one objective. We have designed our plan to
5 meet the expectations of our stakeholders, including
6 customers, regulators, employees, investors, and other
7 stakeholders. We want to emerge from the integration as a
8 1-Company, one culture. We have groups of people at
9 Unital who are focused on the organizational behavior type
10 transitions, the human resource issues. We've had a very
11 good reception from the Northern employees at Portsmouth
12 and Portland, and we've had excellent cooperation from
13 Northern. And, the "1-Company" concept is a guiding
14 principle in this Integration Plan.

15 Timely and efficient: We want to be
16 ready to begin the integration of all the critical
17 operational responsibilities in a reliable manner on the
18 closing date. We're currently anticipating, according to
19 the draft schedules, that the closing date would be in
20 early November. The plan does contain contingencies, if
21 that moves forward and becomes an earlier date or shifts,
22 you know, later, to a later date, the Integration Plan is
23 structured to accommodate those contingencies within a
24 bandwidth.

1 The integration hopefully will retain
2 what is best about Unitil and Northern for the benefit of
3 the customers and the employees. And, I say this has
4 been -- this has been a constant focus of the senior
5 management of Unitil that all the customer interfaces need
6 to be integrated in a quality way, and all the employees
7 and the organizational impacts of the integration need to
8 be considered in all the things we do in the Integration
9 Plan.

10 The Game Plan: An overview, and we'll
11 get into more detailed sections as we go along, but the
12 overview of the Game Plan is that, number one, we will
13 have transition services in place at and after the
14 closing, to ensure that there is no interruption in the
15 quality of service to customers until Northern and Granite
16 are fully integrated into Unitil. And, this is, again,
17 the guiding principle of quality of results is first
18 assured by our goal to have a smooth transition.

19 As I mentioned before, we want to use
20 existing Unitil systems and processes. We have gas
21 operations in our organization now that's being greatly
22 expanded to accommodate the acquisition, and our systems,
23 to the extent practical, with specific modifications,
24 during the initial integration period. Many of our

1 systems, our major systems, the customer systems, the
2 financial systems, and the construction systems are newly
3 upgraded and to build onto them the components and the
4 modules and the things we need to scale up to accommodate
5 these operations is part of the Integration Plan. And,
6 then, all of the other systems and modules that connect to
7 those systems are being considered for upgrading and we're
8 constructing new ones where we need to be.

9 But an integral component of supporting
10 the integration of the business processes is supporting
11 those business processes with the systems, the hardware
12 the software, and the procedures, in order to accomplish
13 the processes that need to be integrated. And, as we go
14 through the presentation, there will be some jargon to
15 this, but we have 56 functional teams, and we have 700
16 business processes. And, below those processes, we have
17 tasks and subtasks. And, so, as you go through and see
18 the presentation, you'll see that's at a level of
19 delineation that we're breaking down the integration steps
20 to.

21 Thirdly, all of the business processes
22 and data conversions will undergo final testing before
23 their respective Go-Live dates. And, on the -- as I
24 mentioned before, it's our experience that thorough

1 testing before allowing a new process or a new system into
2 production has been -- has been successful for us in the
3 past. And, this is something where we have experience in
4 constructing new processes and new systems. We create
5 them in a test environment, we thoroughly test those, and
6 then we, after the testing and review of those changes, we
7 bring them into the production environment. And, we've
8 been able to do that successfully in a number of projects
9 over the years.

10 And, the fourth, the fourth item is that
11 we will adopt the best practices of not only the two
12 companies currently, but, as things come up in the future
13 or things that come up during the integration period,
14 where there are recommendations for implementing changes
15 to the way we do things, we will incorporate those things
16 as we go forward over time.

17 This next page is a -- it's a picture of
18 the 56 teams. It's the index of the 56 teams that were
19 submitted as individual Functional Integration Team Plans
20 the other day. These are the 56 functions that we have
21 organized into for the Integration Plan. There are some
22 team leaders that are leading more than one function;
23 Chris LeBlanc, for example, that you'll hear from later
24 this morning. All in all, we have 33 team leaders. Up to

1 now there has been an integration planning team, which has
2 been coordinating the team plans coming together. The
3 project management team will go forward and work with
4 these team leaders and go through and monitor the progress
5 and assist them as they go forward from here, to the
6 stages of the Integration Plan, all the way to the Go-Live
7 event.

8 When we look chronologically at the
9 integration stages over this 11-month period, the
10 different phases that are presented here as "Plan",
11 "Build", "Test", and "Go-Live", appear sequential, however
12 there's overlaps in these time periods. As I mentioned
13 before, the implementation and building has begun in
14 earnest for months. And, as we go forward over the
15 horizon of the next months of the summer and the fall, we
16 hope to accomplish many of the steps of the integration
17 where the processes and things that we have identified to
18 integrate that need to be created and tested will be done
19 in that time period, and that they will be ready for
20 integration at the closing. And -- Yes, Ed.

21 MR. DAMON: Larry, do you have a
22 description of these charters for the various Integration
23 Teams?

24 MR. BROCK: Yes, there was. For a

1 description of what the charter is?

2 MR. DAMON: Yes. For example, I'm
3 looking on here, I'm saying to myself, where is the
4 responsibility for Gas Supply Planning? And, the closest
5 thing I come to is "Gas Supply Management".

6 MR. BROCK: Yes. Yes, the individual
7 team charters were submitted with the data response
8 yesterday. So, each one of these team charters exist in
9 the tab that, if you go back to that, can you go
10 backwards?

11 (Referring to slide presentation.)

12 MR. BROCK: This is the codification of
13 the team members. And, so, if you find the -- if you find
14 the tab or the association of that team function, team
15 number, in that file, you should find a charter, a plan, a
16 task list timeline, and the other -- the other elements of
17 their plan.

18 MR. WELLS: Larry, I'd just like to
19 add --

20 MR. BROCK: Sure.

21 MR. WELLS: -- in response to that, that
22 Gas Supply Planning, we do have a Functional Integration
23 Plan for this, specifically for Resource Planning. And, I
24 think that -- I think Gas Supply Planning and Resource

1 Planning, I think we're talking about the same thing, Ed.

2 MR. DAMON: Uh-huh.

3 MR. WELLS: And, that includes, you
4 know, Integrated Resource Planning, you know, just the
5 filings of those themselves, in addition to the actual
6 contracting for long-term resources. So, underneath that
7 "Gas Supply Management" function, there is a resource
8 planning plan that specifically addresses I think the
9 issues that you're -- that you're interested in.

10 MR. BROCK: Yes, I know that's -- that's
11 hundreds of pages. I'm sure Derek has probably already
12 read it.

13 MR. DAVIDSON: Oh, yes.

14 MR. BROCK: And -- but it's -- it
15 does -- it does represent quite a bit of work, quite a --
16 I would have to say thousands of hours, manhours in the
17 production of those hundreds of pages. It's a great
18 effort, and the team leaders have really done a fantastic
19 job on that.

20 Yes, back again, to the chronology of
21 the phases, and I'll describe a little bit of the
22 chronology, and then kind of some of the process as to how
23 we thought about integrating, and then we'll get into the
24 actual subject matters of specific topics of the

1 functional integrations.

2 For the first phase, our business, in
3 the planning phase, we reviewed our business processes, we
4 tasked our team leaders with coming up with that list of
5 700 that we spoke about. And, that was where we began,
6 and find out what it is that we do, and, in that process,
7 we wrote up the team charters, we had meetings with e-mail
8 and telephone and in-person meetings with our Northern
9 counterparties, and basically coordinated that list of
10 business processes that needs to be integrated. So, it
11 was done as a back-and-forth process with the team leaders
12 on our side, and they had a list of counterparties on the
13 Northern and Granite side. They got together and they put
14 together the list that will become our checklist of things
15 that we need to integrate the processes. We did whatever
16 research was necessary to support the Integration Plan and
17 the acquisition in this phase as well.

18 Now, as we have been -- where we are in
19 what is going on, we're in the "Build" segment, if you
20 will. We're documenting and executing the integration
21 plans. We're designing and developing any new business
22 processes that need to be added to our current processes
23 in order to effect this acquisition. We're thinking about
24 how to transfer data and records, not only for the testing

1 environment that needs to go on in the building phase, but
2 it also indicates how to do that when you actually close
3 for the Company.

4 Northern is obligated to transfer the
5 Company to us and all the books and records. We have to
6 take the Company in a Go-Live integration scenario and we
7 have to receive all of the information that is not in
8 Portsmouth and Portland from NiSource or Northern or any
9 of the -- any of the other affiliates that has it to run
10 this company. And, so, that's part of our plan as well.
11 And, in this phase, we also populate, test our systems and
12 databases in the prototype systems that we're building and
13 go through the -- go through the construction and building
14 of those systems to produce the results; for example, as
15 Mark will speak in the area of Customer Service, to
16 produce those systems to invoice correctly in the style
17 that -- that is necessary for us to support the Northern
18 customers. And, all of those things that need to be newly
19 built and modified are being done in the "Build" phase.

20 Which leads right into the "Test" phase.
21 There is quite a bit of -- every business process will --
22 we will need to have assurance and test that it is
23 integrated or can be integrated and how we're going to do
24 that. And, we will have a test plan in each one of these

1 functional teams that supports the testing of those
2 processes. And, many of those processes are supported by
3 information systems. And, so, you have a test plan for
4 the intimate -- information systems integration process as
5 well. All the while that the testing phase goes on,
6 hand-in-glove with that we have the assurance or the
7 compliance with Internal Controls phase. The internal
8 function here at Unitil spends a lot of time testing our
9 compliance with operating procedures, regulatory
10 requirements and internal controls or financial controls.
11 In this Integration Plan, they're also very focused on
12 critiquing the plans, critiquing the test plans, as well
13 as, after the plans are executed, there will be a testing
14 to the execution and the success of those tests. And, in
15 this period of test, it would lead into the period where
16 we're coming out the other side of the Integration where
17 our processes are becoming clearer and in place for the
18 Northern employees to begin their training as to how we'll
19 do business after the closing.

20 The closing event is, again, it's
21 forecast for November. It assumes that we have regulatory
22 approval in early October. And, then, those events would
23 allow us to execute the Go-Live scenarios, which, from the
24 period of regulatory approval to the expiration of the

1 appeal period, things would begin in earnest to execute
2 the Go-Live and the integration of many functions.

3 As I said, there's a perspective at the
4 operations level where we have -- we would have
5 approximately 80 employees that would need to be -- need
6 to be managed, you know, the day after closing. And, that
7 is a certain set of integration processes and perspectives
8 that are displayed in the operational Functional
9 Integration Plans. The other -- the other integrations
10 that re -- that involve central services, where we are not
11 receiving any staff or systems and things for the Central
12 Services functions, those integrations in Go-Live will
13 take place over a pre-closing, closing and post-closing
14 period, and will be supported as necessary by the
15 transition services, until there is a final cut-over and
16 validation of those integrations of those processes.

17 MR. TRAUM: Okay, Larry?

18 MR. BROCK: Yes.

19 MR. TRAUM: If I may?

20 MR. BROCK: Sure.

21 MR. TRAUM: On the last bullet, in terms
22 of the determination of what processes or functions can be
23 cut over to Unitil, are you going to be discussing what
24 the process will be for making that determination?

1 MR. BROCK: Yes. Yeah. There's a
2 section in the presentation today called the "Go-Live" --

3 MR. TRAUM: Uh-huh.

4 MR. BROCK: -- the "Go-Live Plans".
5 And, in that area, we'll get into this discussion.

6 MR. TRAUM: Okay, I'll hold off my
7 question then. Thanks.

8 MR. BROCK: Yes. Okay. Okay, the next,
9 the next two slides, and this is just on the -- these are
10 the last two slides on the processes, and then we'll get
11 into the functions. The things that we did and the things
12 that we considered as we went through and created the
13 Business Integration Plans and the consolidated plan, and
14 this is -- this presentation is about the plan, the
15 execution of the plan is the next phase. In building the
16 plan, you know, we discussed with the team leaders and
17 ourselves, as managers of the planning process, you know,
18 how to put this together. We define the end state. And,
19 in doing that, you needed to compare how we do things
20 currently, we needed to identify the data that was
21 involved on our side and the data involved on the Northern
22 side. And, what happens in the next phase, "Map and
23 Codify", you have to decide, "Okay, if we have one -- if
24 our CWO numbers are seven digits, and their CWO numbers

1 are nine digits, which one survives?" You need to do the
2 mapping and codification exercises to decide how you're
3 going to integrate this company and how you're going to
4 integrate the policies, procedures, and paperwork to make
5 this happen. When you know those types of things, then
6 you know how to get together with the IS group and just
7 determine how to develop your systems, upgrade your
8 systems, if necessary, and prepare the systems for
9 integration.

10 Just go to number four. So, again, when
11 you get through the information system development and the
12 business processes development, you wind up in the test
13 environment. And, you are at the point where, when you
14 have achieved a successful test of those changes, you're
15 ready for a live and Go-Live production environment, but
16 you have to plan that. And, as Ken asked the question, as
17 we'll get to, you need to plan your Go-Live event. In the
18 case of centralized services particularly, you need to
19 know where the predecessor company stops and where you're
20 going to start. It all needs to be controlled and
21 validated. And, so, these processes are things that we
22 have asked people, as they put their plans together, to --
23 to consider, particularly when they're developing their
24 Go-Live plans. And, then after, after all that happens

1 and you go live, our technique is to require a follow-up
2 review test, you know, an assessment of the quality of
3 that to be a final validation of the success of that
4 integration.

5 So, now, to discuss some of the critical
6 processes that -- now we get to kind of the practical
7 session -- the practical section of the Integration Plan.
8 And, that is, you know, what are the processes and
9 functions that we're going to integrate? We've listed
10 some of the major ones here. And, we'll speak -- the
11 subject matter experts will speak in more detail about
12 this shortly. But, first, what -- what we have summarized
13 is the "Meter to cash processes". Where these Customer
14 Information System functions of reading, taking in the
15 meter reads, sending out the invoices, being able to
16 answer the phones with real-time data on the computer
17 screens, responding to leak calls, dispatching Customer
18 Service Staff, processing cash remittance, and connecting
19 new customers and taking that intake, that work intake
20 into the Customer Information System. This is one of
21 the -- the most major integration or the most major
22 section of the integration project, and you'll hear a lot
23 of conversation about how we're going to do this. But
24 this is a primary focus in the Integration Plan, is,

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1 first, the customer stakeholders and how the integration
2 will affect them, and how we plan to execute the
3 successful integration of those processes.

4 Number two is "Deliver Gas". Contract
5 for the supply, which Fran spoke to earlier, and perform
6 dispatch and control.

7 Number four, as I mentioned, major
8 system is construction and, at the distribution operating
9 center level, we have three main functions going on,
10 construction, operation and maintenance. That involves a
11 lot of processes and tasks and subtasks, and Chris LeBlanc
12 will speak to some of those later this morning. But we
13 need to be able to do things like complete open
14 construction work orders, operate the local production
15 facilities, and supervise the employees and contractors
16 that are out there.

17 MS. SMITH: Larry?

18 MR. BROCK: Yes.

19 MS. SMITH: Not to actually -- but was
20 there a number three?

21 MR. YARDLEY: That's secret.

22 (Laughter.)

23 FROM THE FLOOR: That's confidential.

24 MS. SMITH: I just wanted to make sure

1 there wasn't like a page missing.

2 MR. BROCK: Is there?

3 FROM THE FLOOR: There's no three, just
4 call it number four.

5 MS. SMITH: Okay.

6 MR. BROCK: Okay. Good catch. Do you
7 know how many people proof read this?

8 MS. SMITH: I'm a numbers person, I
9 still know when there's a point missing.

10 MR. BROCK: Excellent. Excellent.
11 Number five I think is "Reporting, Compliance and
12 Control", which is how we validate our processes, our data
13 conversions and test processes. Again, when you look at
14 financial systems, being able to cut off and record
15 transactions accurately and to meet regulatory reporting
16 standards and service quality metrics, all very important
17 to the Integration Plan, and one of the major sections of
18 the Integration Plan from the point of view of what we are
19 planning to test and to integrate.

20 Supporting these major processes, we
21 have, you know, an emphasis on communications at various
22 levels. How to integrate the communications to the
23 customers, to the public, to the employees, to everyone
24 involved. As we move closer to the regulatory process,

1 getting to the end of that and getting to the process
2 where the integration will actually take place and the
3 cut-over will take place, there's quite a bit of
4 communications planning going on to make that happen. We
5 also need to be able to pay employees, respond to their
6 benefit questions. There have been some questions
7 already. There have been regular meetings with the
8 operations folks, and Tom Meissner and Chris LeBlanc and
9 Ray Letourneau have been addressing questions on a
10 periodic basis of the Northern employees, along with our
11 Human Resources people. And, so, those things are
12 ongoing, and will be -- will be an important part of the
13 integration, that there are no issues there for it to
14 succeed. And, then, make secure telecommunications and
15 data networks. There's quite a bit of emphasis on
16 telephone lines and telephone numbers and labeling and the
17 other telecommunications aspects of connecting facilities
18 in Portsmouth and Portland to our infrastructure. It's
19 just a very, very important part of the integration as
20 well.

21 Well, that's an overview to get started
22 on the business Integration Plan to bring you up-to-date
23 on where we are. As I said, we've submitted the 56
24 detailed plans. The Executive Summary is with that. We

1 have today's presentation. And, I'm sure, as we go
2 through with the questions and the rest of the discussions
3 today, that hopefully we'll establish a firm foundation
4 that explains our Integration Plan. And, then, from
5 there, we will take and keep people updated as we go along
6 in the Integration Plan as it gets executed.

7 Right now, I'd like to introduce Mark
8 Lambert, our Director of Customer Service. And, he will
9 explain some of the customer perspective topics. All
10 right.

11 MR. LAMBERT: Thank you, Larry. The
12 direct customer interfacing that we'll be updating are --
13 it's a culmination of efforts that we've had with several
14 meetings with NiSource personnel. And, as Larry had
15 originally had said, that it's been a pleasure to work
16 with NiSource, and they have been very forthcoming, and in
17 a message so much so that they really care about the
18 transition of customers, both New Hampshire and Maine.
19 You know, "Mark, don't forget about this", Mark, don't
20 forget about that", and it's been extremely helpful.

21 So, I'll first start talking about the
22 direct customer interfaces that we have that we're
23 transitioning for our customers. And, the first one at
24 our Customer Service Center, where the Northern calls

1 right now, for both Maine and New Hampshire, were answered
2 down in the Springfield, Massachusetts Call Center. They
3 will be transitioned up to our Concord, New Hampshire Call
4 Center. We're allowing for all the systems to be expanded
5 to scale and new systems to be put in place to do this, as
6 well as a major component of hiring and training new
7 Customer Service Representatives that we'll talk about in
8 a little bit.

9 But, certainly, as the customers come in
10 and they make the phone call, they're responded to by
11 either the IVR, which is the very front-end, the
12 Integrated Voice Response unit, or if they opt out, which
13 most do, they will talk to a trained Customer Relations
14 Representative.

15 Another direct interface, as Larry
16 talked about, was the Web tools. These are --

17 MR. DAVIDSON: May I ask a quick
18 question where you are, --

19 MR. LAMBERT: Sure.

20 MR. DAVIDSON: -- before you go off
21 Customer Service Center? Are you planning on having reps
22 specialized by state and have like your ACV send calls
23 pursuant to area code?

24 MR. LAMBERT: No. What we're going

1 to -- what our original plans are right here, Derek, is to
2 have two separate -- two separate numbers for New
3 Hampshire and Maine, to have all the representatives for
4 billing, credit-related, and service-related type calls be
5 experts in those areas. Within those areas, we may
6 specialize with what they call a skills-based routing. We
7 may specialize as far as how trained a person is. In
8 addition to those queues, we're going to have our products
9 and services related queues as well, because we thought
10 that it would be a little bit too much for a Customer
11 Service Rep. to learn everything.

12 MR. DAVIDSON: Exactly.

13 MR. LAMBERT: Yes.

14 MR. DAVIDSON: I mean, and some of the
15 things that we've -- we've run into with other utilities,
16 when they tried to integrate, you know, multiple states
17 with the same call center is that the reps would mistake
18 Massachusetts rules with Maine rules and vice versa.

19 MR. LAMBERT: Right.

20 MR. DAVIDSON: And, so, you know, we've
21 run into situations where they were -- the rep was
22 operating under the incorrect state rules. And, I think,
23 you know, each state has, you know, Mass., New Hampshire,
24 Maine --

1 MR. LAMBERT: Right. Right. Right.

2 MR. DAVIDSON: -- some unique aspects to
3 the rules though.

4 MR. LAMBERT: Oh, definitely unique
5 aspects. And, that's a good question. And, as we go
6 through, as we go through our planning, I think our
7 initial set up is to train on a particular type of call
8 and get representatives expert, you know, experts within
9 that type.

10 MR. DAVIDSON: Yes.

11 MR. LAMBERT: On Web tools, this is a --
12 this will be a very interactive website, as Unitil has it
13 now, and as NiSource and Northern also have it right now.
14 They have a very good website, where customers can come in
15 and put in requests to turn on/turn off service, change
16 service, deactivate service. They can, you know, have a
17 Customer Service Representative or another representative
18 of the customer call them. They can get account
19 information, pay their bill, either by credit card or
20 electronic check. In Maine, we wouldn't accept credit
21 cards. But, in New Hampshire, just like we do for Unitil
22 customers now, we would continue with that service. And,
23 in addition, there's other various options of energy
24 efficiency programs, other new products and services that

1 I'll talk about in a little bit, and other new services
2 for customers. We'll put all those out there as well.

3 MS. HATFIELD: Mark, can I ask you a
4 question?

5 MR. LAMBERT: Sure.

6 MS. HATFIELD: And, I know at our last
7 technical session I asked the question of "would customers
8 be able to pay the same way before, during, and after the
9 transition?" And, I think I was told that would be
10 discussed in this plan.

11 MR. LAMBERT: Yes.

12 MS. HATFIELD: Can you just point me to
13 where that would be discussed?

14 MR. LAMBERT: It is in the -- It is in
15 the -- in the Integration Plan of Customer Services, as
16 far as payments. And, I can verify that for you,
17 Meredith, exactly where it is. But it's the same way the
18 customers, to answer your question, the same way, the
19 methodology and the methods that customers can use to pay
20 their bills, we'll still be continuing all those all the
21 way through, for Maine and New Hampshire customers.

22 MS. HATFIELD: Even during the
23 Transition Period?

24 MR. LAMBERT: Even during the Transition

1 Period, yes.

2 MS. HATFIELD: Thank you.

3 MR. DAVIDSON: And, Mark, just to follow
4 up on that. In another recent merger with two utilities,
5 online payments has become a major problem. And, I think
6 that, because of the way that it operates, with people
7 having their account information logged into a particular
8 utility's website, that has proved very problematic. And,
9 so, I just point that out to you, and hope that that's
10 addressed somewhere in your plan.

11 MR. LAMBERT: Derek, I think that may
12 have been the one e-mail that was passed around to the
13 entire group when that came out, that release, and
14 something of not to do and something to consider. And
15 that's -- it is foremost on our minds, and especially on
16 the Customer Service minds to make an easy, convenient
17 transition for customers, especially in light of what
18 happened with that --

19 MR. DAVIDSON: Okay.

20 MR. LAMBERT: -- with that acquisition.
21 Point well taken. Billing and payment processes, to
22 Meredith's question, as customers are allowed to pay their
23 bill right now in the convenient ways that they're all
24 going to right now, and that's electronic bill presentment

1 and payment, we found that this is an easy transition for
2 us. That's a very popular option right now. We found
3 that -- that Northern, NiSource, the back-end systems that
4 are used for this particular service are the same ones
5 that we use, so we find an easy transition to go there.

6 Credit cards for New Hampshire is
7 another easy transition. And, being able to pay your bill
8 electronically, over the Web, over the IVRs, also should
9 be an easy transition for us. And, Derek, to your point,
10 to make sure that there's not an interruption of service
11 as we make the transition.

12 MS. HATFIELD: Mark, can I ask another
13 question? Do you currently offer completely paperless
14 billing?

15 MR. LAMBERT: We do. And, yes, good
16 question, and that's what we refer to as "Electronic Bill
17 Presentment and Payment". That is a complete
18 all-the-way-through tool that we've offered, where a
19 customer, through the e-mail, could receive their
20 paperless bill --

21 MS. HATFIELD: Uh-huh.

22 MR. LAMBERT: -- and initiate payment
23 right through there.

24 MS. HATFIELD: Okay.

1 MR. LAMBERT: In addition to that, we do
2 a normal automatic draft, a debit draft, which we called
3 "Uni-Pay", but it was an automatic draft. The customers,
4 in that case, would receive a bill --

5 MR. KUMAR: Hi, this is Jay Kumar.

6 MR. LAMBERT: Hello. Welcome.

7 MS. HATFIELD: And, do you find that a
8 lot of customers are taking that option?

9 MR. LAMBERT: They do. That Electronic
10 Bill Presentment and Payment, Meredith, started off, I
11 think we had aspirations of a 5 percent adoption rate.
12 When we introduced it, oh, boy, it was in 2000 or so, 1999
13 or 2000, some time ago, we had aspirations of a 5 percent
14 adoption rate. And, then, I think it slowly, slowly grew,
15 and right now we're about a 7 or 8 percent adoption rate
16 after all of these years.

17 MS. HATFIELD: Uh-huh.

18 MR. LAMBERT: So, we did not exceed our
19 expectations there, but it is growing and growing in
20 popularity. And, the direct debit option is also one that
21 customers find easy. They get a paper bill, and then they
22 still have to -- they can automatically -- we can
23 automatically draft their payment. Ed?

24 MR. DAMON: Yes, Mark. I'd like to take

1 this opportunity to speak briefly to Jay Kumar, who's
2 calling in --

3 MR. LAMBERT: Okay.

4 MR. DAMON: -- from Washington, D.C.
5 He's a consultant that's been retained by both New
6 Hampshire and Maine to give us some advice about issues
7 that we're not actually going to reach probably today
8 until this afternoon. We're discussing now, Jay, the
9 Business Integration Plan for the Company. I don't know
10 if that changes your plans for this morning.

11 MR. KUMAR: I could join later, around
12 three I'm available. And, if that time is better, I can
13 join later on. There's no problem. I'm back to the
14 office today.

15 MR. DAMON: Okay. We have your
16 cellphone number.

17 MR. FRINK: You want to give us your
18 number again, and we'll call you when we get to Granite?

19 MR. KUMAR: Yes. (301)984-7050.

20 MR. FRINK: Thank you. That will
21 probably be after lunch. So, you know, --

22 MR. KUMAR: That's fine. And, I'll be
23 here. I have to leave around 4:30 this afternoon, but
24 till that time I'll be -- I'll be here.

1 MR. FRINK: Great. Thank you.

2 MR. KUMAR: Okay. Thanks. Bye.

3 MR. LAMBERT: Did I answer the
4 questions, Meredith, so far?

5 MS. HATFIELD: Yes. Thank you.

6 MR. LAMBERT: Okay. And, of course, in
7 addition to the billing payment options I mentioned, I
8 always seem to gravitate toward the electronic ones or the
9 newer ones. But, in addition, of course, check payments,
10 which are still popular, we'll be able to do that as we
11 transfer lock boxes and make an easy transition there.
12 Wayne?

13 MR. JORTNER: You mentioned credit cards
14 are New Hampshire only a couple of times. Is that --
15 that's because there was an issue in Maine regarding the
16 fee that you were charging for credit cards?

17 MR. LAMBERT: It was, to my
18 understanding, Wayne, that it wasn't -- it wasn't allowed
19 to transfer a customer's debt onto a credit card. That
20 was my understanding of it. It wasn't allowed by the
21 Maine Commission. But -- No?

22 MS. SMITH: Well, --

23 MR. JORTNER: I'm not sure of that. But
24 we could talk about it afterwards.

1 MR. LAMBERT: Sure.

2 MR. JORTNER: But what is the fee
3 charged? Is there a fee charged in New Hampshire for
4 credit card payments.

5 MR. LAMBERT: We currently don't charge
6 a fee.

7 MR. JORTNER: Then, we would welcome it
8 in Maine.

9 MR. DAVIDSON: And, maybe, Mark, just to
10 clarify. You know, Wayne's correct. It was the issue.

11 MR. LAMBERT: It was just the fee.

12 MR. DAVIDSON: It was not a debt issue
13 on the credit card.

14 MR. LAMBERT: Oh, great. Thank you.

15 MR. TRAUM: And, just to complete the
16 circle. Northern, in New Hampshire, do you charge a fee?

17 MR. FERRO: I thought we did.

18 MR. LAMBERT: Yes. I know the website
19 for Northern takes you out to another portal, that it's
20 not a fee that goes to NiSource, it's just a fee to the
21 customer.

22 MR. TRAUM: Okay. And, Joe, do you have
23 any idea how many customers take advantage of that?

24 MR. FERRO: I do not.

1 MR. TRAUM: Okay.

2 MR. LAMBERT: Satellite payment offices,
3 the same satellite payment office technology that's used
4 in the Northern service territories is the same one that
5 we use for all three of our Unitil Companies. They're
6 Western Union payment offices, and you see these operated
7 at Hannaford's and Shaw's and local convenience stores
8 spread throughout the service territory. So, we feel that
9 that's another easy transition for us. It's the same
10 service that we offer. And, customer communications is
11 another direct interface with our customers. As Larry
12 talked to earlier, there is a -- there is a great push and
13 a great consolidated effort both within our company,
14 several departments are joined in on a customer
15 communications effort, as well as with NiSource and
16 Northern employees. And, this is very important on how we
17 communicate, what we communicate with customers, both pre-
18 and post-merger. We find this is very important and we --
19 we have so far been very pleased to work with NiSource on
20 this, on what communications that they're going to help us
21 get out to the customers before we start billing those
22 customers.

23 MR. DAVIDSON: Mark, can I ask a
24 question?

1 MR. LAMBERT: Sure.

2 MR. DAVIDSON: Are you developing a
3 communications plan?

4 MR. LAMBERT: Yes, we are.

5 MR. DAVIDSON: And, is that -- is that,
6 have you -- is that in development stage or have you
7 already -- you already have a preliminary plan?

8 MR. LAMBERT: It is in development stage
9 at this point, but we'd be happy to share that with the --

10 MR. DAVIDSON: Okay. Yes, maybe as an
11 oral data request, that once that's ready, if we could get
12 a copy of that?

13 MR. LAMBERT: Absolutely.

14 MS. HATFIELD: Mark, any estimate on
15 when that -- when we could see a draft?

16 MR. LAMBERT: I don't have a date on it.
17 But, Meredith, I'd be able to get you an answer on that --

18 MS. HATFIELD: Okay.

19 MR. LAMBERT: -- in a few hours.

20 MS. HATFIELD: Okay.

21 MR. LAMBERT: Okay. Service programs
22 that will continue. We wanted to take an opportunity to
23 list those in three columns, with the services on the left
24 side. And, we listed Fitchburg Gas & Electric, which I

1 won't talk about too, too much, but we wanted to show the
2 services that we offer right now. We are familiar with
3 some of the services, and we're moving toward a seamless
4 integration here. But these are the services that we have
5 in Northern-New Hampshire right now that NiSource is
6 offering, as well as in Northern-Maine. And, you'll see
7 the checkmarks here, and then a brief description. And,
8 when we talk about "legacy only", it's more of a
9 grandfathered service that we're referring to here, where
10 at one point it was offered by NiSource or Northern, and
11 they continue to be serviced for those customers, there
12 are rates still in there for these customers. So, systems
13 are still in play to support these, but no new services.
14 And, when I talk to specifically "rental water heaters" in
15 Maine and "rental conversion burners", "gas conversion
16 burners" in Maine and New Hampshire as well, that's a
17 grandfathered service. And, that's something -- that's
18 how it's offered now, and we anticipate continue that --
19 continuing that going forward.

20 Water heater sales, and new sales for
21 Northern-New Hampshire, we continue -- we will continue to
22 support and offer to customers. And, the Easy Care Clean
23 and Check or Inspections, which is an annual inspection of
24 the services, in Fitchburg we do it for heating systems

1 only, but in Northern-New Hampshire heating and cooling
2 systems will be supported. And, then, Northern Utilities
3 offers a very good maintenance -- maintenance plan, it's a
4 24 hour -- 24 hour plan for emergency services, emergency
5 repairs, kind of a parts and -- parts and labor coverage.
6 For business, it's supported for heating and cooling
7 systems, it's a monthly charge, that we'll also be
8 continuing. And, for residential, in addition to the
9 heating and cooling system support, water heaters and
10 interior gas lines will also be supported, as it is now in
11 New Hampshire.

12 MR. DAMON: Mark?

13 MR. LAMBERT: Yes.

14 MR. DAMON: Do I understand correctly
15 that these services in New Hampshire are offered above the
16 line?

17 MR. LAMBERT: Jeez, I may have to defer.

18 MR. FERRO: Is that a Northern question?
19 The answer is "yes".

20 MR. DAMON: Okay.

21 MR. LAMBERT: They are above the line?

22 MR. FERRO: Yes.

23 MR. TRAUM: All of them, Joe?

24 MR. FERRO: These services here, I'm

1 quite sure all of them are, yes.

2 MR. TRAUM: Okay.

3 MR. FERRO: Yes.

4 MR. TRAUM: Okay. Now, there was some
5 discussion I think at a tech session in Concord that you
6 provided some other services through an affiliate in New
7 Hampshire? And, I was assuming it was a lot of services
8 like this.

9 MR. FERRO: Yes, I mean, typically we
10 have to show, demonstrate in a rate case that we're
11 providing these services at a profit that doesn't drive
12 rates up, when we do a cost of service, but those are
13 above-the-line services. I'm not sure what you're talking
14 about here with affiliates?

15 MR. TRAUM: Maybe I'll ask it a
16 different way. Are those services that are provided in
17 New Hampshire provided by employees of Northern that will
18 be coming over?

19 MR. FERRO: Not all of them.

20 MR. ROGOSIENSKI: No, not all of them.

21 MR. FERRO: No. Not all of them. Our
22 retail services area is not going over to Unitil, our --
23 ours. And, they certainly provide Guardian Care and, you
24 know, there's other systems -- and there's other services

1 there.

2 MR. COLLIN: Okay. Let me tell you what
3 my understanding is and --

4 MR. TRAUM: Please. I've got a little
5 confused on it.

6 MR. COLLIN: -- and hopefully somebody
7 can (inaudible) here, if their understanding might be
8 better. Having said that, the Guardian Care services and
9 non -- the installation services and clean and check and
10 things like that are separate from the Guardian Care
11 services that -- the overall Guardian Care services. So,
12 some of the services are provided by actual Northern
13 employees, who we will be -- who will be coming over.
14 And, I think at the last session the local unions brought
15 up that issue, and we said we would continue to use those
16 union people in that same manner for those types of
17 services. But several of these programs, like Guardian
18 Care and such, are provided through an affiliate, the
19 retail services affiliate, which are not coming over. But
20 there is a contract between Northern and the affiliate for
21 those services, and we would continue to use that,
22 NiSource's retail affiliate, at least during the
23 Transition Period, to provide those services. And, then,
24 we'd, you know, what may happen in the future will depend

1 on who else can provide those services competitively,
2 etcetera. But, at least initially, nothing will change
3 basically.

4 MR. FERRO: Said another way though,
5 any -- certainly any work that's done by our service
6 people, those service people are going over to Unitil and
7 they would continue to do --

8 MR. LAMBERT: Well, and that's exactly
9 right, Ken. And, I think that was the discussion at the
10 last, "will these customers have an interruption of their
11 service?" And, it's still the same service people that --

12 MR. FERRO: Right.

13 MR. LAMBERT: -- will be going out.

14 MR. TRAUM: Uh-huh.

15 MS. HATFIELD: And, we -- there was an
16 oral data request on that.

17 MR. TRAUM: Okay. Under the same --

18 MR. LAMBERT: Under the --

19 MR. FERRO: Right.

20 MR. TRAUM: -- contractual commitments
21 or whatever?

22 MR. LAMBERT: Correct. Correct.

23 MR. DAMON: So, basically, Northern -- I
24 mean, Unitil will contract with this Northern affiliate to

1 provide these Guardian Care services for the time being?
2 That's how it would work?

3 MR. COLLIN: For the time -- yes, for
4 the time being, like any other business, we'll continue to
5 evaluate it.

6 MS. HATFIELD: Would it be possible to
7 take this chart and to just break out which things will be
8 done by folks that come over from Northern and then who
9 will be providing the other services?

10 MR. COLLIN: Yes.

11 MS. HATFIELD: It would be, since we
12 have discussed it twice, it might be just helpful to have
13 it in writing. And, I can do that as a follow-up data
14 request, if you want?

15 MR. COLLIN: We can take it now,
16 Meredith, just as an oral request.

17 MR. DAVIDSON: Mark, I just had one --

18 MR. LAMBERT: Sure.

19 MR. DAVIDSON: -- final question before
20 we go off this slide. Is Unutil planning on keeping this
21 the same way or are you -- is there discussions about
22 adding or dropping services?

23 MR. LAMBERT: You know, for this
24 transition, our plan is to -- is to keep this the same way

1 as we move forward with the acquisition and transition.
2 Although, in a post-closing, we certainly would be welcome
3 to, you know, discuss additional programs with either
4 Maine or New Hampshire.

5 MS. MacLENNAN: Has Unitil seen the
6 order that came out in Maine that initiated Northern's
7 decision to discontinue certain services in Maine?
8 Because you might want to take a look at that and, just
9 because that's a group, there was an order that applied
10 our Chapter 820 rule, which is the cost allocation between
11 Core and non-Core services or between affiliates, and
12 determined that Northern would be required to conduct
13 non-Core services, such as the rental programs and the
14 extra cost of service programs as a separate subsidiary.
15 So, it wasn't disallowed in the -- there would be some
16 requirements as to separation of corporate functions and
17 that sort of thing. That might be good background for you
18 before any major discussions.

19 MR. LAMBERT: No, I appreciate that.
20 Yes. We will look at that.

21 MS. MacLENNAN: But, along those lines,
22 can you give us a sense of how the cost of managing the
23 programs in New Hampshire that aren't offered in Maine are
24 directed? I guess our concern would be that Maine

1 consumers not be charged for those costs. And, if you
2 can't answer that today, that's fine, we'll make an oral
3 data request.

4 MR. LAMBERT: Okay. Yes, I wouldn't be
5 able to answer that now.

6 MS. MacLENNAN: Okay.

7 MR. LAMBERT: I don't know if Northern
8 has an idea. But we could take that as an oral data
9 request.

10 MS. MacLENNAN: Okay. Great.

11 MR. LAMBERT: Yes.

12 MS. SMITH: Carol, did you, just to
13 clarify, did you mean now, that what Northern is doing
14 and/or what Unitil -- how Unitil maintain the separation
15 when they take it over?

16 MS. MacLENNAN: I'd say both. Yes, that
17 would be good.

18 MR. LAMBERT: Okay. Thanks.

19 MR. FERRO: Carol, is your question you
20 are making sure that there's a direct assignment of costs
21 for those activities to New Hampshire, right?

22 MS. MacLENNAN: Yes. I think that's
23 optimal.

24 MR. FERRO: Yes. I would certainly

1 expect that would be, I mean --

2 MS. MacLENNAN: Okay.

3 MR. FERRO: -- I would certainly expect
4 that. That's what we would do, yes.

5 MS. MacLENNAN: That's your
6 understanding of how it goes now, correct?

7 MR. FERRO: Right.

8 MS. MacLENNAN: Okay.

9 MR. FERRO: Right.

10 MS. MacLENNAN: Thank you.

11 MR. LAMBERT: So, just completing that,
12 these are the services, and that we'll certainly continue
13 prior to the acquisition.

14 Satisfy service quality plan
15 requirements: We are -- We do file, both in our Electric
16 and Gas Division in Massachusetts, service quality plans.
17 So, we are familiar with the process. And, in going
18 through, going through these, several of the service
19 quality indices are the same, but certainly several few
20 are different. And, in all cases, we are preparing, in
21 our functional plans, the ability to monitor, report on,
22 comply, and certainly meet or exceed these expectations as
23 well.

24 Under Maine, in the field operations,

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1 both service appointments met on schedule and response to
2 odors are measurements that we comply with now in
3 Massachusetts. So, these should be easier transitions for
4 us. Under meter reading, on-cycle meter readings are also
5 very much the same that we track for all of our companies
6 and report on in Mass., but long no-reads and company
7 meter reads used something that we currently don't track
8 in Massachusetts, so this is included in our plans as
9 certainly an integration. Our systems are certainly
10 capable of doing this, and reports will be designed to be
11 able to do this. And, we feel that, as we look at the
12 long no-reads and the Company meter reads use that,
13 according to our prior tracking that we have, we should be
14 able to meet or exceed these hopefully -- hopefully
15 easily.

16 Under Call Center, telephone service
17 factors, for both emergency and non-emergency calls, right
18 now I think I mentioned in New Hampshire that Unitil
19 tracks these as within 20 seconds. So, it's a bit more
20 stringent than the 30 seconds. But our telephone systems
21 are capable of breaking it out in 20 second intervals, 30
22 second intervals, 40, whatever we deem. So, this should
23 be easy to do for our systems.

24 Abandoned call rate, the same thing.

1 This is a normal functionality that all phone systems I
2 believe are doing these days. So, the ones that were done
3 out of Springfield, Springfield's contact center's four
4 queues, we will be able to do as well.

5 And, then, the contact center network
6 busy outs. This is something we were not tracking prior,
7 but our telephone system is capable of doing this. So,
8 this will be something, as it refers to all trunks, I
9 believe all trunks busies, to making sure that the utility
10 has enough lines to accommodate all customers coming in.

11 And, then, Customer Service, the average
12 monthly number of cases recorded by the Consumer Division
13 Affairs is 3. We're familiar with this from the
14 Massachusetts perspective. So, we'll be also very in tune
15 with our customers and satisfying those customers prior to
16 them or to avoid to have them make a request to the
17 Consumer Division for assistance.

18 And, in New Hampshire, the service
19 quality measures, telephone calls also, both emergency and
20 non-emergency within 30 seconds. Calls encountering a
21 busy system -- a busy signal, very similar to
22 Massachusetts -- Maine that we'll be able to do, we don't
23 do it currently, but this is something we'll be available
24 to do. Service appointments met on schedules and customer

1 complaints resolved within two weeks being referred by the
2 Commission Staff to the Company.

3 Additional measures, as I've listed,
4 average speed of answer for billing service and credit
5 calls for those queues, we'll comply with those, and the
6 three queues are easily segregated out within the Customer
7 Service Center. And, the number of abandoned calls and
8 the average time to abandon from the ACD Queue.

9 So, as far as service quality plan
10 requirements, we have a little leg up of what we do in
11 Massachusetts and how our operations work together. And,
12 we feel we'll be a -- it will be an easy or a good
13 transition for us as we go forward.

14 Are there any questions, before we take
15 a break? Is everyone ready for a break? I think so. I
16 see a lot of nods. Why don't we take a 15 minute break,
17 and we'll reconvene with Ray Letourneau. Okay. Thank
18 you.

19 (Recess taken.)

20 MR. EPLER: Ray Letourneau, Director of
21 Operations, I think has the next couple of slides.

22 MR. LETOURNEAU: Thank you, Gary. As
23 Mark Lambert recently went through, one of the
24 perspectives of getting back to the integration planning

1 itself, Mark provided an overview of the Integration Plan
2 from the customer perspective, I'll be covering
3 perspectives of the organization, as well as employee
4 perspective of the Integration Plan.

5 This first slide, we've identified three
6 specific areas or issues, if you will, that, from an
7 organizational perspective, we felt would require our
8 focus and attention as we move through the Integration
9 Plan. The first being the organization itself and the
10 information flows must comply with all applicable FERC,
11 Maine, and New Hampshire affiliate rules and codes of
12 conduct. And, our approach to that issue was an
13 assessment that was led by Gary Epler, our internal
14 attorney, that reviewed the rules and assured that we are
15 in compliance and/or seek appropriate waivers to various
16 rules as we discovered them.

17 The second issue is probably one of the,
18 in our view, some of the biggest issues from an
19 organizational perspective, was the 78 employees,
20 approximately 78 employees that are coming in from
21 Northern that are going to become Unitil employees. And,
22 a tremendous amount of time has been spent on this
23 particular issue. There's been extensive planning. Our
24 approach to this has been lots of communication with these

1 employees. We've had several meetings with our senior
2 management. We facilitated meetings in Portsmouth and in
3 Portland on at least two different occasions, and we'll
4 cover a little bit more under the employee perspective
5 slide, but, you know, our goal was to let them know, you
6 know, who we are, a little bit about Unitil, who they're
7 coming to work for. And, as I believe Larry had mentioned
8 earlier, the reception that we've received from the
9 employees has been outstanding. The employees have been
10 very -- very open with us and we've had a great, great
11 relationship to this point.

12 MR. JORTNER: One question about that?

13 MR. LETOURNEAU: Yes.

14 MR. JORTNER: Does 78 represent
15 100 percent of Northern employees?

16 MR. LETOURNEAU: It does. And, we keep
17 saying "approximate", because, remember, Northern is still
18 running this business, and things are happening, people
19 retire, people get hired. So, it represents -- the 78
20 represents Northern and Granite State Gas Transmission,
21 there's six employees in that particular group.

22 MR. JORTNER: And, there's zero layoffs?

23 MR. LETOURNEAU: Correct. And, the last
24 one is something that we -- I also identified as an

1 organizational perspective. There's critical skills that
2 must be hired in order to run a larger, more diverse gas
3 operation, including Granite. We have Fitchburg Gas &
4 Electric with 15,000 customers, we're now taking on two
5 new jurisdictions in New Hampshire and Maine, with Granite
6 State Gas Transmission as well, 52,000 customers. And,
7 one of the -- the way that we're addressing that again is
8 we're looking at hiring approximately 59 staff here at
9 Unitil. It's in several areas, and it's across
10 essentially all company functions. The Call Center, as
11 Mark Lambert went through, obviously, we're going to need
12 more call reps, etcetera. Gas dispatching personnel, we
13 are going to be locating our gas control function in
14 Portsmouth, in the Portsmouth office. Justin Eisfeller,
15 who's -- who will be speaking a little bit later, will be
16 heading that up, and he is responsible for pulling that
17 together and hiring appropriate personnel to do that. Gas
18 operations personnel, Chris LeBlanc, our Gas Operations
19 Director, is here, and he'll be speaking a little bit
20 later. He's looking at the key functions he has in Gas
21 Operations. He's identified several key people that he's
22 seeking out and seeking to bring in to Unitil. And,
23 another business support personnel, you imagine
24 accounting, a legal, a regulatory, information systems,

1 you know, ADV [sic] systems expand as the tasks become
2 more voluminous, we need more folks to come in and help us
3 with that.

4 This next slide is the employee
5 perspective of the integration. What do the folks at
6 Northern, what do the folks here at Unitil think about the
7 integration? What is their perspective?

8 And, the first bullet on here talks
9 about "business-as-usual for Northern's current
10 employees." This is really a guiding principle, if you
11 will, in the integration planning itself. You have some
12 processes, procedures, policies, systems, if you can
13 imagine, all the business processes that these employees
14 utilize day in and day out. As we have gone through the
15 56 teams and we perform the integration planning, we
16 didn't want, you know, Monday morning Unitil's name goes
17 on the door after we do the closing, and all the processes
18 change. It would have created quite a bit of chaos, if
19 you can imagine. And, so, what we've tried to do, to the
20 extent possible, we've tried to emulate the systems that
21 they've had, the paperwork processes that they've had. We
22 didn't want them to see a whole lot of change. We had --
23 Some things did change, but very, very little for them.
24 We hope that the employees believe and see that, on that

1 day, that first day, that they're going to know what to
2 do, where to go, how to continue doing their job from day
3 one.

4 These employees, and some of our Unitil
5 Service Corp. employees here, located in Hampton, are
6 going to be relocated. Again, we're taking on 59
7 employees in this building, we have to make room for them.
8 We're going to be locating some of those folks over to
9 Portsmouth. We're going to be, you know, we're going
10 through major, if you've seen some of the plans, one of
11 the teams, 56 teams, of the facilities plan, we're doing
12 quite a bit of renovation over in the Portsmouth area to
13 accommodate these employees.

14 The Northern employees will report and
15 be able to meet with a director or a manager that will be
16 located in Portsmouth, actually, Chris LeBlanc's office,
17 as the Director of Gas Operations, he will be in
18 Portsmouth. Interestingly enough, as Chris was meeting
19 with the union folks over the last several months, they
20 were glad to hear that. They were glad to have a local
21 presence that's somebody that they can go talk to on a
22 regular basis that has an office in Portsmouth, somebody
23 that they can discuss issues with.

24 The union employee perspectives, they've

1 got labor contracts. We're going to retain the same
2 salaries.

3 MR. DAVIDSON: Ray, can I ask a quick
4 question?

5 MR. LETOURNEAU: Sure. Oh, sorry. Yes.

6 MR. DAVIDSON: That's okay. You were
7 saying that the employees will have a manager that they
8 can talk to. Is there going to be someone designated that
9 retirees can talk to? And, the reason I say that is that
10 I know, in another merger case, we had a lot of retirees
11 that had a lot of questions, and ended up coming through
12 the Commission. And, I was wondering if you were planning
13 on having a designated person that Northern retirees can
14 call? Because there was a lot of interest in "am I
15 getting the same benefits?" "What's going to happen?"

16 MR. LETOURNEAU: Right. Don't know the
17 answer to that. George Long is our Vice President of
18 Administration, has that HR. We can get an answer to that
19 question. You know, currently, the way Unutil, you know,
20 performs that function with our retirees are somebody in
21 our HR Department is designated to speak to our retirees
22 about various things that go on. I don't know what his
23 plan calls for, but we'd have to --

24 MR. MEISSNER: If I may, I do know that

1 a person in HR has been designated to deal with the HR
2 matters for each location, and is planning to be on-site
3 in Portsmouth and Portland when the time comes one day a
4 week. So, I'm guessing that that person would be able to
5 handle the retiree issues that come as well. But the plan
6 would be for an HR person to actually be at each location
7 one day a week, on an ongoing basis, not just through the
8 transition.

9 MR. COLLIN: And, one other point there,
10 is, under the plan, the retiree -- the major retiree
11 benefits are being retained by NiSource. So, one of the
12 important things will be that the communication actually
13 is directed to NiSource, because they will be continuing
14 to do particularly the pension, the pension and the
15 medical plans for retirees.

16 MR. DAVIDSON: Is that -- Is that then
17 for all employees that that -- that that -- that all
18 former employees are staying with NiSource then, so
19 they're not -- they won't be transferring over to
20 Northern?

21 MR. COLLIN: We don't take on retiree
22 obligations.

23 MR. DAVIDSON: Yes. Okay. Thank you.

24 MR. COLLIN: After we own the Company,

1 somebody retires a day later, then --

2 MR. DAVIDSON: Right.

3 MR. COLLIN: -- then they're our
4 retirees.

5 MR. DAVIDSON: Okay. No, that answers
6 the question then.

7 MR. COLLIN: Yes.

8 MR. LETOURNEAU: Okay. Great.

9 MR. DAVIDSON: Thanks.

10 MR. LETOURNEAU: Thank you. We're up to
11 Bullet Number 5, "Non-union employees will be integrated
12 into the Unitil benefits plan." George Long has been out
13 shopping and looking at various plans, and he's trying to
14 match exactly the benefits that they currently have so
15 that we can bring them into Unitil.

16 And, number six, the employee
17 perspective on integration will be training, a lot of
18 training on various Unitil systems that employees will
19 use, you know, including any new hires we have here at
20 Unitil. There will be lots of training for the various
21 things that we have related to integration.

22 MR. TRAUM: I just want to ask a
23 procedural question. Were the unions invited to this
24 meeting here today?

1 MR. EPLER: My understanding is that
2 there was -- wasn't there a secretarial letter?

3 MR. DAMON: Well, I sent a letter out
4 last week to the Commission, with copies to everyone on
5 the service list. So, they were notified of this meeting.

6 MR. TRAUM: Okay.

7 MR. LETOURNEAU: Okay. Thanks.

8 MR. EPLER: And, they only intervened in
9 New Hampshire, so they would have gotten that, that
10 letter, that notification. We also sent it out by e-mail,
11 if I'm not mistaken.

12 MS. GEIGER: And, just to throw in, I
13 sent out my appearance yesterday to the union's attorney
14 at the e-mail address listed on the Commission's e-mail
15 service list, and it bounced back. So, I looked it up on
16 Cook & Molan's website and re-sent it. So --

17 MS. HATFIELD: Yes, I had -- I did the
18 same with him months ago and actually sent him an e-mail
19 and said "hey, you know, FYI, your e-mail address bounced
20 back." But I never heard anything else from them.

21 MS. GEIGER: All I'm saying is, I think
22 that the New Hampshire Commission's electronic service
23 list address for Shawn Sullivan may not be correct.

24 MR. DAMON: Thank you. I had sought

1 some time ago to have that fixed. So, I'm surprised that
2 it's not been fixed.

3 MR. LETOURNEAU: Thank you. Moving onto
4 the next page, phase of the presentation, is the "Critical
5 Business Integration Plans". You can move onto the next
6 slide, Chad. Thank you. What we've -- What we've done
7 here, as a means to kind of give you kind of an overview
8 of how the Integration Plan works, we selected several of
9 the 56 teams, and we've identified them as "critical
10 teams" within this integration process. And, the
11 following slides that we're going to go through will have
12 several subject -- subject matter experts, or what we like
13 to call here "FIT Team Leaders", which stands for
14 "Functional Integration Team Leader". They will make some
15 presentations about their plans, a high-level view of
16 their plans. And, we'll use a common format, as you'll
17 see, it includes team members, team leader, some of their
18 objectives, IS requirements, task and schedule information
19 for some of their key milestones. Once we get through
20 that, then we'll get -- we'll have Raymond Morrissey will
21 be discussing our IS development efforts, as you can
22 imagine, it's a major part of this integration effort are
23 the systems, the systems that we need to integrate into
24 Unitil, some of the systems that we'll be developing to

1 emulate the processes that they currently have.

2 And, the first up is Mark Lambert, who
3 will be discussing the Customer Relations/Communication
4 Teams.

5 MR. LAMBERT: Thanks, Ray. I wish I was
6 actually a little more fit, you know, to do this but we
7 all strive for that, I guess.

8 The first -- The first topic is Team
9 Number 160, where myself and the Manager of Customer
10 Relations, Lisa Desrochers, will be heading up. It's the
11 Customer Relations and Communications Team. And, I'll
12 start briefly by the objectives of hire and train Customer
13 Service Representatives to handle calls from Northern
14 customers, provide account access to customers via the
15 Web. And, it is one outside of the CIS and the conversion
16 of the systems that hang off of that, hiring and training
17 the Staff is an ongoing thing and it's already begun. We
18 want to make sure that we have enough Staff and highly
19 trained Staff, I think to your point as well, Derek, on
20 day one.

21 Our key participants in it comprises of
22 internal trainers, actually, Customer Service senior
23 representatives, supervisors, managers and myself. The IS
24 support is again the CIS system development/conversions of

1 the system and the histories that come over from the IBM
2 system that NiSource is using is imperative and seamless.

3 Under the major tasks that we'll be
4 working with is set up the new customer Web interface.
5 And, we talk about interfaces, and, certainly, interfaces
6 on what the system interacts with, the CIS system, the IVR
7 system, all the other e-mail systems that they interact
8 with currently for -- to enable customers to have all the
9 functionalities that they do now. And, to also make sure
10 that they get to the appropriate personnel within the --
11 within the department or outside of the department
12 quickly.

13 Develop outbound customer
14 communications. As I said earlier, there is a cross
15 department team within Unitil, as well as a cross company
16 team with NiSource, working on communications right now.
17 And, we're making sure that we -- we cover all bases, pre-
18 and post-communications with our customers. And, setting
19 up toll-free lines for our IVR and our PBX phone systems.
20 This is, you know, certainly for emergency calls, billing,
21 credits, service calls, as customers have those options
22 right now, where this is a big part of our plan, and it is
23 a plan to try to get a seamless transition where perhaps,
24 with emergency calls and 800 number calls, we would --

1 we're working with NiSource to see, if we need a new
2 emergency response number, which we do, that we try to
3 transition that right over to NiSource before the
4 acquisition, and then -- and try to get, you know,
5 customers accustomed to using both as we go. So, when we
6 do cut it over, that we can minimize the number of calls
7 that would get misrouted. So, that's a very, very
8 important thing for us as we talk about toll-free lines
9 and that interaction.

10 Testing of all processes and procedures:
11 As Larry had said earlier, to test the CIS system, to test
12 the IVR system, the new scripts, the Web tools, how they
13 interface with all the other systems. This is at least a
14 two-month project. And, as Larry also said, we have test
15 systems. And, the way we've done this over the last
16 several years is to have test -- complete test
17 environments or complete test systems that we really just
18 try to rigorously break, and in all sorts of scenarios.
19 And, that's what the Staff is -- is heading toward right
20 now, and will be in the process of. And, that's probably
21 the meat, the meat of what we're going to do for all of
22 our testing of processes and procedures.

23 Update customer/supplier -- and supplier
24 information onto the Web: I talk about customers quite a

1 bit. But, in addition to customers, the supplier
2 information that's on the Web not only will be as new
3 third party marketers or brokers come in and want to do
4 business in the Unutil territories or in the Northern
5 Utility territories, they will be updated, made available
6 to the customers. But, in addition to that, the
7 suppliers, the system that the suppliers use right now,
8 when they communicate with Northern, they're able to log
9 onto a system to get information on their customers, to do
10 add and drop transactions with Northern right now. And,
11 it's a very good system, and we plan on making that
12 available as we, you know, strengthen our relationship
13 with our suppliers, with the suppliers that do business in
14 both Northern and Maine -- Northern-Maine and Northern-New
15 Hampshire, so that they have a seamless transition as well
16 as to the system and the data that they're able to access
17 on day one.

18 Hiring and training of Customer Service
19 staff. We started that in -- in May, and we're going to
20 be continuing that. Everyone is welcome to come and view
21 our Customer Service Center, I would encourage that. It's
22 a little hectic right now. We've got temporary work
23 stations up as construction is starting. But it's -- So,
24 it's a little hectic, but the training is going on right

1 now.

2 And, then, close and transition
3 services, November or post November we're planning on as
4 well, and the transition to do those. Cutting lines over,
5 cutting systems over all during that.

6 The Go-Live and cut-over plan, as Larry
7 said, to be determined. And, then, a post-production
8 audit of how we're going to audit our systems and the
9 success of those systems as we go. On a daily basis, you
10 know, first day, first month, how it continues on over the
11 next several months, and I'm sure longer.

12 Just some brief comments, three
13 comments. Call Center staff, you know, to make this
14 successful, must have access to Northern's customer data.
15 And, I can tell you and echo this, as everyone said
16 before, that we are very pleased with the access that we
17 have, and the CIS system is -- is really the bread and
18 butter here, and this is what we really have to do a nice
19 job at. And, we can't say enough great things about the
20 NiSource folks, as well as the IBM folks, in providing us
21 the data and the assistance to -- to cut this over.

22 Number two is "Current and new Call
23 Center staff must be trained on both the Maine and New
24 Hampshire tariffs", and, as well, that's part of the

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1 training that's currently ongoing. And, "transition
2 services may be likely to be retained for at least the
3 first month". As we cut over the CIS system, we want to
4 make sure that the date we cut the CIS system is the date
5 we transition over phone lines, and when Customer Service
6 Representatives have access to that data and can speak to
7 it intelligently.

8 MR. DAVIDSON: So, Mark, those two
9 things will happen at the same time?

10 MR. LAMBERT: That's correct.

11 MR. DAVIDSON: Okay.

12 MR. LAMBERT: That's correct. Yes.

13 MR. TRAUM: And, Mark, what is the
14 process for determining that "okay, you're ready to cut
15 over"?

16 MR. LAMBERT: Well, I know we're going
17 to be speaking to that as we go in the slides. But we
18 have a very -- the schedule, the schedule adherence is
19 very specific. Specifically, the CIS, as I said earlier,
20 Ken, it drives -- it drives all the decisions. So, as we
21 see that, our first milestone date is to -- is for our CIS
22 vendor to get the data, and then to start mapping the
23 data, there's a certain number of weeks. When they turn
24 that over to us, we will know at that point, in early

1 August, how we're doing, progressing toward this cut-over
2 date. So, there is a -- there's a series of dates that
3 we're going to have to manage quite closely with the CIS
4 system, so we have the ability to make a quick decision,
5 if we had to.

6 MR. TRAUM: Now, in terms of making the
7 decision "okay, we're ready for cut-over", is that your
8 decision? Because I thought I saw something about
9 internal audit was involved?

10 MR. LAMBERT: That's right. Yes. And,
11 that's a team decision. Certainly, Ray Morrissey can
12 speak to that, as well as with -- Ray's our VP of IT, and
13 our internal auditor, Director of Internal Auditor is Chad
14 Dixon, and there's a rigorous process of audit in -- I
15 believe it's in October.

16 MR. DIXON: That's the current schedule,
17 yes.

18 MR. LAMBERT: The current schedule in
19 October that audits and certifies all the key financial
20 controls that have been designed in October.

21 MR. BROCK: Yes, Ken, we'll talk about
22 this again in the Go-Live section briefly.

23 MR. TRAUM: Oh, okay. If I'm jumping
24 ahead, I --

1 MR. BROCK: But, no, specifically to the
2 Customer Information System, what will be the criteria
3 when we know we're ready to go live is that we will
4 already have performed a Go-Live test in our test
5 environment. In other words, we will create a test
6 environment that is the prototype of the end state, the
7 post-production -- the post-cutover state. And, then,
8 what we will do is populate that test environment with,
9 say, a month end portfolio of receivable and customer
10 history data. And, then, perform a certain number of days
11 or weeks of processing, and then reconcile it. We'll
12 reconcile it not only from the starting point of the
13 portfolio of data that we're being sent is the portfolio
14 of data that appears to be Go-Live in the test system.
15 But we'll process transactions through it and reconcile
16 the series of transactions. And, if we succeed -- when we
17 succeed at that, then Internal Audit is attesting to that
18 point being the point where, yes, we are ready to go live.
19 And, now we will wait to the closing event or the
20 transition event to be mapped out, you know, what
21 particular date, will it be a month end, a mid month are
22 we going to cut over? And, then, we'll perform those
23 exact same procedures that we did perform and test and
24 we'll validate that. And, then, if the validation is

1 successful, then we're live. So, we know ahead of time.
2 This is not a cold cut-over. In other words, when we cut
3 over, we will have experience and tested the cut-over
4 procedures once, if not twice, in our test environments
5 already. So, that's how -- that's how the criteria will
6 be established.

7 MR. TRAUM: Okay. And, again, as a for
8 instance on this one, how high up the Unitil chain would
9 sign off be required, where this is such an important --

10 MR. BROCK: This is all the way. The
11 Customer Information System? It's all the way. The
12 project management team will be reporting to senior
13 management that the Customer Information System is ready
14 to cut over and has successfully validated its test
15 procedures, and therefore can transition from its either
16 at the -- at the Go-Live event or can transition away from
17 transition services and go live. But it's all the way up
18 in the organization, to answer your question.

19 MR. TRAUM: And, because we're all very
20 aware of another similar sale, let's say, and the
21 transition, and that transition has not been going as
22 smoothly as hoped, the Commissions have inputted, let's
23 say, into sign-off on dropping TSA. Why aren't you
24 proposing something like that?

1 MR. BROCK: I didn't understand the
2 question about "input to signing off on the TSA".

3 MR. TRAUM: Yes. The Company is
4 retaining final sign-off on the transition services and
5 cutoffs, without Commission or OCA's approval. Why are
6 you going that way -- that route? Or, maybe if I could
7 say it a different way, Larry, is what kind of
8 communication channels are you going to have with the
9 staffs, the advocates, prior to doing each of the cutovers
10 or the significant cutovers?

11 MR. BROCK: Yes. That, I believe,
12 that's already -- that question has been submitted in a
13 data request, as far as, you know, the Company keeping --
14 keeping the staffs and Commissions and advisers up-to-date
15 on the progress.

16 MR. TRAUM: Uh-huh.

17 MR. BROCK: And, so, we will be
18 communicating the progress as we go along. The actual
19 execution of the Go-Live is a process that is going to be
20 planned and detailed, tested and executed over the coming
21 months. And, so, it's something that is, as we have
22 conveyed here this morning, it's management's
23 responsibility to execute that successfully.

24 MR. TRAUM: Uh-huh.

1 MR. BROCK: Yes.

2 MR. HAGLER: The transition services
3 that will be provided until you do the final Go-Live and
4 cut-over, it may be in your data responses to data
5 requests or it might even be in the agreement, do you know
6 how much they are? How much it costs?

7 MR. BROCK: The terms of the Transition
8 Services Agreement is that NiSource and its affiliates
9 will provide us those services at their cost. Which is
10 meant to be the costs that they were charging -- it's
11 meant to be exactly the costs they were charging Northern
12 prior to the close.

13 MR. HAGLER: And, for any limited period
14 of time or until you're ready?

15 MR. BROCK: The current draft of the
16 Transition Services Agreement calls for an initial term of
17 180 days, with an extended term upon notice.

18 MR. HAGLER: And, what --

19 MR. BROCK: Yes, the extended term, the
20 cost of the services would include a profit premium of
21 10 percent.

22 MR. HAGLER: And, if you cut over on a
23 day when, in retrospect, it appeared premature to have
24 done so, what's the worst that happens?

1 MR. BROCK: The Transition Services
2 Agreement provides where Unitil would be required to give
3 30 days notice at a minimum to cease transition services.
4 And, so, they would continue. The actual Go-Live plan
5 would have a -- have a step in there that required
6 validation of the processes, and upon that event the
7 transition service would cease. So, if your question is
8 beyond that, whether three weeks or three months later,
9 you thought it was --

10 MR. HAGLER: What I'm wondering, I mean,
11 you pick a day for Go-Live and you press the button and it
12 doesn't work, do customers still get their gas? I mean,
13 those systems don't impact the ability to provide gas
14 service, right?

15 MR. BROCK: That's right. Yes.

16 MR. HAGLER: Do meters still get read?

17 MR. BROCK: Yes.

18 MR. HAGLER: What don't you have the
19 ability to do if the system doesn't work? That's what
20 I'm --

21 MR. BROCK: If the Customer Information
22 System doesn't work, then the process of -- the processes
23 of answering the phone, sending out invoices and applying
24 cash and a host of other processes would not be in

1 production. But we have -- we have done this a number of
2 times. The Customer Information System was installed in
3 1998. We've installed it for four of our utility division
4 portfolios. We've upgraded it not only to just small new
5 releases, but large new releases over the years. And, our
6 technique has always been the same, as Mark explained
7 earlier. We create a prototype in a test environment. We
8 replicate our current production system in a test
9 environment. And, then, we take that test prototype and
10 we build onto it the things that we want, the improvements
11 we want. And, we've done this in case -- in the case of
12 industry restructuring, for example, where we went from a
13 few rate buckets to a dozen or so. We replicated all that
14 in a test environment and tested it. And, when it was
15 production ready and validated and ready to go live, then
16 we went live with it. And, we haven't, in our experience,
17 had any situation where we have backed up from a Go-Live
18 event. Because we feel these testing procedures are
19 thorough from a point of we, you know, we, as Mark put it,
20 we try and break the system. But it -- there's a
21 technique where it is statistically and financially
22 reconciled before, and test, before it can go into
23 production.

24 MR. HAGLER: But, again, just --

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1 MR. BROCK: Sure.

2 MR. HAGLER: -- assuming the worst --

3 MR. BROCK: Yes.

4 MR. HAGLER: -- and it doesn't work, can
5 you go back to having NiSource provide those services or
6 is the decision to Go-Live irrevocable?

7 MR. BROCK: It's -- Certainly, after a
8 period of time, it's irrevocable. But I would say, for
9 the first week or two, it is not. In other words, you
10 know, that, but afterwards, it would be very difficult to
11 catch up.

12 MR. HAGLER: Okay.

13 MR. BROCK: But, after the first week or
14 two, you have that safety net of asking the predecessor
15 entity to continue.

16 MR. HAGLER: Okay.

17 MR. DAVIDSON: Larry, can I just follow
18 up on that? Is that included in the TSA, that you have
19 that, that ability to go back? In other words, or you
20 have the right to go back, once you've declared cut-over?

21 MR. BROCK: Yes. By operation of the
22 notice provisions, it is. In other words, if we -- if
23 customer operations is a transition service, then even --
24 even on the day when we cut over, we still will have 30

1 days of transition service of customer operations provided
2 to us, because we would not have given notice to terminate
3 that. So, by operation of the notice provisions, you do
4 have that.

5 MR. DAVIDSON: Okay. You know what I
6 might -- what I think would be helpful for me is can you
7 describe how the cut-over process is going to work
8 regarding interactions between you and NiSource? In other
9 words, you've chosen your cut-over date, what sort of
10 notification requirements are in the TSA for you to notify
11 NiSource, "here's our cut-over date", what rights and
12 obligations do each of you have? And, then, after that,
13 how do things --

14 MR. BROCK: The first question was to
15 describe the steps of the cut-over, the responsibilities
16 of each party. As it -- As it states in the Business
17 Plans, the Business Integration Plans that were submitted,
18 and summarized in the Executive Summary, over the course
19 of the next six to eight weeks, each of the teams will be
20 developing, with their Northern counterparties, those
21 steps of the Go-Live cut-over, so that we can, in our test
22 systems, test that process. So, that's how the first part
23 of your question will get documented. Say, in six or
24 eight weeks, there will be a documented cut-over plan for

1 the Customer Information System, these are the steps that
2 the NiSource staff will do, and here's the cut-over
3 procedures and here's what the Unitil staff will do.

4 The second part about, "then how that
5 interacts with giving notice to cease transition services
6 for that function?" The agreement, as I said, provides
7 for a 30 day notice to cease. It would be our intention
8 not to give notice to cease until we had passed the test
9 and validated the audit of the cut-over. So, that's an
10 action -- that's not an action written into the contract,
11 that's an action we would commit to.

12 MR. DAVIDSON: Right. And, I think that
13 might be what we're getting at is. With the other
14 transaction, the other merger that we keep referring to,
15 there was a very clear requirement "you have to notify us
16 60 days ahead or 30 days ahead of cut-over." And, it
17 can't be ten days, it can't be -- it's got to be 30 days.
18 And, so, there's a process that we, the Commissions,
19 wanted to make sure happened so that, when that notice
20 came, that there was -- that both sides were actually
21 ready on that projected date for cut-over. Because, once
22 cut-over happened, like you said, there was no going back,
23 and there was a minimum notification period for when it
24 was going to happen in the TSA. Does your T -- And,

1 that's why I was wondering if your TSA has a minimum
2 notification period for cut-over?

3 MR. AUSTIN: Prior to cut-over.

4 MR. BROCK: It does not.

5 MR. DAVIDSON: Prior to cut-over, yes.
6 Not to end the TSA, but cut-over is going to happen on
7 this date.

8 MR. BROCK: In the current, you know,
9 our TSA does not contain a notice provision for cut-over.
10 The obligations under the Stock Purchase Agreement of
11 NiSource is to transfer the Company to us. And, so, as
12 part of that obligation, their participation in the
13 cut-off -- cut-over is required by operation of that
14 document. But particular notice as to when -- what day we
15 want to do that and enact these procedures will be part of
16 the agreed upon Go-Live plans that are in the integration
17 plans that are supported by the TSA and Stock Purchase
18 Agreement, but not -- not a requirement of them. The TSA
19 will support the process.

20 MR. DAVIDSON: Okay.

21 MS. MacLENNAN: Can I actually --

22 MR. MORRISSEY: Can I just -- I don't
23 want to wonder into the business side, but just in terms
24 of the system side. Our relationship with NiSource right

1 now is a partnership in terms of the cut-over. And, in
2 fact, it would be very difficult for me to conceive of how
3 we could do that without them being intimately involved
4 and know exactly when that was going to happen. That we
5 have started discussions with them in terms of what would
6 their suggestions be in terms of when that event takes
7 place. But, certainly, just conceptually, there is a
8 point in time when all the data that NiSource has has to
9 be transferred to us. And, both sides have to be in synch
10 on that or you could be -- I think that's why I was
11 struggling to a certain extent with the answer, because
12 we've done this several times before, and, conceptually,
13 that has to happen. So, it's kind of inconceivable to us
14 that we could do a cut-over without NiSource saying "this
15 will happen", because we have to have -- at some point in
16 time a phone is going to ring, and instead of it being
17 answered at Bay State, it's going to be answered in
18 Concord. And, at that point, every -- every bit of data
19 that's necessary for Mark's people to answer a question,
20 which is work orders, meter information, cash, billing,
21 location information, has to be resident in our systems.
22 So, the transition between those two has to be fairly
23 finite in terms of how long that can take. And, there
24 will be plans involved and, because, obviously, there are

1 at least a few days involved, just because of the sheer
2 bulk of data involved to get those across. So, part of
3 that plan will be what happens in that couple of days.
4 The phone still has to be answered, emergency work still
5 has to happen, and how do we plan that out. But it will
6 be a partnership between certainly us and NiSource to make
7 that happen. Is that -- Is that helpful or --

8 MR. DAVIDSON: It is. It is. It's
9 just, and what I was getting at is, I think that's the
10 absolute way to do it, as long as both sides are on the
11 same page. And, if they're not on the same page, you can
12 run into problems. And, that's why I was wondering if
13 that -- this -- if these terms were all addressed in the
14 TSA, because I haven't had time to go through that. And,
15 the final TSA has been signed, is that correct? No, it
16 has not been. Okay.

17 MR. BROCK: No. The final TSA will be
18 signed prior to closing.

19 MR. DAVIDSON: Okay.

20 MR. BROCK: We will be submitting a --

21 FROM THE FLOOR: It's still in draft
22 form.

23 MR. BROCK: We'll be submitting a --

24 MR. DAVIDSON: So, it's still in draft

1 form, the one that we just -- okay.

2 MR. BROCK: We'll submit a draft TSA
3 next week.

4 MS. HATFIELD: Can I just ask, I
5 don't -- you haven't given us a draft TSA, is that
6 correct?

7 FROM THE FLOOR: Correct. Correct.

8 MR. BROCK: We will --

9 MS. HATFIELD: Okay. So, I just want to
10 raise a timing question, which is that, under the New
11 Hampshire schedule as it stands today, our testimony is
12 due one week from Friday, on July 11th. So, it's
13 problematic for us (a) to not have the draft TSA, and (b)
14 if you're talking about these Go-Live plans being ready
15 six to eight weeks, that's when our hearings are. So, we
16 need to talk at some point about getting some more
17 information from you, because I -- I agree that what
18 you're saying sounds like it's on the right track, it's
19 just that, you know, we need that in writing. We need
20 time to review it and, you know, have a session on it or
21 do discovery on it or something. And, so, you know,
22 we're -- just we're under the gun timewise, so we need to
23 get that sooner, rather than later.

24 MR. BROCK: Yes, we will, we've

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1 committed to submit the draft TSA on Monday, July 7th.
2 And, you know, we're currently working the drafts with
3 Northern on that. And, I agree we should have a
4 discussion on, you know, when the progress on the Go-Live
5 plans and the Go-Live plans can be communicated.

6 MR. MEISSNER: You know, one thing that
7 I think is possibly clear, but maybe hasn't really been
8 talked about on this, we keep -- the context of this keeps
9 being that "other company" (inaudible). And, I think
10 there's some key distinctions in that what they're trying
11 to accomplish is essentially building a service
12 organization and building back office systems and
13 everything that goes with it, I believe, from scratch,
14 where they don't exist at the scale today to replace
15 what's currently being provided.

16 MS. HATFIELD: Right. And, we would
17 totally agree. We think, you know, there are a lot of
18 differences. I guess what I'm saying, and I think what I
19 hear Maine is asking, is that, you know, we just need a
20 certain level of detail, so that we are assured that the
21 two companies are on the same page, that you thought
22 things through, and that we believe that, you know, that
23 you won't cut over until you're ready, and we understand
24 that communication process, in the event that there is a

1 problem.

2 MR. LAMBERT: Before I turn it over to
3 our next presenter, any last questions on customer
4 relations/communications?

5 MR. DAVIDSON: Well, I'd just add, just
6 maybe as a final follow-up, is that I think what might be
7 helpful for us, and I don't want to speak for New
8 Hampshire, let's see how they feel as well, is maybe a --
9 let's, as a group, touch base before the actual cut-over
10 date is chosen and have both Commissions have the
11 opportunity to look at your plans and just make sure we're
12 all on the same page, we're comfortable to have cut-over
13 happen on this date. And, is that something that you're
14 willing to entertain?

15 MR. BROCK: Yes, Derek. As I spoke
16 earlier, the cut-out -- the Go-Live cut-over plans, which
17 will be developed, will be specific to each process, major
18 process or function. And, we anticipate the situation
19 will be that not every function and process will cut over
20 at the same time. It's certain -- certainly, the focus
21 number one, Customer Information System. And, that's a
22 key one, because of the interfaces with the other systems.
23 Some of the other systems, there may be things that can go
24 ahead, and sections of history and data that can be

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1 imported ahead. But the Go-Live plans will indicate the
2 sequence of which functions go when. And, I think that
3 level of specificity will answer your question.

4 MR. DAVIDSON: And, maybe, I don't know,
5 when do you expect to have that finalized, in relation to
6 the closing date?

7 MR. BROCK: Well, we expect to have the
8 Go-Live plans ready for -- for building and testing, as I
9 said before, in six to eight weeks. Because, as I said
10 earlier, we're not creating a situation where we're going
11 to go live without having performed a Go-Live test in our
12 test systems. So, I would expect that there would be a
13 complete understanding of the Go-Live process documented
14 in six to eight weeks. Now, some of that is because we
15 have outside contractors and interactions with people who
16 have to give us information in order to make that plan up.
17 And, so, that's when we will have it. And, you know, a
18 point regarding the Transition Services Agreement is that
19 our Transition Services Agreement is specific to this
20 transaction. And, although, if we look at the 56
21 functional teams, transition services could apply to any
22 of those. The transition services that we will pay for
23 and take are only the ones that we request. And, the ones
24 that we request will be driven by the Go-Live cut-over

1 plans. And, so, there will be transition services
2 expected for a short period of time, but the termination
3 of those services will be staggered, according to the
4 go -- Go-Live and cut-over of the particular functions
5 they're supporting. But it's not a -- it's not a fixed
6 price contract, where we have to pay whether we take the
7 service or not. We only pay for the services we take, and
8 for the period that we need them.

9 MR. DAVIDSON: And, NiSource will be
10 obligated to provide them?

11 MR. BROCK: Yes.

12 MR. DAVIDSON: Because, I mean, that,
13 I'll be frank, I mean, what I'm concerned about is, after
14 closing, the relationship between NiSource and Unitil
15 could change. And, if it's not in writing and it's very
16 clear how the steps are going to happen, that's where I
17 would be concerned.

18 MR. BROCK: Yes. Yes, it will be clear.

19 MR. COLLIN: Derek, when you see the --
20 and then you'll be provided the Transition Services
21 Agreement next week, the way the agreement is designed is
22 all the general terms are up front, and then it has an
23 appendix. And, in the appendix, there's several -- will
24 be several specific transition services that are being

1 requested. And, under the agreement, NiSource will be
2 required contractually to provide those services until
3 such time as the service can be adequately provided by
4 Unitil. So, it's very much structured to provide for
5 specific services over a specific period of time, and only
6 for those services that are needed. So that we can
7 essentially pick which services we want and elect to use
8 those and elect what services not to use. And, we can
9 also pick different Go-Live plans.

10 This is not a, you know, a Go-Live
11 November 7th or the day of the closing. This is a
12 staggered Go-Live of the various systems, based on
13 priorities and needs and the way that those systems
14 develop, what you can do before you will, what you can't
15 do till after you own the Company you will do after. But
16 I think it provides a real solid working relationship
17 contractually, to the extent that the relationship we've
18 enjoyed now, because of the closing hasn't happened, does
19 break down. I think that the contractual relationship is
20 very -- is very well spelled out and solid in there. I
21 will make the point that all these services that we are --
22 are considered transition services and they are not being
23 recovered from customers either, in terms of rates. So,
24 this is something that the Company is essentially bearing

1 as part of the transactional cost.

2 MR. AUSTIN: Let me --

3 MR. FARMER: I was going to change the
4 subject.

5 MR. AUSTIN: I was going to half change
6 the subject, so --

7 MR. FARMER: Go ahead.

8 MR. AUSTIN: Okay. Standing back for a
9 moment, what do you see as being the biggest potential
10 challenges or the potential of potholes that you may run
11 into? I mean, which are the ones that keep you awake at
12 night or at least make it a little harder to sleep?

13 MR. LAMBERT: Yes, Customer Service.
14 Being able to, you know, answer the phone on day one for
15 customers and being able to send out a correct bill and
16 having all the systems that work off the CIS working in
17 Unisys -- unison.

18 MR. AUSTIN: Can you be any more -- I
19 mean, Customer Service covers a lot.

20 MR. LAMBERT: Several. Yes.

21 MR. AUSTIN: I mean, are there
22 particular aspects there that you're more focused on?

23 MR. LAMBERT: Well, because the Customer
24 Information System, and as Larry had said, the ability to

1 make sure that we not only send out the correct bills,
2 reconcile it, but get correct history over and map
3 correctly fields from IBM to our system, you know, this
4 equals this, this equals this, and to be able to capture
5 all that, is something that keeps us all up at night, I
6 guess. But we feel that that's where -- the reason that
7 it, because it kept us up at night, and I'll speak for
8 Raymond as well, and several others, I think our plan
9 is -- it's a very lengthy plan, it's a very detailed plan,
10 to make sure that we're not forgetting these things. And,
11 as we said earlier, NiSource has been very good to help us
12 with this as well. The mapping process is really a
13 partnership with their system folks and our system folks,
14 it's a really back-and-forth. So, that's what we
15 concentrate I guess the most on.

16 MR. AUSTIN: Can you tell me anything
17 about where you are in the mapping process today, as we
18 sit here?

19 MR. LAMBERT: It's really just -- It's
20 just begun. It's about two weeks past right now. And,
21 we're anticipating, by the end of July, to have, or even
22 before that time, having a product, having some data into
23 our system by the end of July that we're going to be able
24 to, we'll say, reconcile, reconcile fields, reconcile

1 data, reconcile cash. That's where we are at this point.

2 MR. AUSTIN: Okay. And, so, I'm trying
3 to imagine the following, it almost sounds as if the
4 specific example of the problem that you're worried about
5 is Customer Jones calls up, having received his first bill
6 directly from Unutil, rather than from Northern, and says
7 "Look, guys. I've been paying about \$100 a month for the
8 last five years. And, here I am looking at a \$2,000 bill.
9 What the hell is going on?" And, do you then punch --
10 punch Customer Jones' information into the computer and it
11 comes back blank. I mean, is that -- is that a good
12 description of sort of the biggest worry?

13 MR. LAMBERT: Yes. Go ahead, Raymond.
14 I would say it's certainly part of the worry. But, in
15 that particular example, you know, I think, with the
16 rigorous testing in the test environment and working in
17 that particular example with -- Justin Eisfeller is going
18 to be coming up next to present his team, and part of that
19 team is the metering team, how it interfaces and interacts
20 with the Customer Information System, that is a completely
21 separate, also a test environment that has to be tested
22 thoroughly through. That would be, yes, I think, day one,
23 that would be certainly disastrous if that happened. But
24 those are the plans that are included to try to eliminate

1 that. And, not -- certainly, in addition to that and to
2 the system, not being able to, you know, the customers not
3 getting through to a Customer Service Representative day
4 one is also a very big concern. Although, it's not -- it
5 wouldn't be likely with our plans, it's, you know, that's
6 certainly always a looming concern, the communications
7 piece of it. Customers not having -- not knowing who
8 Unitil is right away. And, you know, and certainly, God
9 forbid, not having an avenue to report an emergency.
10 Sorry, go ahead, Raymond.

11 MR. MORRISSEY: I think -- I think
12 sometimes -- oh. I'm sorry. Maybe -- I just wanted to
13 kind of follow up on that, and Tom had talked about it to
14 a certain extent. Like what keeps me up at night is not
15 that the bill won't go out, but that it will drag on. In
16 other words, I'm not concerned personally or systemwise
17 about a cut-over that doesn't work, I'm concerned that we
18 find, you know, there are problems we don't know about
19 that are going to stretch that out. So, that's -- that's
20 more, because what's happening, and Tom touched on it,
21 we're not putting in a new system here. What we're doing
22 is adding another environment. We already bill for gas,
23 we already bill for electric, we already answer phones in
24 a multistate environment. The work that we'll do on

1 Customer Service is rules based. It's not -- We're not
2 changing the Customer Service system.

3 So, for example, in the Customer Service
4 system, we can allocate, let me give me an example, we can
5 allocate cash different ways, by tariff, by rate, by
6 structure, by individual, by group, all of those things
7 already exist. So, for example, if, for commercial
8 customers, we pay, you know, (inaudible) areas first, and
9 for residential customers we pay, using a silly example,
10 but we pay current first, that's fine. We could do that
11 by state, we could do that by customer, we can do -- all
12 of those things exist. And, Mark's task is to set up
13 those rules in the system so all those things operate.

14 And, then, as Larry was saying, what
15 happens is, because essentially we upgrade our system
16 about every year, and we have a full test plan of how that
17 works. So, what we do is run billings against that and
18 check all those billings to see, you know, are the
19 appropriate things happening. Similarly, the system
20 allows us to do calculations on the fly to test the
21 structure of the rates and things like that.

22 So, the concern is not that we're going
23 to turn and everything goes dead. The concern is just
24 that we will find so many issues, and we haven't to this

1 point, but it will just take longer. But that general
2 sign-off will happen before we go live. And, the final --
3 And, the final balance, I mean we run, after we bring all
4 of the customers -- all the customer information data
5 over, there are a set of things that need to happen
6 between those two events to verify that it's correct.
7 We'd run, obviously, you'd run a complete AR balance,
8 you'd run a complete meter test, you know, a meter
9 inventory test, meter location test, so that everything is
10 in synch. So, is that helpful to --

11 MR. AUSTIN: Yes.

12 MR. MORRISSEY: I mean, it's not -- it's
13 not like, I think Tom touched on it, I didn't realize
14 that, it's not like we're putting in something new. We're
15 just adding -- and we're adding two more environments to
16 it, to a working system.

17 MR. FARMER: Did I understand that
18 Northern is going to have to have a new emergency number,
19 phone number?

20 MR. LAMBERT: Correct. They currently
21 have a 1-800 toll-free line that's for their
22 Massachusetts, New Hampshire, and Maine customers. That
23 is the same. So, they want to retain that number, their
24 Massachusetts customers use that number. So, --

1 MR. FARMER: And, is this the same
2 number that every local police and fire departments have
3 preprogrammed in their telephones?

4 MR. LAMBERT: Correct. Yes.

5 MR. FARMER: Okay. So, you have a plan
6 for addressing that particular issue?

7 MR. LAMBERT: Yes. And, that, well,
8 we're covering -- we're covering all that in the customer
9 communications, the gas plan, the Customer Service plan,
10 those issues are addressed.

11 MR. FARMER: Uh-huh.

12 MR. LAMBERT: Work with all emergency
13 staff, police, and fire certainly. Relabel the markings,
14 Chris can talk about, along the gas main, with new
15 telephone numbers. It's quite a plan.

16 MR. FARMER: And, the same situation
17 exists for Granite?

18 MR. LAMBERT: Correct. Correct.

19 MR. FARMER: So, have you lined up your
20 sign vendor yet?

21 FROM THE FLOOR: We're working on that.

22 MR. LAMBERT: Good question. With that,
23 I'll turn it over to our Director of Energy Management --
24 Measurement and Controls, Justin Eisfeller.

1 MR. EISFELLER: I'm going to stay
2 sitting, if you don't mind.

3 MR. PATNAUDE: As long as you're near a
4 microphone, that's fine.

5 MR. EISFELLER: Okay. So, I have
6 responsibility for three functional integration projects.
7 This being one of them. This is the Energy Measurement
8 Integration Project. And, the scope of this is to
9 integrate all the metering systems and the related
10 processes, including field audits and the installation and
11 validation of meters.

12 (Interruption by automated
13 teleconference message.)

14 MR. EISFELLER: Thanks, Mark. That was
15 a quick -- quick presentation.

16 FROM THE FLOOR: Is that part of the VIP
17 plan?

18 MR. EISFELLER: Also includes the meter
19 reading, there's different types of metering, and I'll
20 discuss those. Meter testing and regulatory reporting,
21 revenue protection, and the maintenance of our
22 instrumentation, field instrumentation and large customer
23 instrumentation. So, three -- give you a little
24 background, and then we'll talk a little bit about the

1 process of the project. Three different types of meter
2 reading. One being the manual reads, where they use a
3 hand-held device, and they physically go out and read the
4 meter, enter the reading into the hand-held device,
5 download the data or the read at the end of the day.
6 Second being the mobile reader, the MR, where they drive a
7 vehicle around and there's a mobile collector that reads
8 the meters as they drive around. And, the third being the
9 daily dial-ups or the -- and the monthly dial-ups, where
10 the meter dials into a system and sends the meter read
11 into the system. So, there's three different types. The
12 plan addresses all three differently. And, I'm probably
13 not going to follow these major tasks listed here, I'm
14 going to just refer to them.

15 Those three systems are -- the data
16 flows into two different software systems. The MVRS
17 system, which is the Multi-Vendor Reading System, by
18 ITRON, which NU uses and Unitil uses right now, and the
19 MV90 system, which is the daily systems that receive the
20 call-ins and the monthly systems that receive the
21 call-ins. Two separate systems that receive all this
22 data. Our plan for integrating those systems is that we
23 begin -- we test them twice. We're going to test them
24 almost immediately, starting yesterday, where we are going

1 to install a test server and load up the test server with
2 both sets of software, and begin reading NU's meters this
3 month and next and perform our actual Go-Live testing.
4 We're going to test all of our -- with actual live data.

5 So, we're going to have NU's meters dial
6 into our MV90 server. We're going to receive their data,
7 and we're going to send a bill, a test billing file to
8 Mark's group. They're going to review it. They're going
9 to make sure that it meets their criteria.

10 On the MVRS side, we're going to have
11 the hand-helds upload their files from NU, from their
12 offices, right into our server, and have their mobile
13 collector load right into our server, starting within the
14 next couple of weeks. And, we're going to run through our
15 actual test plan in the next -- in the next month. And,
16 hopefully, by August, have done that already. So, and
17 that would have tested the entire meter reading process
18 through to the point where we send an approved file over
19 to Mark for billing in the CIS system. So, our goal is to
20 be done with the hardest part of the project very early
21 on, with live -- actual live data.

22 That process, over the next month, when
23 we're doing the live testing, we'll learn more about
24 whether our test plan and Go-Live plan actually works, and

1 we may modify that plan in time for submittal for the
2 Go-Live, the official Go-Live plans. So, my goal is to
3 have tested it twice, prior to going -- going live for
4 real.

5 Again, in October, we plan for about a
6 month to actually be running in parallel with the
7 NiSource/NU systems, where they're sending us data. Their
8 meters are actually dialing into our systems, sending us
9 data, as well as theirs. And, we're receiving a data
10 file, either via batch from NU or via the actual hand-held
11 uploads or the mobile collector uploads, and run in
12 parallel. And, we'll validate our data against NU's data,
13 for about a period of three weeks to a month, prior to
14 Go-Live. So, again, we're going to test twice before
15 going live. The goal being that we validated the data
16 multiple times and we know the systems work.

17 I want to add that, you know, related to
18 Tom's question, we have these same systems now. We have
19 MVRs. It's an older version, so this is a version
20 upgrade. So, our test plan is really no different than a
21 version upgrade, which we've done before. And, we have
22 MV90, which we've upgraded before. So, this is a process
23 we're familiar with. We're just receiving data over a
24 different connection. So, that's our plan for the major

1 systems.

2 Related to those major systems, there's
3 two projects that are ongoing that we're going to inherit
4 as part of our capital budgeting process. One of those
5 being the AMR project in Maine. The AMR project in New
6 Hampshire is essentially done. The AMR project in Maine,
7 they're estimating they will be 85 percent done by the
8 time November comes around. What we're doing there is
9 we've added a member of our staff to their project team,
10 who sits in on their project discussions, who shares in
11 their project progress. And, our goal there is that we
12 learn enough about what they're doing and where they're
13 at, so that we can be prepared when it comes time to take
14 over the remainder of the project, and so we can prepare
15 for our capital budgeting, prepare for our staffing, and
16 make sure we have what we need to complete the project.

17 The other project is the Met Scan
18 Replacement Project, which is their larger meter
19 replacements. They've got a fairly large project to
20 replace all their large meters. And, we've basically done
21 the same thing. We've become part of their staff. We've
22 had discussions with them about their schedule to complete
23 that project. And, we're looking to expedite that
24 project. One of our goals would be to have that project

1 complete by the end of -- before transition. It makes it
2 easier for us to read their meters with this MV90 product.
3 But, if they're not -- if they're not complete, we will
4 have been -- we'll be ready, we'll see it coming. It will
5 be part of our capital budget and our plans to complete
6 the project. And, we'll have transition services, if need
7 be, for those reads.

8 So, those are the major systems. Those
9 are the three types of meter reading. There's other
10 aspects of our plan that include other processes related
11 to the functions provided by the metering group. Those
12 being testing, field validation, sort of the installs, all
13 the field work, there's processes related to that. We've
14 written projects that are part of Raymond's IS plans for
15 managing the systems that manage those processes. So,
16 those are part of his plans. And, we're monitoring how
17 that progress is progressing.

18 Another item here I think that's worth
19 noting is the meter testing rules. New Hampshire has a
20 requirement for us to test in-house or to get approval for
21 outside testing. Our plan is for outside testing. So,
22 we're going to be seeking approval of our outside test
23 plan.

24 Data systems, Mark, you know, the CIS

1 system is one of the major data systems for meter reads.
2 The historical data will be coming over and loaded --
3 being loaded into CIS, and that, between them and IS,
4 they're managing that, that process. But the meter
5 inventory data systems will recollect all the vendor
6 information on the meter, which helps us in trouble
7 shooting, which helps us in replacements later on, which
8 helps us with our test reports. We'll be bringing their
9 data over into our system. We have a system now that
10 collects all the meter inventory data. And, I don't
11 expect that that's going to be a big, big project.

12 So, what did I miss? One of the
13 questions asked earlier was "what keeps you up at night?"
14 "What are the major risks?" And, I would say that we've
15 done some risk mitigation. One of the things that keeps
16 me up at night is the Met Scan Replacement Project. I'd
17 like to have it done. With it complete, I would not need
18 transition services. If it's not complete, there's the
19 potential to need transition services. So, we've done a
20 couple of things to mitigate risk. During our testing
21 phase here the next month, we're going to test MV90,
22 MV90's capability to read the met scan devices. ITRON,
23 the supplier of the MV90 software, does not support a met
24 scan read. But they have told us they think they can read

1 it. So, we're going to test that read. That's another
2 option, if we do not complete that project by November,
3 that we may be able to read through ITRON's system. And,
4 then, we always -- then, we have the third option, which
5 is transition services, until we completed the completion
6 of that project.

7 And, that's probably the biggest thing
8 that keeps me up at night.

9 MR. AUSTIN: How many met scans are
10 there?

11 MR. EISFELLER: There's about 350 met
12 scan devices.

13 MR. FERRO: In Maine.

14 MR. AUSTIN: All in Maine?

15 MR. FERRO: Is that what the question
16 was?

17 MR. AUSTIN: Well, not necessarily.

18 MR. EISFELLER: In Maine and New
19 Hampshire.

20 MR. AUSTIN: Maine and New Hampshire?

21 MR. EISFELLER: There's about 350 --
22 actually, there's about 500, in Maine and New Hampshire.

23 MR. FERRO: That's what I was going to
24 say.

1 MR. EISFELLER: Right. Sorry.

2 MR. FERRO: 350 in Maine.

3 MR. EISFELLER: Yes.

4 MR. FERRO: About 150 in --

5 MR. EISFELLER: Right. There's about
6 three -- about 500, sorry.

7 MR. FERRO: Correct.

8 MR. EISFELLER: They have purchased all
9 the product. So, the product they have. You know, that
10 basically this met scan device is an end point that reads
11 the meter, meter case via modem the data back to a system
12 that collects it and processes it and sends it to billing.
13 So, these end points that are out there in the field,
14 there's about 500 of them. They've bought all the
15 replacement product. And, it's sitting in a warehouse in
16 Portsmouth, we've seen it, we know what it looks like. We
17 know how to work with this replacement product, it's a
18 Mercury product. We own that product now. It works with
19 MV90. It's been tested. So, there's no worries about the
20 replacement product working. But the met scan end point
21 we don't use, it's being phased out by the vendor, it's no
22 longer supplied. You can't buy -- You can't buy the
23 products or equipment to read those right now. You have
24 to buy after-market product.

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1 MR. HAGLER: What is the -- Is the
2 trick, is it all about getting someone out and swapping
3 out the meter?

4 MR. EISFELLER: It is, yes. So, we've
5 been working with, pushing quite hard, I'd say, on
6 NiSource to complete the project early. They have got the
7 products, all they need to do is get out there and replace
8 it. We've put together a couple of schedules that it
9 looks feasible. They have got to look at changing their
10 priorities. And, if they're not done, substantially done
11 is what we're shooting for, to minimize transition
12 services and transition costs and transition risk.

13 So, that's this project. I'll entertain
14 any questions.

15 MS. SMITH: I have a question, I'm not
16 quite sure whether it's to you or to CIS. I know that
17 Northern's bills are on a ccf basis. I know a lot of
18 other utilities, gas utilities bill on a therm basis. Is
19 that going to cause you, since I don't know what Fitchburg
20 does, and actually I don't know what Northern-New
21 Hampshire bills on, whether that's going to cause any
22 problems?

23 MR. EISFELLER: We can -- We'll read on
24 a ccf basis, and you can convert that to therms.

1 MS. SMITH: Well, actually, we bill on a
2 ccf basis.

3 MR. EISFELLER: Right. So, that's what
4 we read on. So, that's pretty easy.

5 MS. SMITH: Okay.

6 MR. LAMBERT: Right. We could, the CIS
7 is -- we bill currently on therms in Fitchburg. We can
8 bill it either way, ccf or therms.

9 MR. EISFELLER: Right.

10 MR. LAMBERT: We're aware of that issue.

11 MS. SMITH: Okay. Great.

12 MR. LeBLANC: I'm going to cover Gas
13 Leak Emergency Response, which is a section of Functional
14 Integration Team 440. And, our major objective for that
15 is to develop, implement and test emergency gas leak
16 response. And, we have two primary focus areas:
17 Emergency first responders and emergency repairs that may
18 be needed due to a emergency response situation. We have
19 some key participants, myself is on the team, and three
20 subject matter experts from Northern, Rick Bellemere, Joe
21 Fitzpatrick, and Bob Lundergran, who are essential in
22 developing the plan. Our IT systems will be the -- the
23 key ones will be the Work Order Management System and the
24 Mobile Data Terminals, or MDTs.

1 The major tasks we identified, the first
2 one was an assessment of the current Northern Leak
3 Management Process. Northern already has emergency
4 response protocols, and we wanted to gain a thorough
5 understanding of how they managed emergency response and
6 emergency repairs. And, then, what we needed to do is
7 identify the organization and develop a hiring plan. What
8 we wanted to do was identify any key personnel who are
9 responsible for emergency response and emergency repairs,
10 and then identify any gaps that might develop as a result
11 of the acquisition. And, if there were gaps, after we
12 identified them, develop a hiring plan to fill those gaps.

13 And, the third major task was the
14 emergency response protocols themselves. Emergency call
15 numbers we identified early, that that's going to be an
16 issue, and we have a plan in place to address that.
17 Dispatching procedures, for dispatching crews, dispatching
18 repair crews, emergency response personnel, and the
19 procedures that they will be utilized. The next was
20 notifications to public safety officials, police and fire.
21 And, that's two-way communication; how we communicate to
22 them, how they communicate to us. So, we identified the
23 telephone -- the telephone number issues there as well.
24 And, how we -- how we identify and contact the PUCs' on

1 different reporting mechanisms in place. And, then, crew
2 dispatching protocols, and that would be emergency first
3 responders, as well as repair crews. We established the
4 protocols and procedures of responding to different kinds
5 of emergencies. And, then, coverage, make sure that we
6 have coverage for all of our operational areas, and that's
7 a 24/7 basis. And, then, we identified early that surveys
8 and analysis, a third party contractor was performing some
9 type of leak function for Northern. We wanted to identify
10 what that was, and if that was an essential emergency
11 response function, and make sure, if it was, that we would
12 cover that contractually and budget, so, at the time of
13 transition, we would not lose any of our capabilities.

14 And, then, lastly, system testing, and,
15 that's two-phase. We're going to test the IT systems that
16 we used, the Work Order Management System, as well as the
17 Mobile Data Terminals, and we're also going to test the
18 dispatching function, to make sure that calls are
19 received, they're dispatched properly, they go to the
20 right people in the right timeframes. And, then, again,
21 training and rollout. Training, we're going to keep to a
22 minimum, with -- our goal is to keep this as a seamless
23 transition to the field personnel, that they will see no
24 difference on how they're dispatched, how they respond,

1 and how they acknowledge leaks on that. The call will be
2 coming from a different place, he'll be dispatched from a
3 different location, but to try to keep it as seamless as
4 possible for those -- those issues. We have detailed
5 dates on these processes. We are developing them and
6 adjusting them as we move forward. But we don't see --
7 any major issues to be able to go live on the date of
8 closing with emergency response.

9 Questions?

10 (No verbal response)

11 MR. LeBLANC: The next is two functional
12 teams covering Gas Transmission Management and Gas
13 Transmission Operations. Team 510 is in charge of Gas
14 Transmission Management and 520 is the operational piece
15 on that. And, we have two primary objectives. And,
16 basically, is to prepare Unitil to assume the
17 responsibility for the management and operations of
18 Granite State. And, if they have any unique engineering
19 and operations requirements, we need to identify them,
20 address them, and build them into our processes. The key
21 participants are myself and some key members of the
22 engineering staff.

23 Our IT support, the IT systems that
24 Granite will be using are already covered in other

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1 Functional Integration Teams, and we will be utilizing
2 those systems.

3 The first major task was to identify the
4 functional groups responsible. Granite State is a part of
5 Columbia gas. We needed to identify the subject matter
6 experts who are responsible for the operations and
7 management of that, of that group, to establish who we
8 would go to to get questions answered and procedures and
9 etcetera. And, the second major task was the Dig-Safe
10 process, is designed and mirror the Dig-Safe process for
11 Granite State that we're currently for Northern, which
12 we're currently using for Fitchburg, and eventually will
13 be rolled out to all of Unutil.

14 Third major task was procedure manuals,
15 that's O&M manuals, emergency plan, operator qualification
16 written plan. We need to get a copy of those manuals,
17 assess them, and begin the process of converting them over
18 to a Granite State stand-alone procedure manual system.

19 Again, operator qualifications. Granite
20 State currently utilizes a Columbia Gas Operator
21 Qualification Program. We're going to need to develop
22 operator qualification for Granite State as a stand-alone
23 entity. We're in the process of comparing their plan with
24 other plans out there, and we'll be in the process of

1 development, implementing, and testing operator
2 qualifications for all the transmission personnel. And,
3 then, five and six is to establish decision-making
4 protocols and any specific business processes that are
5 required to operate, manage, and maintain Granite State.

6 And, seven was prepare our Go-Live plan.
7 Number eight is corrosion control, which is a big piece of
8 the Granite State maintenance requirements. They
9 currently get those, that assistance out of Columbia Gas.
10 We will be securing engineering firms to assist us with
11 the corrosion control, corrosion control program for
12 Granite State. And, then, establish our compliance and
13 inspection maintenance database for Granite, so we can
14 have a seamless transition when we go live for the
15 inspections and maintenance requirements of Granite. And,
16 then, 10 and 11, to develop the capital budget that's
17 needed and any O&M budget requirements for the remainder
18 of 2008 and 2009. And, they all have due dates and
19 Go-Live dates that we're adjusting as we move forward.

20 Questions?

21 MR. FARMER: Where are you addressing
22 continuation of the Integrity Management Program?

23 MR. LeBLANC: That would be -- That
24 would be covered in Integration Plan 520. That -- This is

1 a high-level overview of that. Integrity Management will
2 be in there. It's addressed in the engineering portion of
3 the operations/maintenance requirement. But it's covered
4 in FIT Plan 520.

5 MR. FARMER: Uh-huh.

6 MR. LeBLANC: And, we'll be -- we're in
7 the process of getting a copy of Granite's current
8 Integrity Management Plan, and then we'll be reviewing
9 that, looking at that, evaluating that, seeing where they
10 are in the process. And, then -- And, then, continuing on
11 with that plan or making adjustments as needed.

12 MR. FARMER: I'm a little bit puzzled.
13 Do we have their Integrity Management Plan, but you don't?

14 MR. LeBLANC: We're in the process of
15 getting it. We don't have -- we don't have a copy of it
16 yet.

17 MR. FARMER: Okay.

18 MS. HATFIELD: Can I ask you a question,
19 another comment --

20 MR. LeBLANC: Yes.

21 MS. HATFIELD: (inaudible) that Unitil
22 does anticipate having to create a separate Granite State
23 operations group, is that planning underway or is it
24 something you'll do later?

1 MR. LeBLANC: Well, what's going to
2 happen with the Granite personnel, they have some -- they
3 have unique skill sets and different operator
4 qualification. The Granite State personnel, which is six,
5 six people, basically, they will be a subset of the
6 operations group that's responsible solely for the
7 operations of Granite State, the maintenance and the
8 inspections in that. So, they will be a stand-alone
9 subset of the gas operations group. Yes.

10 MR. DAMON: Yes. My impression was that
11 you were going to outsource some of the functions related
12 to Granite State Transmission. Are you -- Have those
13 plans changed or maybe I just got it wrong and --

14 MR. LeBLANC: What area? Do you know
15 what specific areas you were referring to --

16 MR. DAMON: No.

17 MR. LeBLANC: -- on that? What we would
18 probably -- We, from an operations standpoint, currently,
19 what we do in Fitchburg, is we have outside engineering
20 sources for our Corrosion Control Program that do
21 engineering services for that. We anticipate probably
22 doing that for -- for corrosion control. Other than that,
23 operationally, we are in the process of evaluating that.
24 I can't speak to other areas on that. Maybe --

1 MR. MEISSNER: I was going to say, you
2 may be talking about what would be encompassed in Team
3 510, involving Latitude Technologies. And, they currently
4 provide services to Granite. And, we are planning to
5 continue to use them, and we'll be outsourcing services to
6 Latitude. I think Fran as well --

7 FROM THE FLOOR: He's not here.

8 MR. MEISSNER: So, that may be what
9 you're thinking of. Which is really on the nominations,
10 electronic bulletin board, EDI, and some of the related
11 administrative services that goes with that, billing.
12 Does that sound right, in terms of your question?

13 MR. DAMON: Yes, I can't remember. But
14 it was a comment that was made at a prior tech session.

15 MR. MEISSNER: I'm suspecting it was
16 probably in that context.

17 MR. DAMON: Well, I thought it had
18 something to do with Integrity Management, but --

19 MR. MEISSNER: I mean, Chris can speak
20 to Integrity Management.

21 MR. LeBLANC: Where the process -- We're
22 in the initial stages of Integrity Management. When we
23 receive a copy of the plan, we're going to evaluate the
24 plan, and then make decisions of how we're going to

1 implement. Some portions of Integrity Management we would
2 outsource. We're not going to establish ourselves to be
3 able to smart pig the line. We would outside that to a
4 third party contractor, for example. But we will -- we
5 will manage the Integrity Management Plan. But some of
6 the functions that fall under the Integrity Management
7 Plan we would probably outsource.

8 MR. HAGLER: Why haven't you been given
9 it?

10 MR. LeBLANC: It's -- There's a lot of
11 different subject matter experts with Columbia Gas. We
12 had problems trying to find out who the right person was
13 to contact, and then vacation schedules have interrupted
14 it. But we were told that all of the procedural manuals,
15 O&M, emergency plan, operator qualification, should be
16 arriving to us within probably next week or we'll do the
17 inquiry again.

18 MR. HAGLER: Gary, we got it, don't we?

19 MS. MacLENNAN: We got it yesterday.

20 MR. MEISSNER: I think it was provided
21 under a protective order of confidentiality. So, we don't
22 get a copy of that.

23 MR. HAGLER: You didn't?

24 MR. MEISSNER: I don't believe so.

1 MR. HAGLER: You didn't.

2 MR. COLLIN: Well, there's a number of
3 Northern -- Granite responses that were provided under
4 protective order that we have not received. We are going
5 to request that we be allowed to receive those under the
6 protective order as well, but that's in process. I think
7 that the normal procedure is, when there's a protective
8 order, only the Staff and the OCA and the OPA get copies.
9 So, we've been left off the list. But, if there's not
10 items that -- that Granite can or Northern or NiSource
11 mind us having, which I think in a lot of cases they're
12 not, we just need to find a way to be part of the -- one
13 of the parties that gets the information.

14 MR. HAGLER: What's the plan about?

15 MR. LeBLANC: The Integrity Management
16 Plan? That's covered under 192, Integrity Management, to
17 mitigate the risk to pipelines. So, it's a comprehensive
18 plan that addresses specific risk assessment to Granite
19 State's pipelines and how those risks are mitigated. It's
20 very -- We have a copy of Northern's current plan, because
21 they do have some transmission pipeline in their system.
22 We have a copy of their Integrity Management Plan, which
23 is a comprehensive report. It's probably four or five
24 hundred pages that -- that identifies risks, identifies

1 high -- high consequence areas, and has plans that
2 mitigate those risks, then identify that as specific to
3 that pipeline. And, Granite State's the same. There's
4 high consequence areas. They have identified risks to the
5 pipeline, and then they identified measures to mitigate
6 those risks to the pipeline. And, they implement certain
7 procedures to do that. So, specifically what they are, we
8 can't comment on that until we actually see there plan.

9 MR. HAGLER: This is the pipeline, it
10 covers the pipeline that you're buying?

11 MR. LeBLANC: Granite State, yes.

12 MR. HAGLER: Okay.

13 MS. MacLENNAN: Yes, I guess I would
14 ask --

15 MR. HAGLER: I mean, I'm shocked.

16 MS. MacLENNAN: We've heard a lot of
17 glowing things about how cooperative NiSource has been on
18 the IT side, and I would like to know whether you found a
19 different response from the Granite entity?

20 MR. LeBLANC: The answer is "yes".

21 MR. MUELLER: You don't have to -- you
22 can handle these spots.

23 MS. MacLENNAN: Okay. We can --

24 MR. EPLER: Well, I think it's important

1 that you don't get a misimpression that it's
2 uncooperative. I think it's been different because there
3 are structural differences. I think there are structural
4 differences that are inherent in the NiSource structure
5 that we -- that Unitil does not intend to inherit. And,
6 that has put some -- some restrictions on the ability to
7 exchange information till we've reached a level of comfort
8 on that. So, I don't want to give a misimpression that
9 there's, you know, been lack of cooperation, because that
10 really hasn't been it.

11 MS. MacLENNAN: But even -- even it
12 seems there's a lack of awareness or facilitation on the
13 part of NiSource to get the one arm that under which
14 Granite is housed to be as interactive with this state
15 approval process as it has been on some of the other
16 issues. So, I mean, it's of concern to us, obviously,
17 you're aware of that, because of questions we have
18 directed about Granite, that the response we have heard is
19 that they're reluctant to engage in responding to the
20 state commissions because we don't regulate them. And, I
21 just -- it's curious to see that they're slower at least
22 to recognize where Unitil would have a need for some of
23 the information that they -- they house in that Columbia
24 group. So, it --

1 MR. COLLIN: Yes, I'd just comment
2 Carol, I think that, in terms of the way that the
3 information has flowed, it has clearly been more difficult
4 getting it from Granite, only because the intentional
5 instruction on their part, as much as it is, as Gary
6 explained, they're organizational structure --

7 MS. MacLENNAN: Okay.

8 MR. COLLIN: -- and the difficulty in
9 getting down into those layers as easily as we've been
10 able to access Northern. I will add that we have -- I
11 believe we have cleared that logjam, that, in the last
12 week or so, the response from Granite or information we're
13 getting from Granite is flowing much more freely, much
14 more quickly. I think there's a concerted effort on their
15 part to kind of catch up and get us what we need. So,
16 we're very hopeful that we kind of, even though there may
17 have been some issues before, we're kind of over the hump
18 on that.

19 MS. MacLENNAN: Okay.

20 MR. COLLIN: And that we'll start to get
21 those. This one issue came up, however, when they were
22 filing some of the information that we wanted, it was
23 under a protective order, and I don't think they intended
24 to leave us off that list, but the process does leave us

1 from getting that information unless --

2 MS. MacLENNAN: Okay. And, I'd just
3 like to invite the Company to -- both companies, to be
4 sure that Unitil is included in the list of people that
5 get the information, if there are no priority issues. We
6 certainly would welcome that if it would facilitate
7 communications. It's not written in stone that those
8 protective orders be limited to Staff and OPA. It's just
9 simply there must be some boundary to avoid the harm. So,
10 you should propose to us where that boundary is.

11 MR. FERRO: Consistent with what Mark
12 just said, though, over the last couple of weeks I've been
13 getting very, very good responses internally from Granite
14 State in addressing certainly the discovery, some of it
15 which was outstanding. And, in fact, you're going to see
16 Granite State here this afternoon. And, so, they really
17 have focused on the issue at hand.

18 The other thing is, with -- you made a
19 comment about that they're not regulated by the states,
20 and they never use that as a reason for not being
21 responsive. They just did not -- they just made the
22 observation that it's a little foreign to them to be
23 responding to state discovery or to state questions. In
24 fact, at the beginning of this proceeding, a lot of the

1 discovery that was related to Granite was addressed by
2 Northern, based on information that they could, you know,
3 extract from public information from Granite State.

4 MS. MacLENNAN: Okay. Well, and Trish
5 has spoken that -- to that problem with us, too. And, so,
6 that's, I guess, where I got my characterization. But,
7 all right, well, I'm glad to hear it's clearing up. And,
8 if there is any modifications to protective orders that
9 would be useful in that process, please alert us to that
10 and we will address it.

11 MR. EPLER: Okay. I think we'd like to
12 move onto the IS portion of the presentation. Once we get
13 through this, we'll take a short break. The lunch is
14 outside. What I would propose is that we try to keep
15 moving is that we'll just take a ten minute break to do
16 that, to bring lunch in here. And, if you're open to it,
17 we'd like to be able to work through lunch and continue
18 the presentations.

19 MR. MORRISSEY: Are we okay?

20 MR. PATNAUDE: Ready to go.

21 MR. MORRISSEY: Okay. IS development:
22 Let me, before we sink into the deep, dark netherworld of
23 IT/IS, let me make a couple of soft comments, very unusual
24 for an IT person. But the first is that Unitil is a

1 reasonably pleasant place to work. And, the reason I say
2 that is that we have no churn in IT. So, I have many
3 employees, four, five employees, that have over ten years
4 experience in IT. And, because of that, have gone through
5 various system conversions and various utility conversions
6 in the process. So, that's somewhat helpful to my
7 optimism and my lack of -- my lack of need to lose sleep
8 in the -- in the early mornings. The second soft comment,
9 well, or perhaps it's more not the accounting and audit
10 group, is we do go through a full, since Sarbanes-Oxley, a
11 full IT audit every year, both internally and externally.
12 So, in terms of "Are our systems secure?" "Are we backed
13 up?" "Are we testing our systems?" "Are we developing
14 systems in a normal life cycle process?" All of that is
15 audited both by the outside group and the inside group on
16 a yearly basis. So that -- And, of course, that wasn't
17 true like ten years ago. So, there is -- there is some
18 kind of reliance that what we are doing is appropriate for
19 utility development. And, actually, so, in terms of the
20 development plans and how we got there, we had 30 of the
21 teams proposed 48 IS projects. And, what we did is we
22 took those 48 projects and we also inventoried all of
23 those business processes that each of the teams had come
24 up with. And, we came up with 120 different needs from

1 the -- from the proposed projects, and we kind of bubbled
2 that up into nine major IS projects. And, the following
3 slides will address how we do development, the
4 authorization process, and then we'll talk about CIS in
5 particular.

6 So, the nine major projects that we
7 did -- we did come up into, and we've talked about several
8 of these already, but CIS, its integration, and CIS and
9 cash, they're two projects. And, I'd like to just leave
10 that for a moment and then we'll get back to it on the
11 next slide. The Flexi integration, which is the financial
12 systems, the A/P systems, that's essentially just a
13 migration of Northern's data onto our G/Ls and A/P, once
14 again in a different environment. And, most of that will
15 be done with the help of the Flexi group, who are the
16 external people who provided the systems.

17 The fourth is something we call "ODI".
18 And, ODI is really our Web interface and our Web -- our
19 Web home for most of the systems that occur with the
20 operations group. So, ODI is actually and will include
21 M&S, transportation, payroll in terms of -- payroll in
22 terms of in the field, plant records, all of those things
23 are encompassed in the current system. And, all we plan
24 to do, not all we plan to do, but what we are planning to

1 do is simply to roll Granite information and Northern
2 information into our current systems in a separate
3 environment. We have already taken -- Northern uses a
4 system called "WOMS", and that has most of its compliancy
5 management, its meter inventory system, its work order
6 systems, and we -- we have basically taken a copy of all
7 of that data and we are currently just scrubbing it to
8 port it into our system. So, that's going along at a
9 reasonable pace.

10 Gas Portfolio Dispatching System, we are
11 evaluating, I think as Chris touched on, and essentially
12 it's going to be a build or buy, we're not quite sure yet.
13 Mobile Data Terminals is the one I'm kind of on the hook
14 for or none of the people in operations will speak to me.
15 Currently, Northern is home-based for all of the
16 operations groups. Their work orders are sent to trucks,
17 as opposed to coming in to pick up paper systems. So, we
18 will integrate and have in place a Mobile Data Terminal
19 system to provide the same function. Our work orders come
20 out of a CIS system, which is capable of distributing work
21 orders by truck, by group, by vendor -- in any way we want
22 to. So, the trick is just that we just have to be able to
23 transport that over the internet or over radio.

24 The gas fracture database is what we use

1 to manage -- to manage most of our gas information
2 currently. And, we will expand that to encompass what's
3 necessary for compliancy management and anything that's
4 going on in terms of work orders, in terms of construction
5 and gas.

6 The eighth one is actually G-Intake,
7 which is "how do you process new customers?" And, one of
8 the advantages we have here is that we do currently have a
9 gas intake system, and it was designed by people who used
10 to work for Northern. And, about seven or eight years ago
11 they came and they started working for us. They designed
12 the system. So, essentially, we're now just going to port
13 that back into a -- into a Northern system. And, then,
14 the ninth will be construction pricing, which is just --
15 just how we will operate pricing through, through
16 construction.

17 All of those -- all of those systems or
18 all of those projects essentially encompass everything
19 everyone has been talking about. Now, how we actually
20 work through an IS project system, and this is -- this is
21 just typical for everything we do currently. And, our
22 plan would simply be to continue with this process for
23 the -- for the integration. A document is produced, and
24 in that document there's statements of objectives, there

1 is an implement plan, there is a test plan, there are
2 security requirements, and how security will be maintained
3 for the system. That document is produced, and it is
4 signed off on by whatever parties are involved in the
5 process. From that point, we issue a work order. The
6 work order is approved, work begins, and scope changes
7 must be approved by the individuals who are responsible.
8 We have used distributed IS throughout, throughout our
9 systems, and by that I mean that the control of projects
10 is by the business owners, as opposed to IS. So, IS -- IS
11 is basically implementing things that have been asked for,
12 with input from us, of course. But we don't control what
13 happens. So, I'd be looking to Chris to tell me exactly
14 what he needs done to expand the gas infrastructure
15 database. And, there would be a partnership between
16 myself and, actually, Sean Baker, who's sitting in the
17 back, to develop that. Chris would sign off on it, we'd
18 implement it. It would be tested. And, then, Chris would
19 say "Okay, this is okay. You can put it live." That's
20 the general process. That's what we do for our all of our
21 projects. And, that's exactly how we'll treat all the
22 implementation processes.

23 Then, if we could go to talk a little
24 about CIS. I do want to stress with CIS, in this case,

1 the system as it exists will function for a gas utility in
2 two states. The objectives are that we are going to
3 support Customer Service to successfully convert the
4 customers, and that we will implement all required updates
5 to internal systems that support Customer Service. So,
6 there's really two pieces. One is just porting the data
7 over. Once we get the data over, then we're just talking
8 about the relationships to other systems that exist within
9 CIS. But CIS as itself, as a stand-alone system,
10 externally provide -- externally purchased by us does
11 handle work orders, meter inventory, customer billing, the
12 online piece of the availability of customers to -- the
13 availability of Customer Service Reps to see all that
14 information and answer the phones. It is an
15 all-encompassing system in terms of customer relations.
16 So, it is one system that integrates all of these things.
17 We've had it -- We've had it for about ten years now. We
18 upgrade it on a yearly basis, more or less, just about
19 every year. And, every time we upgrade it we go through a
20 full development test plan. We have test environments for
21 both states, because we'll upgrade everything at the same
22 time. We have a full test plan, and go from soup to nuts
23 on once a year. So, bringing in a new system -- bringing
24 in a new environment, in a sense, is very, very similar to

1 what's going on there. So, that would be exactly the same
2 process.

3 MR. FRINK: Is that system similar to
4 what Northern has right now, a comprehensive, global --

5 MR. MORRISSEY: Similar in the sense of
6 for a Customer Service Rep. do you mean? They have a CIS
7 system, they have some of their -- some of their
8 information is in different pieces. Their meter inventory
9 is kept in a separate system and their work orders are
10 kept in a separate system and related into Customer
11 Service. Ours are completely integrated. So, what we
12 simply have to do is, you know, it's just a process of
13 pulling those things -- pulling those things and bringing
14 them together. But, essentially, a utility Customer
15 Information System, all of them do more or less the same
16 things, some better than others. We're rather happy with
17 ours. And, the reason we're happy with it is because
18 we've had, just particularly on the electric side, where
19 we've had to do so much with deregulation, that the amount
20 of change and development and the testing of the
21 constraints of the system over the last ten years have
22 been, you know, they have been fairly complex and
23 complete. So, we feel fairly comfortable with that.

24 Okay. The scope of the CIS updates is

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1 we'll establish two, and we actually have already, we
2 established two, two new environments, and each of those
3 environments by state are rules based, as I think I
4 mentioned on some previous information. So, we have
5 billing rules, collection rules, work order management.
6 There's no programming involved in any of this. We
7 basically, in IS, set up the environment, and then there
8 are non-programmers who at that point then impose rules on
9 that environment, and then we test that process. You look
10 perhaps a little puzzled at that or --

11 MR. DAMON: This whole subject is
12 puzzling.

13 MR. MORRISSEY: Oh, okay. Okay.

14 (Laughter.)

15 MR. MORRISSEY: Well, as an aside, the
16 interesting thing is we have no operators, we have no
17 computer operators on our systems. And, the busiest time
18 in IS is between 2:00 in the morning and about 5:00 in the
19 morning, when the machines take over, you know, for us.

20 So, the second point is we'd be,
21 obviously, converting customers. It will be our
22 intention, and, certainly, there is no reason to think
23 this shouldn't happen, we will bring over all current
24 history and all past history for all customers. That

1 would just be the expect -- and it is the expectation of
2 Northern that they would be giving us that. So, someone,
3 when we turn over that, you know, we turn that switch and
4 someone is answering the phone, the expectation is that
5 all the information that is currently available would be
6 available to our reps. And, that would be in the testing
7 process. There's no reason to -- There's no reason to
8 think that shouldn't happen.

9 I do feel that I'm speaking to a group
10 that perhaps has had someone previously stand up and make
11 all these promises before.

12 (Laughter.)

13 MR. TRAUM: To some of us.

14 MR. MORRISSEY: All I can say is -- all
15 I can say is that we do have a history of these things
16 succeeding. And, then, the other -- actually, where most
17 of the work is in this is not in getting the CIS system up
18 and having a Customer Service Rep. look at it, it's in all
19 the interfacing that has to go on and all the reporting
20 that has to go on out of that system. And, that's where
21 most of the programming work will occur. There are over a
22 thousand reports that come out of our current system for
23 our two -- for our two states. Each of those has to be
24 analyzed in terms of is it useful, is it necessary, is

1 that what's going to happen in gas for Maine and New
2 Hampshire? And, that process is already well underway.

3 And, then, the fourth thing is we have
4 to reformat the Northern bill and expand letter
5 printing -- and expand the letter printing function.
6 That's just, you know, we'll be using our own billing
7 systems, as opposed to the Northern billing systems.

8 As a scope, we're interfacing with
9 metering systems, I think Justin mentioned it, and it's
10 true, it was very heartening to me to realize they used
11 MVRs, which means that, you know, that part becomes far
12 less significant. That we currently have five -- We
13 currently have procedures that take MVRs, the meter
14 reading system, and feed that into billing. Justin and I
15 are both presuming that there are going to be a few bumps
16 along the road in feeding their MVRs into our billing
17 system, same process, the same procedure. And, then,
18 basically interfacing Northern's Web-billing data and
19 customer records with our IVR and with our Web systems.

20 I've been very blessed in the sense that
21 I not only have strong programmers who have been here for
22 a while, but about seven years ago there was a -- a dearth
23 of jobs available for good Web people. And, I got two of
24 them, who had designed, I don't know if you're familiar

1 with PC Connection? But we have people in place now who
2 designed the entire online system for PC Connection. So,
3 when we talk about, you know, can we do -- can we put a
4 few screens on a web to let customers come in and get
5 information, we feel -- we feel fairly comfortable that's
6 possible. Also, of course, it does happen right now on
7 our current systems. And, interfacing the cash,
8 obviously, we're taking cash currently, we will take cash,
9 as Mark has said, the way we process cash currently, the
10 way Northern does. You know, cash is cash. And, the
11 schedule is that we're -- we're essentially, if you go,
12 you know, we're essentially targeting to have all of this
13 work done, everything complete by the end of October,
14 complete with testing. And, the testing plans are, and
15 you can see how the implementation works. As we are right
16 now, we have exchanged data, IBM, who is Northern's
17 provider of information, has given us -- given our
18 provider, our CIS vendor, I believe a full load of all the
19 customer data. And, so, we are at the moment manipulating
20 that data to see what happens. The tricky part is not the
21 data. People always say to me "well, do you just take it
22 and map it somewhere?" The tricky part is seeing if
23 there's any intelligence in the data, and by that I mean
24 that sometimes people build in things like certain account

1 numbers will key to other things, arrange for account
2 numbers. So, the tricky part is making sure that we
3 understand what those are. And, that's why, when we talk
4 about "we have to have a relationship with Northern", if
5 they're not telling us things like that, we would know
6 that within the next month.

7 So, that essentially is the flow. We've
8 got a lot of people, there are more people actually than
9 this on the IS side working on this. Sean, of course, is
10 in charge of system development. Rich and Bill are the
11 two people I said who have been with me for over ten
12 years, and have worked on -- on this CIS environment for
13 ten years. Sungard is our vendor. Now, they are very
14 interested in making this a success. We are one of their
15 prime -- prime customers. And, IBM actually is coming
16 through. They were somewhat skeptical of us because, of
17 course, we'd have conversations with IBM, and they're in
18 about three places all at once, and then having phone
19 conversations with Dallas and Minnesota --

20 (End of tape - brief machine
21 malfunction. The last few minutes of
22 Mr. Morrissey's presentation just before
23 lunch was not recorded.)

24 (Short recess for lunch taken.)

{DG 08-048} [TECHNICAL SESSION] (07-02-08)

1 MR. BROCK: Get back from collecting a
2 lunch, and, in the interest of trying to wrap these
3 sections and get onto the Granite topic, I'll continue
4 with the -- I think the sections that we have remaining on
5 the Business Integration Plan will go a little faster.

6 Okay. So, the first section we'll talk
7 about is the Go-Live plans. And, we've already spoken
8 quite a bit this morning about testing and Go-Live. And,
9 I think the points we were trying to get across is we have
10 certain experience and a certain set of techniques that we
11 have used in the past successfully and that we will apply
12 to this integration of the business processes and systems
13 of Northern.

14 The Go-Live planning, as I mentioned
15 before, the detailed planning of the actual tasks and
16 subtasks of the cut-over will be documented in July and
17 August as the Functional Integration Teams and their
18 counterparties come to agreement on what everyone will be
19 doing to effect the cut-over. You know, that list of
20 activities will be tested before the actual Go-Live event.
21 So, as we say in the second bullet, those tasks and
22 activities will be scheduled and identify specific
23 directions to be carried out by Unitil, Northern and
24 NiSource employees leading up to and immediately following

1 the Go-Live event. And, as Ken asked a couple of times
2 this morning, you know, what's the criteria that indicates
3 that we are ready to go live? And, as we have indicated,
4 the criteria is that we have successfully tested the
5 Go-Live event in our test environments. And, so, that's
6 how we establish a criteria to go ahead and execute.

7 The timing of the execution, after the
8 closing, and, you know, immediately after the closing
9 you're in the Transition Services Period, we'll talk a
10 little bit about the perspective Central Services Go-Live
11 cut-over, and Ray Letourneau will talk about the things
12 that transition at the operations level, because the
13 perspectives are a little different. But certain Go-Live
14 activities and events will occur during the weeks after
15 the cut-over, after the cut-over functions.

16 From the Central Services perspective,
17 and this is -- this is a preliminary list of examples of
18 the types of things that would occur before and around the
19 closing date. But, assuming the cut-over event was
20 scheduled for the week of November 3rd to 10th, then there
21 would be the final stages of testing of billing processes,
22 time entry for payroll, ODI posting to general ledger,
23 cash functions, you know getting ready to ship the bill
24 inserts, all of those events would take place pre-cutover.

1 During the cut-over, we would, in the November 3rd to 10th
2 column, we would be redirecting, executing the redirection
3 of the telephone lines. We would upload CIS with current
4 customer information. Reconcile pre- and post-revenue
5 reconciliation conversion balances, you know, all of the
6 enabling of those systems to work after the cut-over would
7 be taking place. And, this is the type of activity that
8 we would have tested in our test systems before we decided
9 that we were able to cut over. So, that's how we do it.
10 This is the way, as Raymond had said earlier, this is the
11 way we have upgraded and changed our systems over the
12 years. Some of the things, like later on in the
13 "November" column, the transfer of accounting data after
14 NiSource closes and uploading transferred data into the
15 general ledger. Clearly, you know, the customer
16 informations are the things that we're -- the Customer
17 Information System and its ancillary systems and modules
18 are what we're focused on as a cut-over first. Other
19 systems will -- are expected to cut over on a staggered
20 basis. And, actually, the sequence of that will be --
21 will be documented in the final Go-Live plans. But, as I
22 said, the Go-Live plans will be written. The Go-Live
23 events will be mapped out. There will be testing. When
24 testing is successful, we will be enabled to go live and

1 the events will be scheduled around the closing.

2 MS. SMITH: Just, I mean, this probably
3 (inaudible), but how far back historically, as far as the
4 accounting information and all of that are you going to --
5 is going to be transferred over? I mean, beyond the
6 (inaudible) assets that are older than 100 years and
7 things that have some more (inaudible) they may have? I'm
8 just trying to figure out how far back?

9 MR. BROCK: Dan, have you and Tressa
10 determined on the plant records how many years?

11 MR. MAINE: Not yet.

12 MR. BROCK: All the vintage asset
13 records, I believe. Since we are buying the stock, you
14 know, this company we're buying, all the books and records
15 are expected to be transferred. In the case of book and
16 tax asset information, it's a lot of vintage years.

17 MS. SMITH: Yes.

18 MR. BROCK: Yes. And it would --

19 MS. SMITH: (inaudible).

20 MR. BROCK: Yes. It would all come over
21 and be controlled by us. In the case of the financial
22 ledgers and the A/P histories and the transaction
23 histories through the ledgers, we would, you know, the
24 initial plan is to look at uploading about five years into

1 our current systems, with the rest available either in
2 electronic or optical or microfilm or whatever access we
3 would have.

4 MS. SMITH: Okay.

5 MR. BROCK: The actual record retention
6 guidelines that we follow as a utility are published in a
7 book where NARUC published record retention guidelines.
8 And, so, each of the sections of the Company plant records
9 and so on will at least comply with those guidelines.
10 Ray, do you want to discuss a bit from the operations
11 side?

12 MR. LETOURNEAU: Sure. The operations
13 side, again, this slide is intended to provide a little
14 bit of a snapshot, if you will, of the particular items
15 that the operations folks, on Chris LeBlanc and his
16 management staff, and as well as all the FIT leaders that
17 have responsibility for the operational Go-Live
18 activities. And, you know, I don't think it serves a lot
19 of value to go through and read all of these. It's just
20 intended to show you these are actual tasks that were
21 extracted from some of those operational plans, some of
22 the things that are going on in October. We're getting
23 ready, this is what, again, we were anticipating a
24 November 1 closing of the transaction. So that, in

1 October, a month before, 30 days before, this is some of
2 the things we'll be doing; training personnel, testing
3 various systems, making sure that our data is good and
4 ready. And, in some cases, a lot of this will already
5 have been completed. And, in some cases, some of these
6 things already are done. But, by October, they want to
7 make sure that they have some of these critical systems
8 ready to go.

9 The week before, it gets a little bit
10 more practical. You know, here we are, we're seven days
11 from closing, what are the things that are going to be
12 going in operations? It's things like -- simple things
13 like issuing cellphones, issuing pagers, making sure phone
14 lists are updated. Very, very down in the weeds type of
15 detail that we have to make sure that these FIT leaders,
16 all of these teams have thought through the very intricate
17 things that they need to do in order to, again, go live,
18 start managing that business.

19 And, then, the day of, the November 3rd
20 was assumed that that was the day of. Those are the days
21 that we assume emergency response responsibilities. That
22 we audit the Dig-Safe system. We've tested it, we know it
23 works. On that first day, we want to audit it. And, we
24 want to take a look at. "Okay, what came in? What went

1 out?" It functionally doesn't reconcile. Those are the
2 types of things that are going to go on on that first day.

3 And, then, within the month of November,
4 after we've been the operator of the system, we've been
5 managing the day-to-day operation of the gas business, we
6 would see that we would be wanting to do reconciliation of
7 gas supply contracts, before and after the closing, again,
8 just to make sure all our systems are working. We're
9 going to have weekly staff meetings with the operation
10 folks. I can see that we're going to want to meet with
11 these folks on a very regular basis from the get-go. So,
12 we're trying to uncover anything that, you know, that is
13 not apparent to us, identify any issues that maybe were
14 outstanding that perhaps maybe we missed. Construction
15 close-out, November, that's going to be a big thing. In
16 the gas business, as you know, typically close the gas
17 business November 15th. That's going to be a major
18 undertaking in November for us is closing out all the
19 projects that have been started in 2008. They'll be
20 spending a lot of time, that will be a joint effort
21 between the operations groups, accounting folks, closing
22 out the construction projects.

23 And, then, in December, we hope it's
24 business as usual. Again, we are trying to make a lot of

1 these systems that they currently have and we're trying to
2 make the employees' day-to-day work very seamless in what
3 we change, to try to create as little change to their
4 day-to-day, so they know what they're doing, they know
5 where their piece of papers come from, they know where to
6 find their truck, what to do, and December is business as
7 usual.

8 MR. BROCK: Yes. This Cut-Over
9 Timeline, on Slide 32, it basically summarizes the plan
10 that we've spoken about already today. And, I -- as I
11 said in the opening, our business integration planning has
12 been ongoing, is expected to be completed with the
13 Go-Live/TSA planning phase, which will take place over the
14 next six to eight weeks, that would bring us about to the
15 end of August. The next, the overlapping timeline that
16 continues on through that is the business process and IS
17 system development and testing. The process testing and
18 audit will take place all the way through not only the
19 development of the systems, actually there's testing that
20 is ongoing right now, as things are being looked at and
21 prototyped. And, the major testing will take place, of
22 course, later the summer and the fall, and ongoing all the
23 way through the Go-Live and the -- almost to the end of
24 the Transition Services Period. Transition Services

1 Period overlaps the very end by an additional 30 days.
2 But we expect the Go-Live and cut-over processes to take
3 place. There may be a few things that can go just prior
4 to the actual closing. And, most everything at and after
5 the closing in a -- in a staggered fashion that would
6 occur in the four months after the closing. That's the
7 initial period of the Transition Services Agreement. And,
8 so that, hopefully, the initial plan, you know, would
9 result in those ending at the same time.

10 As I said before, to the extent that
11 things go longer than that, transition services will allow
12 for an extended term. Derek or Ed?

13 MR. DAMON: Go ahead.

14 MR. DAVIDSON: Quick question on the
15 TSA. Did you -- Are you intentionally holding off on
16 executing it to get a better -- to give the teams a better
17 sense from exactly what is going to need to be included in
18 it?

19 MR. BROCK: Yes. Yes. It's, right now,
20 a population of 100. And, what we hope is, you know,
21 100 percent. What we hope --

22 (Interruption by automated
23 teleconference message.)

24 MR. BROCK: Yes.

1 MR. COLLIN: It costs a lot more.

2 MR. BROCK: What we hope to do is to,
3 you know, winnow that list down to the actual list of
4 services that we need after the closing, and we'll be
5 executing the TSA just prior to closing. So, yes. Ed?

6 MR. DAMON: Larry, what functions do you
7 anticipate will be Go-Live cut-over before the closing? I
8 see that the period actually starts in the middle of
9 October.

10 MR. BROCK: Yes, there's some, it's
11 really -- it really will be finalized in the Go-Live --
12 the Go-Live plans, but there is some -- some method of
13 bringing over historical information, which you could do a
14 little ahead of time. For example, in certain cases, you
15 could bring over all the history through September 30th,
16 and then just update a few months after the Go-Live. So,
17 there's certain activities that relate to the Go-Live and
18 conversions that can be performed a few days before the
19 actual cut-over event. And, there's a few things on the
20 two previous slides that we had in the "Week Prior"
21 category that were related to the Go-Live activities. But
22 the actual specifics of all that will be listed in our
23 Go-Live plans.

24 MR. DAMON: Okay.

1 MR. BROCK: The next section, is this
2 for you?

3 MR. LETOURNEAU: Yes.

4 MR. BROCK: Okay. Mr. Letourneau will
5 take us through the next section.

6 MR. LETOURNEAU: Try to finish off the
7 remainder of the presentation. We've talked a lot about
8 the Go-Live event, and I think it's probably worthwhile --
9 as I unhook this microphone -- to discuss it a little bit
10 more, because, you know, we have 56 teams that are
11 involved in this Go-Live activity. But not all 56 teams
12 actually have a Go-Live plan. Many of the teams don't
13 require a Go-Live plan. They can get their processes
14 done, in fact, some of the teams for integration are done.
15 They put their plan together, they looked at what their
16 transition plan is, and they have been able to do the
17 things that they need to do before we actually go live,
18 which is when we take over Northern Utilities and start
19 running that business.

20 There's really a handful of teams, as
21 Larry just talked about the Go-Live event, that have these
22 lags of data and lags of information. And, we know that
23 we -- let's say we close on a Friday, we -- every
24 transaction up to that closing time belongs to Northern,

1 and every transaction after that, but it takes Raymond
2 three or four days to convert that data, so we know we
3 have this period of time. That's why these Go-Live events
4 are very specific by plan. And, if you -- if you take a
5 look at the filing that we made with the 56 plans, each of
6 those plans has a very specific detail about their
7 Go-Live. And, that's why it's hard for us to say "well,
8 what is" -- you know, the Go-Live isn't just a date in
9 time, every plan it's very different. So, I wanted to
10 just make sure that people understood that.

11 The schedule development, again, back to
12 the teams, they have identified tasks and subtasks, they
13 have identified their timelines, how long is it going to
14 take to do it, who's actually doing it, how much is it
15 going to cost to do? And, you know, the resource
16 assignment, who's doing it? Who's performing that work?
17 And, we wanted to throw a couple numbers out there.
18 There's 550 major tasks that have been identified, and
19 over 3,600 subtasks.

20 We've had each of the team members, in
21 order to manage this project, identify their key
22 milestones. And, this is an example of several key
23 milestones, with their resource time -- with their
24 timeline indicated by the blue line. And, the reason we

1 did that is, well, there's no way we could track 3,600
2 subtasks and figure out where people are, what their
3 status is, what they're doing. And, we had them identify
4 key milestones, and we're going to try to manage this
5 project by these key milestones. And, again, these are
6 some of the key ones that -- that came out of some of what
7 we called our "Critical Integration Plans", from CIS set
8 up, and some of them are -- you know, have to be done, you
9 know, one month in October you see CIS system is test
10 ready. That has to be done by October. That's just a
11 point in time. Some of them span several months to get
12 the project done.

13 And, the final piece of our integration
14 plan is the resource -- Resource Commitments. There's
15 several types of different resources when you think about
16 getting this integration plan completed. Internal staff
17 that are supplemented by temporary staff. We have, as
18 Larry I think mentioned early on, we have over 100 of our
19 employees that are involved in this integration effort.
20 Some were involved in the planning phase, some are
21 involved in the implementation phase. Some people, like
22 myself, are involved -- 100 percent of my time is spent on
23 this integration project. And, we are supplementing some
24 of the staffs here at Unutil and elsewhere with temporary

1 staff to help with this integration effort. Northern and
2 NiSource resources are helping Unitil evaluate our
3 existing business processes.

4 Raymond talked extensively about his
5 contacts at NiSource and with IBM, etcetera, that's the
6 third bullet, third party, we're dealing with IBM, we're
7 dealing with several other folks that are coming in and
8 providing us solutions. We have hired certain people to
9 help us with various solutions. We're building a dispatch
10 area in Portsmouth. We've had a contractor come in,
11 several contractors, we've got, I think, four bids. If
12 Justin was here, I'm sure he could speak to it, to
13 evaluate how we set up our SCADA system and how we build
14 that.

15 And, then, lastly, the fourth bullet,
16 the financial resources to complete this. And, we listed
17 some key challenges. And, I think, when, and I forget who
18 over here asked "what do you lose sleep overnight?" These
19 are the key challenges, in my view, to get the integration
20 effort done. We need to make sure that we mobilize
21 sufficient resources in a relatively short time frame.
22 This isn't a project that Unitil is taking on and say
23 "well, you know, if we can get it done in November, great.
24 If it goes to January, well, that's fine." Well, it's not

1 fine. We have a very specific deadline. We know we have
2 to get these things done. And, we have to go find these
3 resources now. And, we've done that. We've been very
4 fortunate in hiring some, you know, all over the Company,
5 and, in the IS area, Raymond has been fortunate in hiring
6 some very good people coming in. They're all ready to hit
7 the ground running.

8 Provide adequate direction and
9 supervision to internal and external resources. So, these
10 people have to work for somebody. And, typically, they're
11 working for somebody that also has a day job. And, what I
12 mean by that is that they are running the day-to-day
13 business and they're doing integration. And, that's
14 where, you know, project management is going to help us,
15 and good planning is going to help us through that. And,
16 then, the last one is using these resources effectively
17 and efficiently. Today is a good example of that, a joint
18 meeting. It's a very efficient use of people's time.
19 It's very effective. If we have to do this twice, it's
20 not as efficient, or probably as effective.

21 Again, we spoke quite a bit about
22 transition services. We wanted to mention just a couple
23 of things. You've probably heard this already, it's a
24 little bit repetitive. NiSource providing services during

1 initial term, the first six months, 180 days, at cost.
2 And, then, it's at cost plus 10 percent, a premium, for
3 the next 180 days. Specific services will be provided at
4 our request. And, we just talked about it. As these
5 teams go through their integration planning and
6 implementation, we're not exactly certain at this point
7 where we -- we know certain areas we're going to need
8 transition services. We know that today. Gas control is
9 one area. We know we're going to need transition services
10 for gas control. So, we're planning that way. But other
11 areas, Justin was a good example, is energy measurement
12 and control. He may or may not need it. If he can get
13 his plan done, if he can get those met scans replaced in
14 the field, doesn't need them. If he can't, he's going to
15 need them. So, that's why we're waiting to get to the end
16 of this so we can start identifying the specific items
17 that we need for transition services.

18 And, again, this last bullet, the
19 expectation: Distribution operations, those 78 employees,
20 will be able to transition almost immediately. That's
21 true. People are going to come to work, it will be a
22 Friday, the Company is owned by Northern Utilities; Monday
23 Unutil owns them, or the next day. They're going to come
24 in. It's not going to be a whole lot of change for them.

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1 That's the plan. It's been, again, our guiding principle
2 from the get-go. We want them to come to work, have their
3 systems, have their processes, have their trucks, have
4 their tools, have their maps, have all the things that
5 they need to do to do their job.

6 The Central Services functions, again,
7 because of time lag, because of data, because of financial
8 systems, there certainly will be some functions that will
9 need to be transitioned over by and supported by the TSA.

10 MR. TRAUM: Under the TSA, either
11 initially or after 180 days, does Northern have --
12 NiSource have the opportunity to say "no, we're not going
13 to provide a certain service you're requesting"?

14 MR. BROCK: Yes, that's being worked out
15 in the draft. If they were to do that, they would have to
16 give us sufficient notice. The current structure of the
17 draft is that there's an initial term of 180 days. And,
18 if we want to discontinue a service, we have to give them
19 notice. And, so -- And, then, if we -- if we indicate
20 that we want to give notice to extend a service into the
21 extended term, if they were unable or unwilling to provide
22 it, they would have to give us sufficient notice on that.

23 MR. TRAUM: Okay. So, that's going to
24 be addressed?

1 MR. BROCK: It will be in the draft,
2 yes.

3 MR. LETOURNEAU: Then, the last, the
4 last area that we wanted to touch upon today was the
5 actual execution of the plan. The way this started, we
6 made the announcement in February, we had an internal team
7 of four people, myself, Larry Brock, Raymond Morrissey,
8 and Chad Dixon, and we brought in Bob Yardley to give us a
9 hand. It was an Integration Leadership Team. It was our
10 job to develop this Business Integration Plan that
11 you're -- that you're looking at today. So, we've
12 facilitated that with all our employees, with Northern
13 employees, with input from lots of different areas. The
14 plan is, actually, there is no clear line of like
15 demarcation. "Okay, the planning's over, start your --
16 start your implementation." Implementation is going on,
17 and it's been going on. And, in certain areas, it's well
18 into their plan already. They have got their -- their
19 senior executives to approve their plan, and people are
20 already implementing. People are doing things. People
21 have hired contractors. Things are happening. So, there
22 isn't a clear line of demarcation. And, for most cases,
23 implementation is actually happening right now. As we
24 move forward now, we set up a project team. And, this is

1 kind of the -- the hierarchy, if you will. The
2 accountability for the implementation of the -- of the
3 plan is senior management. Senior management is
4 responsible for overall execution. The functional senior
5 vice presidents are going to be checking with their FIT
6 leaders to make sure that they're on schedule, that
7 they're on budget, etcetera.

8 Project management, a Project Management
9 Team: I am responsible for that Project Management Team.
10 We're going to perform project management functions.
11 Communications with the executive team, and the team
12 leaders and preparing status reports on a continuous
13 basis, assessment of any significant scope changes.
14 That's a big deal in a project this size is scope changes.
15 We want to manage that and we want to manage it well. And
16 then, identification of issues would be resolved with this
17 group of individuals. The Project Management Team, it's
18 hoped that they will resolve a vast majority of the
19 issues, including, you know, proposed scope changes.
20 Because we'll be able to know by, again, we talked about
21 project milestones, the Business Integration Plan, as it
22 sits today, is a snapshot of where we are today, and that
23 is the plan. That plan will probably change as we get
24 into this. But what we've told the project leaders, the

1 FIT leaders, if you will, is that this is their benchmark.
2 They have their budget, they have their resource, they
3 have their schedule and their timeline. This is their
4 benchmark. And, that's how we're going to be measuring
5 them going forward as we look at that plan today. And,
6 so, when we finalized that plan last week, we wanted to
7 know their -- review your milestones, review timeframes,
8 review your budgets, all of that stuff, and that's going
9 to be the benchmark going forward. And, that's how we're
10 going to manage the project. We're going to have weekly
11 meetings.

12 We just -- Until last year had a fairly
13 significant project that we completed in New Hampshire and
14 Massachusetts, automated metering. We had to replace all
15 110,000 meters that we have on our system with an AMI
16 meter, and you use a power line carrier to read all our
17 meters. That was a fairly significant undertaking, as you
18 can imagine. It involved all the same departments that
19 we're dealing with today. And, one of the ways that we
20 managed that project was through these weekly project
21 meetings. They were in this room right here, people in on
22 conference call, people that are here are here. There
23 were two two and a half hour meetings where we resolved by
24 department issues, because what we found was we could deal

1 with the issues immediately. Somebody would say "I'm
2 having this issue with this", and somebody in the room or
3 somebody on the call was responsible for that area so they
4 could provide a solution immediately. It wasn't days or
5 weeks for the issue to get resolved. It was resolved
6 right then and there. And, that's what helped us stay on
7 schedule. We plan to use the exact same procedure for
8 this, for the integration plan.

9 One of the things that we asked each of
10 the team leaders to consider as they did their planning,
11 and you'll see it in their charters, and you'll also see
12 it in each of their plans, is risk mitigation. What
13 happens, I think somebody over here asked "what happens if
14 on day one, you know, this doesn't work, what do you do?"
15 And, they have all thought through that, and we wanted to
16 list some of them. These are the ones that we thought
17 were important for us to keep in front of us and talk
18 about risk mitigation. Existing business suffers during
19 the integration and transition periods due to shifted
20 employee focus. That's something that we are very well
21 aware of. How we're mitigating that is extensive internal
22 communications. We are in constant communication with not
23 only other employees, but Northern employees as well, as
24 to the status, where we are. The tone at the top of the

1 organization has been incredibly supportive, particularly
2 when we were first going through the planning phases,
3 there were -- there were lots of hours in at the beginning
4 of this planning phase, and senior management was very
5 well of that -- aware of that. And, then, supplemental
6 resources, where we could, we brought in some temporary
7 staff and some permanent staff to assist us with this.

8 The next risk was resources, which is,
9 you know, the employees, the third party contractors,
10 etcetera, are not sufficient and/or available to support
11 the integration. What happens if we can't find these
12 people? You know, what do we do? Well, the way that we
13 dealt with that is do good planning now. Identify those
14 resources as early as you can in your plan and go find
15 them. The best example I can use there is the IS group.
16 Raymond's got, I think, four or five contract programmers
17 in here now, already. They have been here two weeks,
18 understanding what they need to do in the next 15 weeks.
19 It's 15 weeks before November 1st. I like to talk about
20 it in weeks, because I think it makes it more -- it puts
21 it more in front of you. We're down to 15 weeks to get
22 this done. And, we have. We've hired enough employees.
23 We have consultants in on the property helping us with
24 various aspects of this integration.

1 Communications and internal -- and
2 interactions with counterparts at Northern are not
3 effective or efficient. We talked a little bit about
4 Granite earlier. Northern has been exactly the opposite.
5 We have a project team. I talked about the four people on
6 the Integration Leadership Team. We meet with Steve
7 Bryant, Pam Bellino every week, every two weeks, whatever
8 our schedule dictates. But we come in and we have our
9 list of issues and they deal with them. I can tell you
10 that the turnaround has been tremendous. We have an
11 issue, we can't get this, we're trying -- having a hard
12 time identifying, I make a phone call, and within an hour
13 I have the information that I need to keep the project
14 moving forward. If that does have an issue, our
15 mitigation risk, again, we're dealing with a plan, we have
16 specific identification and matching of Unutil employees
17 with counterparts. Call your counterpart get your
18 counterpart to help out. And, that's been, again, that's
19 how we've been managing the planning phase to this point,
20 and it's been excellent. And, we plan to do that. We
21 plan to meet, actually, we're going to start meeting
22 weekly as we move through the implementation phase.
23 Because we're going to be doing a lot more with the
24 Northern employees, we're going to need their assistance

1 as much as possible.

2 Historical information or records is not
3 available or transferred timely from NiSource. That's
4 really an issue particularly in the IS area, in Raymond's
5 area. What happens if IBM doesn't come through and give
6 us the first cut of data? And, I'll tell you that was
7 very key, because we knew, if we didn't meet certain dates
8 early on, Raymond was -- if we don't meet this date, we're
9 not closing November 1st; we're closing December 1st. I
10 mean, that's how critical those dates were. And, they had
11 weekly conference calls with people from all over the
12 country for IBM, as Raymond talked about, as well as the
13 Northern people. And, we did, they're meeting those days.
14 So, that's clearly a risk to us. But, again, clear
15 definition of required information and aggressive pursuit
16 of it. And, it really, for IBM, has turned around and
17 really have provided us with the information we need and
18 very timely. And, we've gotten it from Northern as well.
19 We had specific milestones for other cuts of data that we
20 have for WOMS, and Sean's been chasing that information
21 down. Well, he's got it -- he got it two weeks in advance
22 of when they said they were going to provide it. And, it
23 was over like 100 million records, right, Sean? I mean
24 100 million records of data, it's a humongous amount of

1 data that we have now these contract programmers working
2 on, so that, again, November 1st comes around and that WOM
3 system is ready to go.

4 Cut-over/Go-Live plans are not properly
5 designed. What happens with one of our cut-over plans
6 again, our safety net is our transition services. We
7 talked about it earlier, I used the example of the energy
8 measurement area, what happens if we can't get to this
9 point? Well, we're going to talk about transition
10 services. And, each of the FIT leaders are well aware of
11 those, and they're already discussing that with their
12 counterparts. "If I can't get this done, can I get
13 transition services?" "How will that work?" You know, so
14 we're trying to mitigate those risks.

15 And, the same with the IS development.
16 If what Raymond talked about earlier what -- where does he
17 lose sleep? It's not so much getting it done, it's what
18 bumps does he run into and everything's extended? This is
19 extended by a week, which now extends another schedule .3
20 weeks. You know, that's the issue is, and, again, we look
21 at extending transition services in those particular areas
22 if we can't get various things done.

23 I know I'm going quickly. Is there any
24 questions, because this is actually the end of the

1 presentation of the Integration Plan?

2 FROM THE FLOOR: Could you do it again?

3 MR. LETOURNEAU: What's that?

4 FROM THE FLOOR: That's why we handed
5 out the book. That's why we gave you the book.

6 MR. TRAUM: I guess I do have a
7 question. And, it's sort of following up on one that Tom
8 had had earlier. And, it's what are the, let's say, five
9 or six cut-over systems that you think are going to take
10 the longest till you're actually able to cut-over and drop
11 the TSA for?

12 MR. LETOURNEAU: Well, we know CIS is
13 one we've talked about. You know, not that it will be
14 problematic, but that's clearly an area where, if you
15 looked at that plan, the steps that are involved there,
16 there's a lot of steps in that particular plan. There's
17 areas where, again, we won't have control of the resource,
18 if it's somebody else that's giving us data and we're
19 dependent on them, you know, as much as we can explain how
20 important it is to us, it may not be at the top of their
21 priority list. So, yes, that's an area. The dispatch
22 area, the gas control area, we know we're going to need
23 transition services in that particular area. We know that
24 we're going to need transition services. There's a part

1 of the service territory in New Hampshire, Pelham,
2 Plaistow, and Salem, that we're going to have -- NiSource
3 now covers emergency basis-wise out of Lawrence, Bay State
4 Gas. And, they're going to continue to provide that to
5 the closing until we can develop what we need to do to
6 develop for, you know, the day-to-day business is run out
7 of Portsmouth, and those employees go do the service work
8 etcetera. But the emergency after-hours, emergency
9 response, that kind of thing comes out of Bay State.
10 We're going to have them continue to do that for a short
11 period of time, until Chris develops a plan to work with
12 that, to deal with that.

13 Is there any other issues that we're
14 looking at transition services that you can think of?

15 MR. BROCK: No. Again, but I think it's
16 like -- it's like Ray said, at the operations level, you
17 know, the cut-over, you know, there's a lot of things that
18 we already know. At the Central Services level, you know,
19 all the major systems, you know, what we need to continue
20 and analyze is, you know, how those systems are
21 controlled, how the data is controlled, how it's
22 validated. You know, when is it more opportune to cut it
23 over, and if it's a month end or mid month -- can the
24 system come over at a mid month date and things like that?

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1 I think what's critical, I think we know
2 all the things we have to do. I think, as Ray mentioned,
3 each of the plans has addressed that. You know, what
4 concerns us in doing this is what concerns us in doing any
5 of our upgrades or conversions. If you make a mistake, if
6 you miss a population, from, as Ray said earlier, from
7 Friday, at 5:00, you know, if you're taking a portfolio
8 over, and you're going to start operating that portfolio
9 on Monday morning, if something happened in that portfolio
10 that you didn't bring over, and you answer the phone and
11 you have an incorrect set of data in front of you, those
12 are the things that are concerns. But those are our
13 normal concerns. Those are the reasons that we have, you
14 know, a very extensive test and audit function.

15 The major systems, you know, we're a
16 publicly traded company. We have nine critical financial
17 systems which are -- that is -- it is just not optional
18 that they can have malfunctions. And, that's for --
19 that's for Unitil as a public company. All the systems
20 that hook into that, all the interfaces are just as
21 important. And, so, our approach to this is it's -- we
22 know what our concerns are, and we're going to address
23 them. And, hopefully, through the rest of the discovery
24 process as we go through the Go-Live, development of the

1 Go-Live plans, we'll figure out if there's anything out
2 there that we don't know and that we have to adjust to.

3 But we, you know, we have, you know, an
4 experienced group that has done many of these conversions.
5 And, the types of mistakes that you can make are in, you
6 know, completeness, accuracy, and validity, and that's
7 what our test and audit functions are set up to -- to
8 prove before we Go-Live. So, I think we're there.

9 MR. TRAUM: Okay. Thank you.

10 MR. DAVIDSON: I had one final question.
11 And, Larry, I think you mentioned in your presentation
12 that the vast majority of systems, you're not having to
13 build new systems, because Unitil already has systems, and
14 you're just basically going to be transferring
15 information. But you did say that there were some unique
16 processes or systems that Northern had that you were going
17 to have to either build your own new system or -- have you
18 identified those yet?

19 FROM THE FLOOR: Yes.

20 MR. DAVIDSON: Do you have a list of
21 those?

22 MR. BROCK: Yes, I think -- I think
23 that's what Raymond -- Raymond, why don't you take that
24 one.

1 MR. MORRISSEY: Yes. We were just
2 talking about. Essentially, that's the easy on/easy off
3 system. It was essentially the easy on/easy off system.
4 I'm trying to think of -- that is the system that we need
5 it.

6 MR. BROCK: Oh, yes.

7 MR. MORRISSEY: Thank you, Chad. Where
8 am I? Why am I not seeing it? I know it's here.

9 FROM THE FLOOR: Number five, Raymond.

10 MR. MORRISSEY: Five, okay. Yes. Gas
11 Portfolio Dispatch System. We have a system that does
12 that right now. It's not capable of doing -- doing what
13 we need for Northern. So, we are towards the end of the
14 process of deciding whether or not to build or buy on that
15 system. And, that is one that we would be planning to
16 have transition services for anyway.

17 MR. DAVIDSON: Okay.

18 MR. MORRISSEY: The other key, Northern
19 essentially has, outside of the management of dispatch of
20 the easy on, there are really three key systems: CIS,
21 WOMS, and that dispatching system. The CIS was simply --
22 was simply taking the data and bringing it over. The WOM
23 system, we will be taking the data and splitting it into
24 various systems that we already use. And, then, we have

1 the easy on/easy off. I think that's really -- that's
2 really the -- those are the only issues we have in terms
3 of systems, yes. It's not a complex problem. It is --
4 It's just work.

5 MR. DAVIDSON: Thank you.

6 MR. MORRISSEY: Oh. I'm sorry. The
7 Mobile Data Terminals we are not using what is being used
8 by Northern. So, we will be providing that system.
9 That's a very specialized -- I was pointing it away.

10 (Referring to the microphone)

11 MR. MORRISSEY: It's a very -- the part,
12 the part that's different is the -- we're actually talking
13 the transmission piece of that. Because, essentially,
14 there's a laptop in the truck, and work orders are sent to
15 that laptop. We have the lap -- the laptops are fine.
16 The work order systems are fine. We just have to
17 determine the correct transmission system to do that.
18 And, I believe that's it.

19 MR. EPLER: Okay. If we just give a
20 couple moments for the folks from Granite and NiSource to
21 get settled here. This is the opportunity to explore the
22 issues involving Granite and Granite relations with
23 Northern Utilities (inaudible). Yes, why don't we just
24 take five minutes, let them all get settled in.

{DG 08-048} [TECHNICAL SESSION] (07-02-08)

1 (Brief recess taken.)

2 MS. FRENCH: Okay. We've got everybody,
3 we've got the quorum, I think.

4 MR. EPLER: Okay. This part of the
5 program is to address the Granite State/Northern issues
6 that have come up in other technical sessions. And, I'll
7 turn it over to Trish to introduce the folks you brought
8 with you. And, thanks a lot. We really appreciate it.

9 MS. FRENCH: I would ask a little bit of
10 indulgence, because we do have somebody here who is
11 completely unfamiliar with us. And, you know, I would
12 kind of like it if we could do a quick run around the
13 table, would that take too long?

14 MR. EPLER: No, no, please.

15 MS. FRENCH: Just so that John knows who
16 everybody is and where everybody is coming from, because
17 it's an awfully big table, and that would just be --

18 MR. McNAMARA: Thank you.

19 MS. FRENCH: -- I think helpful to John.

20 MR. McNAMARA: Very helpful.

21 MS. FRENCH: Okay. So, we have John
22 McNamara, he'll tell you a little bit about his
23 background. He's from Granite State Gas Transmission.
24 And, you know Chico, Danny, and Steve. Is there anybody

1 here who doesn't know Chico, Danny, or Steve? I can't
2 imagine. Okay. So, that's who we have at the table right
3 now. And, on the phone, I should indicate we have Ken
4 Chrisman, who is with NiSource Corporate Services' Legal
5 Department, he's an Assistant General Counsel. He's in
6 charge of representing the distribution companies before
7 FERC vis-a-vis the pipeline interests, whether it be Bay
8 State or Granite -- I mean, Northern or one of the
9 Columbia companies. He represents the NiSource
10 distribution companies at FERC vis-a-vis pipeline
11 interests. And, we also have on the phone Frederick
12 George, who is a Senior Attorney with NiSource Corporate
13 Services' Legal Department, and he represents the
14 pipelines before FERC on behalf of NiSource.

15 MR. JORTNER: Is there also a secret
16 organization redacted from their identify there?

17 MS. FRENCH: I know, isn't that funny?
18 Well, somebody put "Granite State" on all of our things,
19 and I came in and saw that, and you know how that gets my
20 ire up, so I crossed it out. Except for on John's,
21 which --

22 MR. McNAMARA: That's right.

23 MS. FRENCH: -- I crossed out "Northern
24 Utilities". Okay.

1 MR. McNAMARA: She wants no part of me
2 with Northern, that's for sure.

3 MS. FRENCH: Okay. So, first, if we
4 could just go around the table, and then I'll ask
5 George -- John to give us a little synopsis of his
6 background.

7 MR. EPLER: And, also, just before you
8 start, just so that the folks on the phone know and for
9 those newcomers know, there is a transcript being made of
10 this proceeding, so the microphone in front of you,
11 they're sensitive, you don't have to pick it up to your
12 face, but just be aware of that.

13 MS. FRENCH: Okay.

14 MR. KIVELA: I'm Rich Kivela of the
15 Maine PUC Staff.

16 MS. SMITH: I'm Lucretia Smith, with the
17 Maine PUC Staff also.

18 MR. AUSTIN: Tom Austin, the same.

19 MS. MacLENNAN: I'm Carol MacLennan,
20 Maine PUC.

21 MR. FARMER: Gary Farmer, the Maine
22 Commission.

23 MR. HAGLER: And, I'm Andy Hagler, from
24 the Maine Commission.

1 MS. BATCHELDER: Becky Batchelder. I'm
2 with Blue Flame Consulting, and I'm representing Hess
3 Corporation in this proceeding.

4 MR. FRINK: Stephen Frink, New Hampshire
5 Commission.

6 MR. DAMON: Ed Damon, from the New
7 Hampshire Commission.

8 MR. WYATT: Bob Wyatt, New Hampshire
9 Commission.

10 MR. ECKBERG: Steve Eckberg, with the
11 New Hampshire Office of Consumer Advocate.

12 MS. HATFIELD: Meredith Hatfield, with
13 the New Hampshire OCA.

14 MR. TRAUM: Ken Traum, the same office.

15 MR. JORTNER: Wayne Jortner, Maine
16 Public Advocates.

17 MR. MEISSNER: Tom Meissner, Unitil.

18 MR. LETOURNEAU: Ray Letourneau, from
19 Unitil.

20 MR. MUELLER: Scott Mueller, Dewey &
21 LeBoeuf, on behalf of Unitil.

22 MR. COLLIN: Mark Collin, Unitil.

23 MR. BROCK: Larry Brock, Unitil.

24 MR. DIXON: Chad Dixon, Unitil.

1 MR. LeBLANC: Chris LeBlanc, Unitil.

2 MR. MORRISSEY: Raymond Morrissey,

3 Unitil.

4 MR. YARDLEY: Bob Yardley, consultant.

5 MR. EPLER: Gary Epler, Unitil.

6 MS. ASBURY: Karen Asbury, Unitil.

7 MR. SIMMONS: George Simmons, Northern

8 Utilities.

9 MR. FERRO: Joe Ferro, Northern

10 Utilities.

11 MR. ROGOSIENSKI: Paul Rogosienki,

12 Northern Utilities.

13 MR. SIMPSON: And, I'm Jim Simpson, from

14 Concentric Energy Advisors.

15 MR. McNAMARA: Okay.

16 MR. WELLS: Fran Wells, Unitil.

17 MR. McNAMARA: Great. Well, a little

18 bit about my background. As Trish said, my name is John

19 McNamara. I'm the Vice President for Marketing and

20 Origination for the NiSource Pipeline Group, which is

21 composed of Columbia Gas Transmission, Columbia Gulf

22 Transmission, Crossroads Pipeline, Central Kentucky

23 Transmission, Hardy Transmission & Storage, as well as

24 Granite State Gas Transmission. We operate a little over

1 17,000 miles of pipeline, from the Gulf Coast, from the
2 Gulf of Mexico to up here to Granite State, and from
3 Chicago, east to New York, and down to southern Virginia.
4 I've been with the organization for about ten years now.
5 I, following the 2000 merger, I was responsible for
6 leading the integration team that folded Granite State Gas
7 Transmission into the -- into NiSource as a whole. I was
8 with Columbia Energy Group prior to that merger. My
9 background is on the commercial side. I can speak to some
10 of the operational aspects, given my history with the
11 Company, and will do my best to answer all of your
12 questions.

13 And, before we get started, I would like
14 to thank everybody for having me here, to meet with both
15 of the Commissions. And, I appreciate being a part of
16 this and having a chance to represent the pipeline as well
17 in this proceeding.

18 MR. DAMON: From the New Hampshire point
19 of view, the Commission point of view, let me just say why
20 I think we're here, what I'd like to get out of the
21 conversation this afternoon. Right now, we have two
22 companies, Northern and Granite, each of which are
23 regulated by three jurisdictions, I guess, federal and two
24 states. And, the question that we have been considering

1 is whether or not it makes sense to consider going forward
2 having one company perform the same functions and/or
3 having only two regulatory jurisdictions responsible for
4 regulating the activities of the company or companies, and
5 that would be the two states?

6 MR. McNAMARA: Right.

7 MR. DAMON: And, so, what I would like
8 to learn a lot more about this afternoon are the
9 advantages and disadvantages and any impediments, legal,
10 engineering, financial, whatever, for the Company and the
11 customers of the possible reconfiguration of these
12 companies.

13 MR. McNAMARA: Okay.

14 MR. DAMON: And, I don't know, Carol may
15 want to delve into other areas as well or phrase it
16 differently, but --

17 MS. MacLENNAN: Well, I think, you know,
18 that, obviously, both states are here today, we convened
19 this topic at a joint conference so that we could jointly
20 apprise this question of how to go forward, how best to go
21 forward? And, I think we are very interested in learning
22 what sort of analysis has been done to date on the
23 question, and just having an exchange to better inform
24 ourselves and help us make a judgment what we would

1 recommend to our Commissions.

2 I would like to just note that we do
3 have a consultant as well on the phone, I believe. Is Jay
4 Kumar, has he joined?

5 MR. DAMON: He will be joining.

6 MS. MacLENNAN: Okay. We will have a
7 consultant on the phone this afternoon, who is assisting
8 us with this issue.

9 FROM THE FLOOR: Is it on cue.

10 MS. MacLENNAN: Right.

11 MR. FRINK: Jay Kumar, is that you?

12 MR. KUMAR: Yes, sir. I just joined,
13 yes.

14 MR. FRINK: Great. Thank you.

15 MS. MacLENNAN: Good timing. And, I
16 think, beyond that, you know, we'll see how the questions
17 unfold. We do have our Gas Safety Engineer, who has --
18 who, in his prior career, worked for interstate pipelines,
19 Algonquin in particular. And, as well as financial staff
20 and legal staff here from the Maine Commission.

21 MR. McNAMARA: Great.

22 MS. MacLENNAN: So, we're hoping to be
23 able to address this in a broad topical area.

24 MS. FRENCH: Well, as John indicated,

1 there's some limitations in his personal knowledge of some
2 of the information that you might ask. But, to the extent
3 that you ask questions that he can't answer, you know,
4 we'll be happy to write them down and see if we can get
5 answers.

6 MS. MacLENNAN: Sure.

7 MS. BATCHELDER: I guess, as the loan
8 non-public intervenor, Hess Corporation is a shipper on
9 Granite, and we're interested in how -- how a merger into
10 the distribution systems would change delivery points into
11 both New Hampshire and Maine, would change scheduling, and
12 what happens with the little piece of pipe from Dracut
13 into New Hampshire, and all those, you know, kind of
14 interesting, more operating areas from the standpoint of a
15 shipper. How is our flexibility -- How would our
16 flexibility change going forward, if the ownership
17 changed?

18 MR. McNAMARA: Okay.

19 MS. FRENCH: I also detected one issue
20 that hasn't been raised yet, and I don't know if somebody
21 is going to bring this up, but if there's any interest in
22 learning a little bit more about perhaps the capacity
23 contract that is set to expire in October, you know, I
24 think now would be the time, maybe we could address that

1 first?

2 MR. McNAMARA: Sure.

3 MS. BATCHELDER: Yes.

4 MS. FRENCH: And, you know, if there are
5 any questions about that, John or Steve or Chico, maybe
6 get that out of the way and then move onto this question
7 of integration.

8 MS. BATCHELDER: Yes, that's a good -- a
9 good way to start.

10 MR. FRINK: Right.

11 MS. BATCHELDER: We're an assigned
12 capacity shipper, so we would be interested in that.

13 MR. FRINK: There are actually two
14 historical areas. One is the investment that has been
15 made into the Granite State pipeline over the last few
16 years, and the second one is the contract going forward
17 for Northern, as well as the Bay State arrangement. And,
18 how that whole Bay State contractual obligation works,
19 since they don't actually have any capacity on the Granite
20 pipeline itself. So, could you just give us a little bit
21 of that history, as to what you've invested in the
22 pipeline, what you're going to be investing in the
23 pipeline?

24 MR. McNAMARA: Uh-huh.

1 MR. FRINK: And, how we're going to
2 address the Northern contract?

3 MR. McNAMARA: Sure. As I'm sure you've
4 seen, there's been quite a bit of investment, as compared
5 to historical figures, in the last several years related
6 to the Department of Transportation's Integrity Management
7 Plan -- or, Integrity Management Program, excuse me. This
8 was something that was -- that was implemented that
9 required all interstate pipelines to evaluate their
10 systems, certain percentages by certain -- certain years,
11 and then evaluate them, pig them, evaluate them, and then
12 make any necessary repairs to comply with safety standards
13 as set out by the Department of Transportation. As we did
14 with or as we have been doing with Columbia Gulf, Columbia
15 Gas, Crossroads, and all of our other pipeline systems,
16 we've -- we've undertaken a similar review as per the
17 regulations of the DOT in line with this policy.

18 In the last several years, as I see it,
19 we've -- we've invested roughly \$11 million in the system,
20 of which, as I can tell, about seven and a half million is
21 related to Integrity Management. Going forward, we
22 have -- obviously, we hope this is something that -- that
23 will fall to Unitil to best determine how to -- how to
24 manage or how to administer, but we have made some

1 projections going forward, should it remain owned by
2 NiSource. We look at an investment of about \$300,000 in
3 2008, and then, beginning in 2009, approximately
4 \$1.6 million every year through 2012. And, those dollars
5 are related primarily to the evaluation of the pipeline.
6 To the extent, and modest projections for any repairs that
7 might be necessary.

8 To the extent that the evaluation turns
9 up issues that would require major repairs, or work to be
10 done on the system, there is the potential that that --
11 that those figures could be higher in future years.

12 MR. KUMAR: Let me ask you, this is Jay
13 calm, let me ask you a couple of questions here.

14 MR. McNAMARA: Okay.

15 MR. KUMAR: You said "seven and a half
16 million dollars you already spent on the Integrity Program
17 -- Management Program", okay. And, now you are expecting
18 to spend another \$300,000 in 2008?

19 MR. McNAMARA: Yes.

20 MR. KUMAR: And \$1.6 million every year
21 2009 through '12?

22 MR. McNAMARA: Yes. Those are the
23 projections that I've seen.

24 MR. KUMAR: And, now, does it mean that

1 you have already done most of the work required by the
2 DOT?

3 MR. McNAMARA: We have, to date,
4 evaluated 50 percent of our pipeline, which is in line
5 with the requirements mandated by the DOT. So, going
6 forward, that's -- it will be looking at the remainder of
7 what hasn't been -- what hasn't been evaluated to date and
8 looking to make those repairs, if necessary.

9 MR. KUMAR: So, basically, you know, the
10 expenses you have mentioned, 300,000 and 1.6 million every
11 year, that's for the evaluation, that's not for the
12 implementation or anything like that, right?

13 MR. McNAMARA: It's -- It is, to the
14 best of my knowledge, it is for the evaluation, and I
15 believe there are some projections for implementation.
16 But, as with anything, I think the assumption is that,
17 while we've made projections, those numbers may change up
18 or down as the evaluation takes place.

19 MR. KUMAR: Okay. And, you said you had
20 done 50 percent evaluation, and 50 percent is still
21 remaining. So, you could spend as much, seven,
22 eight million dollars more?

23 MR. McNAMARA: I don't want to
24 characterize it as "as much". I think, again, it would

1 depend upon what the evaluation turns up and what type of
2 work is -- is required. I think it's also fair to say
3 that one of the things that we've seen in the pipeline
4 industry is a dramatic escalation in costs in recent
5 years; the price of steel, the price of contract labor,
6 design firms, things like that. So, I think it would
7 be -- simply saying "\$7 million for 50 percent
8 historically", I don't think that that's -- that's an
9 accurate projection going forward, for all those reasons.

10 MR. KUMAR: So, I could say, you know,
11 one could say minimum of \$7 million, at least at the
12 moment? I would echo you, you know, on the steel prices
13 that (inaudible) cost, the steel prices have increased
14 significantly. So, you could spend that, as I say,
15 minimum amount is about \$7 million, based on the history?

16 MR. McNAMARA: Again, I don't think
17 it's -- we projected 1.6 every year from 2009 through
18 2012. Our engineers have put those figures together based
19 upon -- based upon their knowledge of the system, based
20 upon their experience with Integrity Management, not only
21 on the Granite State system, but elsewhere across our
22 pipeline network. And, so, again, I would -- I would look
23 at those numbers. I don't want to get fixed on \$7 million
24 as a -- as a price point, either as a minimum or a

1 maximum.

2 MR. AUSTIN: I just want to make sure I
3 understand. If you spend a million six per year for four
4 years, that's 6,400,000. You've got 300,000 in '08, and
5 so that's 6.7 right there.

6 MR. McNAMARA: Uh-huh.

7 MR. AUSTIN: Are you basically saying
8 there is -- I understood Jay's question to be "well, it's
9 far more likely to be more than that than less?" Is that
10 a fair -- would you agree with that or not?

11 MR. McNAMARA: I think it all depends on
12 what the assessment turns up, to be perfectly honest with
13 you.

14 MR. AUSTIN: Do you think there's an
15 equal chance that it will be above or below?

16 MR. McNAMARA: I think it's probably,
17 from what I've seen as we've undertaken construction
18 projects, it's more likely to be above than it is to be
19 below.

20 MR. AUSTIN: Thanks.

21 MR. McNAMARA: Uh-huh.

22 MR. KUMAR: You mentioned that "all
23 interstate pipelines are required". Now, what about
24 intrastate pipelines?

1 MR. McNAMARA: I'm sorry, I'm not
2 familiar with how the regulation applies to intrastate
3 pipelines.

4 MR. KUMAR: And, is there any
5 requirement based on the maximum operating pressure, --

6 MR. COTE: This is Dan --

7 MR. KUMAR: -- below that pressure, then
8 you don't have to spend this money?

9 MR. COTE: This is Dan Cote. If the
10 Granite line were an intrastate pipeline --

11 MR. KUMAR: Yes.

12 MR. COTE: -- all of the requirements of
13 pipeline integrity would be equal. That would not -- It's
14 status as neither an interstate or intrastate pipeline
15 would not mitigate the cost of pipeline integrity
16 compliance under the rule.

17 MR. KUMAR: What about the operating
18 pressure, maximum allowed operating pressure, if that
19 changes?

20 MR. COTE: Well, there's, and, again,
21 there is no certainty. If I recall, and there's at least
22 one other expert in the room on this, and, certainly, I do
23 not purport to be, there are basically four standards for
24 pipelines in Federal Code. The first is a line that

1 operates above 20 percent of SMYS. The second is a line
2 that crosses an interstate -- a pipeline that crosses an
3 interstate border. The third is a pipeline that serves a
4 power plant. And, the fourth is a pipeline that serves a
5 major population center. All four of those, under Federal
6 Code, could constitute a transmission line by definition.
7 And, certainly, there are -- there are grounds to
8 interpret at least a couple of those. But the 20 percent
9 SMYS is absolute. In my experience, crossing an
10 interstate pipeline requires a specific exemption. The
11 other two certainly are subject to interpretation, based
12 on my experience.

13 MR. AUSTIN: So, just for clarification,
14 what is the "SMYS"?

15 MR. COTE: I'm sorry. "SMYS" is an
16 engineering calculation that basically calculates the
17 pressure based on the diameter of the pipe and its yield.
18 System Minimum Yield Strength.

19 MR. AUSTIN: Thank you.

20 MR. COTE: Yes, Specified, thank you,
21 Minimum Yield Strength. Thank you, Paul.

22 MR. McNAMARA: And, from my experience,
23 and, again, I'd just like to say that my -- my role is on
24 the commercial side, so I've been secondarily involved in

1 a lot of these issues as it relates to integrity
2 management. But, my understanding is that, as we look at
3 operating the pipeline at a lower pressure, that has the
4 most effect as it -- as it pertains to integrity
5 management in high dense -- high population density areas.
6 As more -- As more people move into an area within --
7 within a certain distance of the pipeline, then the
8 pipeline is required to perform an assessment. And, in
9 some cases, perform additional work on the line to ensure
10 its integrity, or else derate the operating -- operating
11 pressure of the pipeline, as the population becomes
12 denser.

13 So, again, I think that there is, to my
14 knowledge, that's the main area where a pressure decrease,
15 an operating pressure decrease might alleviate some of the
16 cost as it pertains to Integrity Management. But, I think
17 what -- what we've seen and what we found, and we can
18 elaborate on this a little bit, is that decreasing the
19 pressure to avoid -- the operating pressure to avoid
20 Integrity Management expenditures, actually reduces the
21 operating performance of the pipeline. As far as -- as
22 far as making sure that it can ensure deliveries to
23 markets and how it, and I don't mean in general, I mean
24 specific to Granite State. It -- There are certain

1 operational impacts by reducing the pressure that are
2 negative.

3 MR. KUMAR: Have you done any analysis
4 on that basis, by reducing pressure, what would the effect
5 (inaudible) on the reliability as another cost?

6 MR. McNAMARA: Yes, we have. And, Dan
7 can probably elaborate a little bit better than I can.
8 But, again, we show that there are certain improvements
9 that we'd have to make elsewhere on the system, not
10 related to Integrity Management, to ensure that we could
11 continue to make deliveries. So, in essence, you'd be
12 trading dollars from one hand to the other for us to be
13 able to continue to maintain our markets on the system.

14 MS. MacLENNAN: Have you costed out
15 those other improvements and done a cost comparison?

16 MR. McNAMARA: Yes. And, from what --
17 from what we saw, and, Dan, I don't know if you have
18 anything to add, but, from what we've seen, it would be
19 more costly to employ pressure reduction and further
20 capital investment than it would be to continue with the
21 Integrity Management Program. Is that -- Is that fair to
22 say, Dan?

23 MR. COTE: That's fair to say. Northern
24 undertook an analysis in 2006, just as a hypothetical, and

1 it was really -- I've been Northern's General Manager for
2 a number of years, and more as a hypothetical exercise,
3 asked an engineering group to take a look at operating
4 Granite. If Granite were eliminated and the Granite
5 pipeline were simply a Northern distribution trunk line,
6 not a transmission line, not crossing interstate borders,
7 what would all of that look like? And, the cost of that
8 was greater, and, at the time, of course, because of --
9 because of affiliate rules, I had no idea what Granite was
10 spending. But, in taking a look at that, that number or
11 the number over five years is going to be as large or
12 larger than what I possibly could imagine pipeline
13 integrity costing.

14 MS. MacLENNAN: And, has that study been
15 provided? I'm aware that there were some --

16 MR. McNAMARA: I believe so. I believe
17 it has.

18 MS. MacLENNAN: -- requests from New
19 Hampshire and Maine. I haven't seen those.

20 MS. FRENCH: That was provided in a
21 response to Maine, and it was -- it was a response that
22 was initially sponsored by Chico. Do you remember the one
23 that -- where the Staff asked you about the three studies?
24 We supplemented that response and provided this study with

1 it, because we realized it was something that was -- was
2 responsive, even if Chico didn't really know about it. It
3 was -- Chico had asked or Chico had stated that there were
4 a number of studies, but we could only find two out of the
5 three that Staff thought had been referenced. And, then,
6 he didn't -- he had never seen this one, but it came up,
7 so we submitted it.

8 MS. MacLENNAN: Okay. And, that was
9 submitted to New Hampshire under protection?

10 MS. FRENCH: Yes. And, it's in New
11 Hampshire, and I'm thinking it's in the 80s. But I'll try
12 to find it while we continue talking.

13 MS. MacLENNAN: That's fine. And, I'd
14 just like to, before I finish up on this topic, whether,
15 Dan, in your estimation, that study, if it were done
16 today, with the new Cotton Road intercept, would make
17 it -- would come out quite differently?

18 MR. COTE: Carol, it would not. Because
19 Cotton Road, because of its distance from the greater
20 Portland market and points south, would have no material
21 impact based on that line from Portland to Lewiston being
22 below 20 percent of SMYS. Now, a couple of points I'd
23 like to make to expand that. Bay State and Northern have
24 operated other lines that were below 20 percent of SMYS

1 that could easily be classified as transmission under
2 Code. Bay State, for example, and I, as you guys know, am
3 responsible for Bay State operations as well. We had a
4 line 16 miles long that operated below 20 percent of SMYS.
5 Because it fed a power plant, we had to do very careful
6 analysis to demonstrate why it wasn't transmission,
7 regardless of its operating pressure. And, at the end, we
8 succeeded in convincing our Massachusetts regulators that
9 it wasn't. But it also didn't have many of the criteria
10 that exist on what is today the Granite line. So, I don't
11 want anyone to think that it's axiomatic that, if that
12 line were to operate at 19 and a half percent of spice --
13 SMYS, even if we cut it at the state borders, it would
14 axiomatically be a distribution line.

15 MS. MacLENNAN: I understand. And,
16 actually, my question was slightly different, which was
17 from an engineering point of view --

18 MR. COTE: Understand.

19 MS. MacLENNAN: -- with the amount of
20 upgrades necessary to operate, and I think you said you
21 had done that study cutting Granite at the border and --

22 MR. COTE: Well, yes. I mean, in my
23 judgment, the only -- there were various scenarios done.
24 We hired a consultant to take a look at this, and

1 basically said "Look at all the possible options." But
2 the only practical one that I saw, in knowing Granite
3 State, I would remind the group, at one point in my career
4 I was responsible for Granite State Pipeline. So, I had a
5 working knowledge of it. Don't know what changes have
6 been made over the last five or six years, but generally
7 had a good working knowledge of the way Granite operated.
8 And, I saw two, essentially, two scenarios. One, that
9 Granite remains an interstate pipeline at transmission
10 pressures. The other is, Granite was essentially
11 abandoned, and became -- was cut at the borders. Northern
12 did what was necessary to connect Granite to its existing
13 systems in a way that didn't diminish reliability. In
14 other words, two feeds in Maine, two feeds in New
15 Hampshire from upstream pipelines, so that one single
16 event on a pipeline wouldn't result in a loss of
17 customers.

18 MR. KUMAR: Why do you have to valve off
19 at the state borders?

20 MR. COTE: I'm sorry?

21 MR. KUMAR: Why do you have to cut off
22 at the state border your pipeline?

23 MR. COTE: Well, because, again, that
24 would, I guess my understanding of Code was that would, by

1 definition, make it -- either we sought an exemption, and
2 I'm no legal person, but I understand from people who are
3 attorneys, that the likelihood of our getting an exemption
4 was at very best debatable. And, so, cutting it off at
5 the state borders would eliminate it as an interstate --
6 would eliminate an interstate feed, which is one of the
7 definitions of an interstate transmission line.

8 MR. McNAMARA: Yes. I think that's --

9 MR. KUMAR: But that's one of the --
10 Washington Gas Light had a pipeline which passes through
11 three jurisdictions, Virginia, D.C., and Maryland. And
12 they have (inaudible) exemption for many, many years. And
13 the -- pardon?

14 MS. FRENCH: I'm just going to ask for
15 Ken Chrisman to chime in here please. And, Ken, can you
16 please explain your understanding of the Washington Gas
17 Light situation?

18 MR. CHRISMAN: And, Trish, I don't want
19 to get too far ahead of the discussion here. When you
20 move gas across a state line, you need some kind of FERC
21 authority to do that, whether you're an interstate
22 pipeline, a distribution company, or even an individual
23 customer who's moving his own gas across a state line. In
24 the case of a distribution company, there are a couple

1 ways to do that. The way that you're referring to is
2 what's called a "service area determination under
3 Section 7-F of the Natural Gas Act. Now, that is
4 applicable basically where an LDC has a distribution area,
5 but happens to straddle a state line, and, where, in the
6 course of your distribution operation, those pipes cross
7 state lines. You know, in appropriate circumstances, you
8 know, FERC will grant that kind of service area
9 determination, and that does effectively exempt from
10 FERC's regulatory authority.

11 Now, whether or not that would apply
12 here, and, as I said to Trish, I don't want to get ahead
13 of the discussion, is something that's certainly
14 questionable. But that's how Washington Gas is able to do
15 that.

16 MR. KUMAR: Yes. I'm pretty familiar
17 with the Washington Gas Light. That's the basis they
18 used, yes. Correct. And, a gas company in New Mexico, I
19 don't know whether you're familiar with that situation,
20 they do serve only part of the state, but they -- it's a
21 very high pressure transmission line running from Texas,
22 and bottom of Texas over to California, down on the
23 border. And, they transport a lot of gas. And, then,
24 it's interconnected with two interstate pipelines, where

1 they move the gas back and forth, and (inaudible) serve
2 two interstate pipelines. And, they have an exemption
3 also.

4 MR. CHRISMAN: Well, another -- I'm not
5 sure if 7-F would work in that kind of situation the way
6 you've just described. There's an alternative way of
7 approaching this, and that is to seek what we call an
8 "Order 63 Limited Jurisdiction Certificate". And, that's
9 another mechanism that, in appropriate circumstances, FERC
10 has used to authorize a company that is normally
11 classified as an LDC to move limited amounts of gas across
12 a state line. And, that wouldn't necessarily be limited
13 to distribution facilities, such as the 7-F service area
14 determination is. Once again, these are all
15 fact-specific. And, as I said, I don't want to get ahead
16 of the discussion here, because we're planning to discuss
17 some of these legal considerations. But that's something
18 FERC would have to look at and decide whether or not it's
19 appropriate with respect to this particular situation.

20 MR. COTE: Carol, if I may finish the
21 answer to your question. In my view, first of all, Cotton
22 Road wouldn't materially impact our ability to send gas
23 south of Portland at distribution pressures, at
24 pressure -- pressures less than 20 percent of SMYS.

1 Further, if we were to do those same estimates today,
2 because, again, we've experienced the same thing the
3 transmission side has, in terms of the cost of steel pipe
4 and the cost of contracting, the cost of doing that today,
5 even as opposed to a couple of years ago, would be
6 dramatically higher. We'd need to rebuild several points
7 of delivery into Northern from upstream or into what --
8 what in the future could be Northern, from either PNGTS or
9 Maritimes, the going price. Cotton Road, for example, was
10 a pretty basic point of delivery station. It was a couple
11 a million dollars, take away pipe. The analysis says we'd
12 need, under the best of circumstances, five or six miles.
13 Typical transmission or typical high pressure distribution
14 line under those circumstances can run a million dollars a
15 mile or more. A whole series of things. That would --
16 we'd view that as, again, just the cost would be dramatic.

17 And, again, at the time, and we
18 shouldn't forget, after all that's said and done, the line
19 that is today Granite would have much less overall
20 capacity to deliver than it does today. So, you could
21 spend a lot of money to do this and wind up with a
22 pipeline that, in the end, simply has less capacity to
23 deliver gas to Maine or New Hampshire. And, again, for
24 all those reasons, I guess I, you know, I had the study

1 done to pretty much to sort of put it away.

2 MS. MacLENNAN: Did that study -- Was
3 that study used by Northern to -- in its decision to down
4 rate the Portland to Lewiston transmission line?

5 MR. COTE: No. Actually, it was not.
6 That was an entirely different set of analysis. And,
7 because the -- because the Lewiston to Portland
8 transmission line was Northern's, we knew the maintenance
9 history, we knew the wall, we knew a whole lot about that
10 pipeline. And, actually made that decision, the decision
11 to derate that, before we undertook the study. But,
12 again, because Northern has been so intimate with Granite
13 for so long, it just seemed a reasonable question to ask
14 from an operating perspective.

15 MS. MacLENNAN: Thank you.

16 MS. SMITH: I have just one thing, and
17 this is (inaudible). So, I guess you're talking about to
18 downgrade the distribution system, you're comparing it to
19 integrate -- the Integrity Management Program. Are those
20 both costs that would have been capitalized, and therefore
21 would have a long-term impact to ratepayers? Or are the
22 Integrity Management more operating expense type things
23 that would be expensed and therefore only be considered in
24 a test year?

1 MR. COTE: The upgrades to do what we
2 just discussed, to make Granite a distribution line,
3 virtually all would have been capital expenses. Pipeline
4 integrity, and, again, only because Northern, Bay State
5 and other entities have pipeline integrity programs, I'm
6 general familiar, that can be a mix of O&M or capital,
7 depending on what work activity for the -- in terms of the
8 specifics of Granite, I have no idea on the split of
9 numbers.

10 MS. SMITH: Okay.

11 MR. McNAMARA: Yes. And, I'll echo
12 that. I think the -- And, I will have to -- I would have
13 to check to make sure that I'm characterizing this
14 correctly, but my understanding is that a lot of the
15 items, such as going out performing a pig run and things
16 like that are expense items, whereas any investment in the
17 system or replacement of pipe would be capitalized. That
18 is my understanding.

19 MS. SMITH: That's mine, too. Okay.

20 MR. FARMER: Could I ask in which state
21 was the 50 percent assessment done on the Granite
22 pipeline?

23 MR. McNAMARA: I think it's -- it's
24 across the system, I don't know specifically, when we say

1 that we've met our 50 percent requirement, I don't know
2 which or where -- where those -- where that occurred. But
3 I do know that, to date, the expenditures have been far
4 greater in Maine than they have been in New Hampshire.
5 And, I'm sorry, I don't know if that is indicative that
6 more work has been done in Maine to date, or if simply
7 that there were more remediation needs in Maine.

8 MR. FARMER: And, you said a total of
9 7.5 million has been spent on integrity management to the
10 system to date, is that correct.

11 MR. McNAMARA: I've seen -- I have a
12 schedule that breaks out about \$11 million over the last
13 three years of capital investment. I have a separate
14 schedule that shows me that -- that to date \$6 million
15 have been spent in Maine approximately for Integrity
16 Management, and approximately \$1.6 million in New
17 Hampshire for Integrity Management. So, obviously, those
18 numbers are -- are disparate. So, I'm not clear as to, I
19 think the difference must be other capital investment that
20 has occurred in the system.

21 MR. FARMER: Uh-huh.

22 MR. AUSTIN: Would it be possible to get
23 a copy of that schedule, together with any workpapers or
24 other materials that were used to produce it?

1 MR. McNAMARA: I believe we provided it.

2 MS. FRENCH: Weren't they in those?

3 MR. McNAMARA: Yes.

4 MS. FRENCH: Yes.

5 MR. McNAMARA: I believe they were
6 provided.

7 MS. FRENCH: I think he's -- he's
8 referring to schedules, but I do believe that they're part
9 of the record.

10 MR. AUSTIN: Thank you.

11 MR. McNAMARA: Yes.

12 MS. MacLENNAN: We do have response to
13 Advisors' data requests, Set 3, Number 10, sub (b), which
14 listed the expenditures to date in Maine on Integrity
15 Management at 4.3 million.

16 MR. McNAMARA: I apologize, I can't
17 speak to the difference. It was -- I pulled it out of
18 another response that it was \$6 million in Maine to date.
19 So, I --

20 MS. MacLENNAN: Could you please sort
21 through those numbers and get back to us on which one we
22 should rely on?

23 MR. McNAMARA: Yes, I will.

24 MS. MacLENNAN: Great.

1 MR. AUSTIN: If there's some silence,
2 I'm going to cut to a more global question, I guess. And,
3 I'm going to ask this of Northern, Granite, and Unitil, in
4 no particular order. So, don't feel you have to -- if you
5 haven't had your turn yet, just be patient, you'll
6 certainly get it. Starting with -- Starting, let's say,
7 with Northern. Does Northern have any opinion as to, or
8 have any position, I guess is the right way to put it, as
9 to whether the Maine and New Hampshire Commissions should
10 recommend moving the Granite assets over to Northern,
11 assuming the merger goes forward?

12 MR. COTE: I have an opinion from an
13 operational perspective. Having grown up in the Northern
14 system, I've spent 36 years working in or around the
15 Northern system and the Granite system. And, several
16 times over that time I had considered and pondered whether
17 or not overall operations and deliverability would be
18 facilitated by having that be one pipeline, particularly
19 after the arrival. Prior to the arrival of major new
20 sources in New England, it wasn't possible. We needed the
21 line to operate at high pressure to get gas to Maine,
22 before Maritimes and the PNGTS joint facilities. So,
23 after that, just as an operating guy, I thought about
24 "would it be possible to roll those in together?" And, in

1 other words, to make Granite, because at that point
2 Granite could as easily be a high pressure trunk line for
3 Northern Utilities versus what it is today. And, each
4 time I thought about that, and particularly with the
5 arrival of pipeline integrity that drove up the cost, the
6 conclusion that I reached was, having Granite be part of
7 Northern as a distribution line would be -- would
8 provide -- would result in greater expense to ratepayers
9 and less capacity than continuing to operate it as Granite
10 State.

11 And, so, you know, again, based on a lot
12 of years working with those systems, and thinking about it
13 every few years when I had nothing better to ponder,
14 particularly with the arrival of high pressure supplies,
15 it just, in my judgment, it just doesn't make sense from a
16 cost and benefit perspective to ratepayers. Because, over
17 time, I believe that the additional capacity that Granite
18 now has will be used. And, to buy that capacity tomorrow
19 will cost much more than to maintain it today.

20 MR. KUMAR: Let me ask you, how does it
21 change the capacity or the cost in the jurisdiction
22 itself, i.e. (inaudible)?

23 MR. COTE: I'm sorry?

24 MR. KUMAR: If you don't change the

1 physical characteristics of the pipeline and change it
2 from interstate to intrastate, three intrastate pipelines
3 but it's the same, you don't change anything, how does it
4 impact the cost or the operation? I don't understand
5 that.

6 MR. COTE: Well, if you do that, then
7 you incur all the costs of pipeline integrity, you
8 haven't -- I mean, you haven't changed anything.

9 MR. McNAMARA: And, I think we have a
10 pretty significant question as to whether it would be
11 possible to convert the line into three intrastate lines,
12 without, as Dan mentioned, capping it at the --

13 MR. KUMAR: I understand that. I
14 understand that particular point. I'm just talking from
15 physical point, okay? Bigger is different, but it can be
16 done, let's assume it can be changed without changing the
17 physical aspect of the pipeline, how does it impact the
18 capacity and the costs? That's what I'm trying to
19 understand.

20 MR. McNAMARA: Well, if the physical
21 aspects of the pipe don't change at all, and we -- I don't
22 see why there would be an impact. But I think it's -- I
23 think it -- I don't know that it's reasonable to imagine
24 that you'd be able to reclassify the pipe without some

1 physical changes to the pipe, whether it be a reduction in
2 operating pressure, whether it be capping a line, severing
3 it at the state lines. I mean, there are a number of
4 issues to consider, and I think to --

5 MR. KUMAR: But those are the legal
6 issues, I'm just, you know --

7 MR. McNAMARA: Right.

8 MR. KUMAR: You answered my question.

9 MR. McNAMARA: But I'm not sure that you
10 get to -- I think you've got to consider both. Because I
11 don't know that it's reasonable to expect that we could
12 just reclassify, that the pipe could simply be
13 reclassified without some changes occurring.

14 MR. AUSTIN: This whole line started
15 when I asked a question I was going to ask of all three of
16 you. So, I'd appreciate just being able to finish that
17 up --

18 MR. McNAMARA: Sure.

19 MR. AUSTIN: -- and then move onto --
20 then we can go onto other topics.

21 MR. McNAMARA: Okay.

22 MR. AUSTIN: Just staying with Northern
23 for just a moment, I believe I understand what you said,
24 Dan. Should I think of that as being your expert opinion

1 or should I think of that as being Northern's corporate
2 opinion?

3 MR. BRYANT: I would say that, for
4 Northern, there's a different point of view. If I thought
5 that Northern Utilities would have been better off by
6 acquiring Granite, I would have made -- I would have
7 undertaken that effort to acquire Granite. There's
8 nothing to prohibit me and the corporation to seeking the
9 ownership of Granite and moving it from, but, again, the
10 capital and the -- the capital analysis just indicated
11 that we were not going to get anything for that
12 undertaking. So, we never really went forward.

13 MR. AUSTIN: And, assuming the merger
14 goes through as proposed, would you have a position?

15 MR. BRYANT: No. No, I would not. It's
16 no longer my -- no longer my asset. So, my, you know, I'm
17 not really sure what might change and what -- Unutil's
18 perspective may be different. So, therefore, I really
19 don't have an opinion.

20 MR. AUSTIN: Okay. Thanks. Moving onto
21 Granite now. I understand your concern about the legal
22 issues, and I'm not a lawyer, so I can't --

23 MR. McNAMARA: Neither am I.

24 MR. AUSTIN: -- you know, I can't

1 immediately, I'd have to find somebody else to help me out
2 with that. Assuming that, as a legal matter, that it is
3 possible to do this in a way which doesn't substantially
4 reduce the capacity or throughput of the pipe, does
5 Granite have a position as to whether the two Commissions
6 should or should not pursue having Granite rolled --
7 basically just rolled back into the two operating
8 companies?

9 MR. McNAMARA: Well, I think,
10 historically, as we've looked at it, and we have, we
11 looked at it in 2000, when we were integrating the two
12 corporations following the merger of Columbia Energy Group
13 and NiSource, my position is much like Steve's. If it
14 would have made sense, we would have pushed for that to
15 happen. Historically, we have not been able to find a
16 commercial or operational reason to do so. And, in fact,
17 in several cases, what we felt that we would have to do to
18 the pipeline to be able to get there we felt would be
19 detrimental from a commercial standpoint, from an
20 operational flexibility standpoint, and, in some cases,
21 from an operational reliability standpoint. So,
22 historically, again the pipeline group has felt that it
23 has not made sense to integrate those in. Much like
24 Steve, we -- has said, we looked at it in 2000, we looked

1 at it in subsequent years as well. And, it did not make
2 sense to us at the time.

3 Going forward, again, I'm going to defer
4 to Unitil as the potential new owner, to the extent that
5 operational conditions change or commercial conditions
6 change, there may be a point in the future when it does
7 make sense.

8 MR. AUSTIN: Okay. And, a perfect set
9 up, thank you. Unitil, do you have anything to add?

10 MR. COLLIN: Let me quickly say a couple
11 things. One is, we do not think it should be looked at in
12 the context of the acquisition.

13 (Mr. Collin asked to use the
14 microphone.)

15 MR. COLLIN: I'm practically screaming.
16 And, I think we've made that position clear. We certainly
17 could not make a judgment on it or nor do we think there's
18 the time or the -- or the ability to fully evaluate such a
19 dramatic change in the status of the pipeline in the time
20 frame that we've laid out. And, we think that there's far
21 more compelling reasons to complete the acquisition and
22 move on. We have indicated that we would be willing to
23 continue to look at reconfiguration or the changes of the
24 status of the pipeline after the acquisition is completed,

1 when we have control of the asset and have all the
2 information available to do that kind of thing. And, we
3 think that would be the right time.

4 Having said all that, I do -- I do
5 want -- I guess I want to be a little frank about this. I
6 do think that the -- the reason why this is being looked
7 at, at least what I'm hearing, may be the wrong reasons in
8 this case. And, I get a sense that the reason that this
9 issue is being considered is not because we believe that
10 it will lead to greater flexibility in the use of the
11 pipeline, not because it will lead to a lower cost, not
12 because it will lead to improvements in the benefits that
13 are currently delivered from the pipeline, the access to
14 the major interstate pipeline systems, and not that it
15 will lead to better flow of gas north and south. All --
16 all the real reasons why you have a pipeline and its value
17 that it delivers to the Northern system and the reason
18 that Unitil thought it was essential to acquire the
19 pipeline as part of the acquisition. What I see is that
20 the reason is that there has been a frustration or created
21 with control or regulation of the pipeline. That there
22 has been both on the operational side, I've heard comments
23 from, and again this is my observation, I've heard
24 comments from New Hampshire, as well as Maine, that there

1 has been difficulty in gaining access sometimes to
2 pipeline assets, to understanding the operations that are
3 going at the pipeline. There has been some difficulty
4 getting information from time to time. That there has
5 been a strain sometimes between Northern and Granite and
6 the transfer of data, what data is available, what can I
7 look at, what's confidential. And, that that frustration
8 and that type of regulation has caused us to do a lot of
9 how can we -- how can we change that issue, but there's so
10 many other detriments, try to fix that issue is resulting
11 in what I see is a lot of potential loss of benefits.

12 And, we believe, under a new
13 organizational structure and something that we've tried to
14 stress here, is that, under ownership of Unitil, we will
15 be a far more transparent pipeline, we'll be far more
16 accessible, that we will be -- there will be an ability to
17 gain access to data and information about the pipeline
18 that we -- that that's the way we operate our system. We
19 will continue to be under FERC regulation. But, when I
20 look at three jurisdictions, sometimes having a
21 jurisdiction in the middle of two state jurisdictions may
22 be a good way to regulate that pipeline, because, let's
23 face it, and again being frank, that New Hampshire and
24 Maine coming to agreement on -- all the time on issues on

1 pipeline might lead to a higher -- a higher frustration
2 and more difficulty in the long run.

3 So, we would like to at least put out
4 there as a vision that there's better days ahead in terms
5 of how this will operate in a regulatory environment, and
6 that let's not throw out all these other operational
7 benefits because there has been a frustration over the
8 administration and regulation of the pipeline in the past.

9 MR. AUSTIN: I hate being frank, and
10 only do it when I absolutely have to, but I --

11 MR. COLLIN: Yes.

12 MR. AUSTIN: -- but I want to respond in
13 kind of the same vein that Dan did earlier, which is to
14 give you a little bit of my own perception of where this
15 issue came from, and you should certainly understand that
16 others here may have different views. But I think
17 there -- to me there are two drivers. And, one, as you
18 suggest, I think, is this sort of multilayered regulation,
19 that creates a frustration, which, you know, is always --
20 you know, it would be nice to get rid of. It also, I
21 think arguably, creates a layer of costs that perhaps we
22 could avoid and benefit from avoiding.

23 I think the more fundamental, the way
24 this issue first occurred to me is in some ways very

1 similar to your description of why you felt it was so
2 important that you acquire Granite along with the two
3 operating companies. We had several, some number of
4 proceedings before the Maine Commission in which Northern
5 -- take your time -- in which Northern came in and
6 basically said "Look, you know, we need to acquire more of
7 the Granite capacity to fulfill our own needs, and we're
8 particularly worried that someone else might come in and
9 buy it out from under us, which they can do under FERC
10 regulation." And, that would -- that's sort of a scary
11 thought when you think about how -- about physically how
12 the Northern system operates. Somebody else could come in
13 and purchase a big chunk of Granite out from under
14 Northern in some way. That would be a problem. And, at
15 least to me, that was really more of the real driver.

16 I think that the frustration side is a
17 real thing, and I certainly would grant you that it's part
18 of the puzzle. To me at least, it's a relatively small
19 part of the puzzle. But I just offer that as an
20 observation.

21 MS. MacLENNAN: And, I have a couple of
22 observations as well, and that is that, from a gas safety
23 perspective, the so-called frustration is more than just
24 frustration, it can be a liability for the distribution

1 company, if they can't -- if there isn't clarity in whose
2 role is which, and whose access is what, then -- then you
3 have -- you have real problems. So, there is that aspect.
4 But I'd like to reassure you, Mark, that cost is one, one
5 of the upper most elements in our minds as well, because
6 of the extra layer of regulation, the differences in the
7 FERC policies versus state policy. And, the lack of
8 control, again, to understand what's being done with
9 Granite, which serves essentially only Northern, with the
10 exception of a few small other customers. And, Bay State,
11 as we understand it, is phasing out as well. So, I think
12 we see it as, you know, a very important piece of
13 Northern's gas distribution system, and yet not perhaps
14 serving the interstate function that it once did for
15 Northern, because of the joint facilities, PNGTS and
16 Maritimes, which are -- now have really eclipsed Granite
17 State's function in that way. So, just -- that just
18 perhaps gives you a little bit more context for where
19 we're coming from as well.

20 MR. COLLIN: Yes. And, I'll just
21 comment on kind of a couple of those. The clarity, I
22 think there is proposals now to transfer those regulator
23 stations, which has been a particular area of problem in
24 terms of the pressure, support and all. And, I think that

1 we would recommend that that move with due haste and that
2 we get that done. We think that that is an important
3 aspect. And, again, I just stress that our goal will be
4 to operate that pipeline with a lot more transparency and
5 access relative to coordinating with the states and the
6 DOT type regulations and such, so that we have -- we have
7 a much more open and good working relationship in those
8 areas. Because I know that's been an area, Tom, your
9 issue brought up, it's the first time I've heard that
10 particular point of view. So, I apologize for not being
11 aware of that.

12 MR. AUSTIN: Well, I mean, there's no
13 reason you would be.

14 MR. COLLIN: Yes.

15 MR. AUSTIN: I mean, this was -- this
16 preceded you by quite a bit. The one other observation I
17 think, I hear what you're saying about being more open.
18 One essential issue there is the FERC requirements about
19 keeping separate the interstate and the intrastate
20 activities, which may -- may well make -- may well
21 frustrate your intentions, at least in part.

22 MR. COLLIN: Yes. We've done a lot
23 of -- a lot of looking at that, and that is one
24 distinction that we can actually operate quite differently

1 than the current NiSource structure, because we do not
2 have any marketing affiliates in the -- in the gas
3 industry. And, because of that, our only relationship is
4 really an LDC to interstate pipeline relationship. The
5 rules are much more relaxed, relative to our operational
6 constraints.

7 MR. AUSTIN: Thanks.

8 MR. HAGLER: Have you thought at all
9 about what commitments towards this transparency that you
10 anticipate might be made in the form of commitments to the
11 merger?

12 MR. COLLIN: No.

13 MR. MEISSNER: Maybe to clarify what
14 that term means, in terms of "transparency". To the
15 extent that the separation rules are not applicable with
16 what we're talking about, I mean, essentially our safety
17 staff, our engineering staff is going to be the same staff
18 for both. So, if I take the situation with the regulator
19 stations, you're not going to run into a situation where
20 two people are doing this, because it's going to be the
21 same person, you know, the same engineering personnel are
22 going to be responsible for both, the same safety
23 personnel are going to be responsible for both.

24 MR. HAGLER: So, Gary, for instance,

1 could ask that person safety questions regarding the
2 Granite interstate pipeline, and that person would answer
3 the questions without -- and not say we don't -- "Gary,
4 you don't work for FERC"?

5 MR. MEISSNER: Correct. There won't be
6 any hard line anymore. It's all going to be --

7 MR. HAGLER: And, you'd agree to that as
8 a condition of the merger, right?

9 MR. EPLER: One of the -- One of the key
10 considerations here is the applicability of the FERC
11 standards of conduct. The FERC is in the process, they
12 have issued ruling -- just to start over. One of the key
13 considerations is the FERC standards of conduct. The FERC
14 is in the process of revamping those standards of conduct.
15 They have issued several successive rulemakings. They
16 recently, about a year ago, issued a new set of rules,
17 where they're really focusing on this marketing element
18 and trying to keep the marketing element separate from the
19 operation of the pipeline. It's anticipated that they
20 will come release their final rule the end of this year,
21 possibly about the same time that we'd be closing on the
22 transaction. From all indications, including some casual
23 conversations we've had with FERC Staff, those standards
24 of conduct will not apply to Unitil to the structure that

1 we're proposing for our ownership of Granite and Northern.
2 They do apply to NiSource, because of NiSource's
3 structure, where they have extensive pipeline operations
4 and ownership of pipeline, extensive ownership of LDCs,
5 and they also have I believe marketing applications. And,
6 there are strict rules, pursuant to the FERC standards of
7 conduct, to keep all those entities separate. And, that's
8 why you have, you know, an (a) person, a (b) person, and a
9 (c) person. Whereas, you won't have that under the Unitil
10 structure. So, it's just we don't have to take those
11 steps and have those separate entities. And, that will, I
12 think, as Mark indicated, directly address a lot of the
13 concerns that you have.

14 But, because the final rule has not been
15 issued yet, we don't have an absolute 100 percent
16 definitive answer. But all indications are that, because
17 we don't do marketing, the only sales we do are for
18 balancing or at times are economic sales that we might
19 make, but they're not marketing sales, we won't fall under
20 those rules.

21 MR. FARMER: Where I think Andy was
22 going is that, was from a pipeline safety perspective,
23 which FERC has no jurisdiction. It's (inaudible) and the
24 Department of Transportation versus the Commissions in the

1 various states. And, that's a problem. And that's, from
2 my perspective, why I have the most interest in having the
3 opportunity to have oversight on this pipeline. And, I
4 know my opinion is shared with counterparts in New
5 Hampshire. And, that is the states provide a lot more
6 safety oversight than the U.S. Department of
7 Transportation of these facilities. These facilities are
8 in our respective states. And, when something goes wrong
9 with them, they don't call Washington; they call us. And,
10 that's the perspective I have and the interest that I have
11 for wanting to pursue this question.

12 And, to answer your question, Unutil may
13 manage the pipeline system, meaning transmission and
14 distribution with the same people, but I can't ask them
15 questions in regard to the transmission line. And, that
16 just, well, it's frustrating because, actually, it's an
17 implication upon "how is that transmission line really
18 being operated, if you don't want to tell me or you can't
19 tell me?"

20 MR. MEISSNER: So, to rephrase, would
21 you be asking would we agree to state jurisdiction of
22 safety matters? I mean, --

23 MR. FARMER: I didn't ask that question.

24 MR. MEISSNER: But would that address

1 the concern?

2 MR. HAGLER: Well, I'm --

3 MS. MacLENNAN: He's framing it.

4 MR. HAGLER: I, mean I'm kind of casting
5 about for a way to solve what we've characterized as a
6 "layer" problem. You've -- I think Gary has just
7 expressed that, if the rules go the way you think they
8 will, then the removal of that layering problem, at least
9 as it relates to gas safety, is actually going to be a
10 benefit of this merger that the Commission could look to,
11 because all of the impediments to Gary asking the
12 questions and getting answers of the people that he wants
13 to know information regarding the Granite section will
14 disappear.

15 MS. MacLENNAN: Not quite, actually.
16 Because the jurisdiction, there will be a jurisdictional
17 difference between -- I'm sorry, maybe I misunderstood
18 your statement. If you were referring to a merger of the
19 two entities, yes, they would disappear.

20 MR. HAGLER: Right.

21 MS. MacLENNAN: Is that what you meant?
22 I'm sorry.

23 MR. HAGLER: Well --

24 MS. MacLENNAN: I didn't take it that

1 way.

2 MR. HAGLER: Well, no, no. Not
3 necessary -- I mean, I think what they're saying is, the
4 reason the guy can't talk to Gary, when Gary asks about
5 safety on the Granite section, is because the current
6 owner of Granite is involved in marketing and has --

7 MR. EPLER: No, there are two separate
8 issues. There's safety issues and then there's FERC
9 ratemaking jurisdictional issues. What we're saying is
10 the FERC ratemaking jurisdictional issues will probably go
11 away.

12 MR. HAGLER: Right.

13 MR. EPLER: The safety issues are a
14 separate issue with the Department of Transportation.

15 MR. HAGLER: Got you. And, those would
16 not go.

17 MR. EPLER: No, those have to do with
18 the pressure and so on.

19 MS. MacLENNAN: And, Tom, were you
20 suggesting that there might be an election that Unitil
21 could make to submit to state safety review, if it chose
22 to? I'm not taking it as committing to that, but --

23 MR. MEISSNER: Yes. No, that's what I'm
24 trying to understand.

1 MS. MacLENNAN: Yes.

2 MR. MEISSNER: It's not something we've
3 talked about. And, until I think we had the conversation
4 right here, I don't think it's something we really
5 recognized as being, you know, the root of the issue. So,
6 I guess I am saying, "yes, we can have that discussion
7 talk about it on our side." I think our philosophy was to
8 kind of operate and manage, you know, Granite and Northern
9 as we do with all our affiliates now.

10 So, you know, and that gets back to what
11 Mark was talking about in terms of transparency. You
12 know, I think we intended to be transparent, in terms of
13 our engineering, our safety, our operations. So, I think
14 that that's something we'll talk about.

15 MS. MacLENNAN: Well, and I want you to
16 know I do appreciate that distinction. That's helpful to
17 know, that the standards of conducts rule appear to apply
18 differently, and that that should open up some windows.
19 That should be great.

20 MR. FRINK: I had a follow-up question
21 for Dan. You said you thought that the capacity on
22 Granite shouldn't be reduced, because some day they will
23 need that. Right now it's about two-thirds subscribed.
24 Do you know something we don't know?

1 MR. COTE: No. I do not. Just believe
2 that when we -- no, my only thought on that was, that
3 capacity in Granite already exists, at a much lower cost
4 than it would cost to build future capacity. And, so,
5 should it be needed, it's readily available now. If you
6 derate the pipe, it will not be available going forward
7 without incurring great capital expense. So, no, I can't
8 predict the future.

9 MR. FRINK: So, and following that,
10 another issue is the Bay State capacity. And, frankly,
11 I've never really understood how the Bay State arrangement
12 with Granite works. Bay State has 62,000 per day
13 currently, the five year need I guess for Bay State was
14 projected to be 38,000?

15 MR. DAFONTE: That's correct.

16 MR. FRINK: And, yet, that doesn't take
17 any capacity on -- on the pipeline. Could you explain how
18 that works and why that need will continue? One thought,
19 one thing that Bay State has always had is a vested
20 interest in contracting on Granite. I'm not saying that's
21 why you contracted on it, but there was that in the
22 background. But what is it that -- why is it that Bay
23 State has the 62,000, and why will they require the 38
24 going forward? What might change that would cause them to

1 de-contract, to not renew that capacity?

2 MR. DAFONTE: Yes, without boring
3 everybody with the map, let me just explain and hopefully
4 everybody can visualize it. But, basically, Bay State has
5 capacity on PNGTS. Which, obviously, does not
6 interconnect with any Bay State gate station. So, in that
7 regard, it's similar to some of the capacity that Northern
8 holds on upstream pipelines that doesn't interconnect with
9 Granite. So, a way for Bay State to get those PNGTS
10 volumes to its distribution system is through an
11 off-system exchange agreement with Granite. What that
12 means is that Bay State brings its gas down PNGTS,
13 delivers it into Granite, and, because Granite aggregates
14 Bay State city gates off of the Tennessee system, it can,
15 by displacement, make that gas show up at Bay State's city
16 gates. And, the way it does that is that part of that
17 exchange agreement is with Northern Utilities. So, the
18 three companies are involved in that exchange agreement.
19 Northern is bringing gas up from the south and on other
20 pipelines that can't deliver to Granite. So, therefore,
21 what Granite does is it acts as the exchange agent, if you
22 will, by taking gas from Bay State, from the north, and
23 then taking gas from Northern from the south, and
24 essentially delivering it to each of the entities where

1 they need it. And that's kind of how the exchange takes
2 place.

3 MR. FRINK: Now that Bay State/PNGTS
4 contract is a 20 year contract?

5 MR. DAFONTE: That's correct. That's
6 correct. And, you know, --

7 MR. KUMAR: The contract is a -- Granite
8 State is not a party to the contract, the exchange
9 contract, as I understand. Right?

10 MR. DAFONTE: I'm not sure if I
11 understood that.

12 MR. KUMAR: You said the contract is
13 with Northern (inaudible) for all the three of this
14 exchange agreement.

15 MR. DAFONTE: It's a contract among the
16 three entities, Bay State, Northern and Granite State.
17 Now, the -- go ahead.

18 MR. KUMAR: This contract is for
19 exchange or something else?

20 MR. DAFONTE: No, it's for the -- it's
21 an agency and exchange agreement, and it's for the
22 exchange of the gas that I just mentioned.

23 MR. KUMAR: And, is any other interstate
24 pipeline involved with this exchange agreement?

1 MR. DAFONTE: The interstate pipelines
2 that are involved are PNGTS, Tennessee, and Algonquin.
3 And, they're involved only in that one of the three
4 entities has capacity on each of those pipelines. And,
5 so, it's either Bay State or Northern actually that would
6 have capacity on either of those pipelines.

7 MR. KUMAR: And, who has the contract
8 with these interstate pipelines for the exchange?

9 MR. DAFONTE: The contract is -- It's an
10 exchange agreement among Bay State, Northern and Granite.
11 It's not -- It does not -- It's not among any other
12 pipelines.

13 MR. KUMAR: It's not among any other
14 pipe, and that was what I was trying to get.

15 MR. DAFONTE: Yes.

16 MR. KUMAR: And, so, Northern pipeline
17 is involved with this?

18 MR. DAFONTE: Right, Northern and Bay
19 State are both involved. And, the only involvement of the
20 pipelines is simply because Bay State and Northern hold
21 capacity on these other pipelines.

22 MR. KUMAR: Okay, holds capacity. And,
23 if Granite State becomes an intrastate pipeline, how does
24 that change, how does it impact the exchange? It should

1 not impact the exchange anyway.

2 MR. DAFONTE: Well, if it becomes an
3 intrastate pipeline, --

4 MR. KUMAR: Yes.

5 MR. DAFONTE: -- it wouldn't be able to
6 effectuate an exchange on the Tennessee system, for
7 example. Because it wouldn't be able to deliver gas into
8 Tennessee, wouldn't be able to aggregate the Bay State's
9 gate stations off of the Tennessee system, and, therefore,
10 would not be able to, in a sense, bring PNGTS gas that Bay
11 State's flowing into the Tennessee system for Bay State's
12 benefit. And, on the reverse side, take Northern's gas
13 that's delivered to Bay State's gate stations on Algonquin
14 and Tennessee and redeliver those to Northern off of the
15 Granite's -- Granite pipeline.

16 MR. KUMAR: Why can't Northern at least
17 take (inaudible) to these city gates themselves?

18 MR. DAFONTE: They can. That is one of
19 the proposals that we've offered up. And, if I could
20 continue with the, you know, the reasons that Bay State
21 has entered into this agreement and Northern and so forth,
22 what are the benefits to Bay State and Northern?

23 The benefit to Bay State is that, if it
24 didn't exchange these volumes through Granite, then it

1 would have to take the PNGTS volumes to Dracut, where it
2 interconnects with Tennessee, and then it would have to
3 transport that gas on the Tennessee system, meaning that
4 it would have to pick up additional capacity on the
5 Tennessee system. Right now, the cost of Tennessee
6 capacity is higher than the cost of Granite capacity. So,
7 therefore, it makes economic sense for Bay State to
8 contract for Granite capacity to move these volumes. So,
9 there's -- that's the benefit for Bay State.

10 The benefit for Northern is that
11 Northern, to a large extent, doesn't have the ability to
12 deliver gas to the physical Granite pipeline. There are
13 some volumes of gas that Granite, it's about 5,000
14 decatherms, let's say, that Granite has to deliver, based
15 on its primary point designation to Bay State, still in
16 Brockton, Massachusetts, which is off of the Algonquin Gas
17 transmission line. That is nowhere near the Granite line,
18 and, therefore, Northern is in a position where, if it
19 tries to deliver to Granite, it would do so on a secondary
20 basis, and that would not be -- that gas would not flow on
21 a peak day, and probably for a large part of the winter
22 period. And, again, Northern also has some capacity on
23 Tennessee, and, again, it cannot deliver that capacity to
24 the Granite State system.

1 So, basically, the agency and exchange
2 agreement helps both companies in that the volumes that
3 each company cannot deliver to its own distribution system
4 are delivered by Granite. And, so, there Granite
5 facilitates the exchange of those volumes.

6 Now, going forward, there is an option
7 where Bay State could enter into a separate exchange
8 agreement with Northern. That would require that Bay
9 State deliver an agreed upon volume each day, and that
10 volume could change from day-to-day, to -- directly to
11 Northern. Now, that means that Bay State would actually
12 be transporting the gas on Granite State and delivering it
13 to Northern's -- one of the Northern interconnects with
14 Granite State.

15 By the same token, Northern, through its
16 capacity on Tennessee and on Algonquin, would have to
17 deliver the equivalent amount of gas to Bay State on that
18 very same day. And, therefore, that, again, facilitates
19 the exchange. Now, under that scenario, Granite is only
20 the operational balancing agreement holder, or the OBA,
21 holder for the gate stations for Northern, at Salem, which
22 is off of Tennessee Gas, for Pleasant Street, which is off
23 of Tennessee Gas, and the joint facilities interconnects
24 at Westbrook, Newington, and at Kittery. So, that's --

1 that's where Granite essentially maintains that OBA
2 distinction. It would no longer maintain the OBA
3 distinction at Bay State's city gates. Oh, I'm sorry, I
4 did forget one, which is the Mendon gate station, which is
5 off of Tennessee, and serves Bay State's Brockton Division
6 directly.

7 MR. McNAMARA: And, what Chico has just
8 walked through I think is a very big part of the reason
9 why, when we have looked historically at maintaining
10 Granite State as an interstate or looking to move it to
11 intrastate or distribution service, the value of the
12 agency and exchange and the balancing that was afforded by
13 maintaining Granite as an interstate is a big part of the
14 reason why we chose to keep it in that business, along
15 with some of the other reasons that we've discussed. But
16 that -- those are the commercial and operational benefits
17 and flexibility that were accrued, based upon Granite
18 operating an interstate service.

19 MS. MacLENNAN: Just a question on that.
20 You say there are some -- some benefits of the exchange
21 arrangement, but do they ever -- do these benefits flow to
22 Northern or are they primarily flowing to Bay State?

23 MR. DAFONTE: No, the benefits are for
24 both. Again, Northern is in a position where it cannot

1 deliver to Granite. So, absent this exchange agreement,
2 or a similar exchange agreement directly with Bay State,
3 it wouldn't be able to necessarily deliver its gas to its
4 core customers. It would -- and, again, it doesn't
5 have --

6 MS. MacLENNAN: Right.

7 MR. DAFONTE: -- a physical interconnect
8 with Granite off of Algonquin, it doesn't have the ability
9 to deliver to Pleasant Street, which is the interconnect
10 between Tennessee.

11 MS. MacLENNAN: Right. I understand
12 there are physical limitations, and that's why the
13 exchange is being done. But my question is, is there a
14 net cost/benefit?

15 MR. DAFONTE: Well, I think that -- I
16 don't know, I can't quantify the exact, you know, benefit.

17 MS. MacLENNAN: Uh-huh.

18 MR. DAFONTE: You know, the only thing I
19 can say is that there is a benefit, quantifying it would
20 take some, you know, some assumptions. Meaning that, for
21 example, if Northern wanted to enter into an exchange
22 agreement with a third party and cut out Bay State
23 altogether, then there would be a market price for that.
24 So, we'd have to determine what a third party would charge

1 Northern to take receipt of gas on Algonquin, for example,
2 or at another Tennessee gate station, and then redeliver
3 to Northern on a primary basis into Granite at various
4 points, whether it be Pleasant Street, Westbrook, or at
5 Newington.

6 Operationally, that would -- that could
7 pose some problems. And, the reason is that we have to
8 find a party that has the capacity, the firm capacity to
9 be able to deliver to Northern at those locations where it
10 requires it. For example, if Northern could not deliver
11 to Pleasant Street, then it would want someone that has
12 capacity, primary firm capacity to deliver to Pleasant
13 Street. And, there's a finite amount of that, it's fully
14 subscribed, and Bay State has, you know, the majority of
15 it, of the remainder. So, you're probably not going to
16 find a third party that has the ability to do that.

17 In addition, there aren't a lot of
18 parties that have capacity on PNGTS or Maritimes that are
19 capable of delivering to Westbrook. And, --

20 MS. MacLENNAN: Is this -- I'm sorry to
21 interrupt.

22 MR. DAFONTE: Okay. Go ahead.

23 MS. MacLENNAN: I'm just wondering
24 whether the quantity of gas at issue is really material

1 for Northern? Would there be a way to rescind the
2 contract or resell it to someone, reformulate the delivery
3 points, whatever it takes to make it marketable, that
4 would result in a cost/beneficial arrangement for Northern
5 overall?

6 MR. DAFONTE: See, we've actually
7 investigated that, particularly with Tennessee, where Bay
8 State has a significant amount of capacity at Pleasant
9 Street, and it would rather have that capacity at one of
10 its own gate stations. And, Northern would, obviously,
11 rather have its capacity all at Pleasant Street.

12 In discussions with Tennessee, they have
13 indicated that, in order to do that and to keep both
14 parties whole, meaning that there would be no cost
15 disadvantage to either party, that there would have to be
16 an exchange -- basically, a release of capacity, meaning
17 that Northern would have to release some of its long haul
18 capacity to Bay State, Bay State would have to release
19 some of its short haul capacity to Northern. And, even
20 with that, I believe that their estimate was that it would
21 cost Bay State an additional \$30,000 in demand charges per
22 month in order to do that. And, it's a convoluted
23 situation, primarily because there does not exist any
24 additional primary delivery point capacity at any of the

1 city gates that we're talking about, the Bay State city
2 gates or the Northern Utilities city gate interconnect
3 with PNGTS at Pleasant Street. So, in order for that to
4 happen, one party has to relinquish its capacity at that
5 location for the other to pick it up.

6 MS. BATCHELDER: Chico, for third party
7 suppliers like Hess, is this exchange agreement part of
8 the capacity assignment in New Hampshire and Mass.?

9 MR. DAFONTE: It's, for the third
10 parties, it actually is transparent. It just -- it
11 happens. You don't -- There's no nominations that have to
12 take place. There are no additional costs, per se.
13 You're going to -- You get assigned a slice on the system
14 --

15 MS. BATCHELDER: Right.

16 MR. DAFONTE: -- in New Hampshire
17 anyway, on your -- the mandatory capacity assignment
18 piece. So, you get a piece of the Granite capacity that
19 Northern Utilities holds. You're entitled to deliver
20 primary, you know, pretty much at anyplace you would --
21 you choose, and Granite essentially makes that gas show up
22 at Northern's city gate. So, it really -- it really
23 doesn't impact you one way, you just simply pay what
24 Northern's customers pay, which is the Granite -- Granite

1 rate.

2 MS. BATCHELDER: Okay. Then, how will
3 the acquisition of Granite State by Unitil affect that
4 arrangement, because now you're -- you know, you're not
5 one company anymore, and you don't have that, how will
6 that be affected for cap assignment customers in New
7 Hampshire?

8 MR. DAFONTE: Right. I can't speak to
9 how Unitil will -- will operate the system. But,
10 basically, you're still going to have the same delivery
11 points. You're going to have to deliver it to Pleasant
12 Street for your customer, you can deliver it to Pleasant
13 Street, you can deliver it to other locations as well to
14 serve your customers, whether they're in Maine or New
15 Hampshire. I don't think that will change. The slice of
16 the system will be different in that the amount of
17 capacity that Northern holds on Granite may change. And,
18 of course, there's always the potential that the Granite
19 rate itself would change. And, so, for example, let's say
20 that going forward Granite, you know, maintains the same
21 rate, Northern, by entering into an exchange agreement
22 with Bay State, they could avoid incremental Granite
23 capacity, let's say, because they would have Bay State
24 deliver volumes to it, okay, on the Granite system. So,

1 in effect, Bay State is contracting for a portion of
2 Granite capacity. Let's say, you know, the 38,000. Okay.
3 Now, since Bay State has 38,000 on Granite, it's going to
4 be able to deliver up to 38,000 decatherms to Northern.
5 Northern, on the other hand, will now take and deliver its
6 38,000, if it can, now it doesn't have 38,000, but I'm
7 just going to use that as an example. It could deliver
8 38,000 to Bay State on Tennessee or Algonquin or a
9 combination of the two.

10 MS. BATCHELDER: Uh-huh.

11 MR. DAFONTE: So, now, Northern doesn't
12 have to contract with Granite to do that, because Granite
13 will no longer be the meter operator on the Tennessee
14 system. Okay? So, it doesn't -- Granite is not
15 performing a beneficial function, because Bay State and
16 Northern are doing the exchange --

17 MS. BATCHELDER: Okay. So, it would
18 just be between Northern and Bay State.

19 MR. DAFONTE: Right.

20 MS. BATCHELDER: So, a marketer in New
21 Hampshire wouldn't necessarily have a piece of that
22 exchange agreement then going forward?

23 MR. DAFONTE: No. No, they wouldn't
24 have a piece. It would -- basically, again, it would be

1 seamless that, you know, Northern --

2 MS. BATCHELDER: Okay. So, Northern
3 would take care of it as part of their exchange agreement?

4 MR. DAFONTE: Right.

5 MS. BATCHELDER: So, it's like a managed
6 supply kind of thing?

7 MR. DAFONTE: Exactly. Exactly.

8 MS. BATCHELDER: Okay. I just wanted to
9 make sure that, you know, I just wanted to understand if
10 there was going to be any change operationally.

11 MR. DAFONTE: Yes, I don't think, you
12 know, again, assuming that Granite remains an interstate
13 pipeline, obviously, there's been a lot of discussion
14 today about, you know, taking Granite and making it
15 intrastate and making some changes with respect to receipt
16 points and additional interconnects and so forth. Under
17 that scenario, yes. I mean, you could be asked to deliver
18 to your Maine customers at Westbrook, for example,
19 because, you know, it's going to be isolated from the rest
20 of --

21 MS. BATCHELDER: Right.

22 MR. DAFONTE: -- the distribution -- the
23 New Hampshire distribution system.

24 MS. BATCHELDER: So, any Maine

1 deliveries would have to come from the north?

2 MR. DAFONTE: Right. Right. Exactly.

3 MS. BATCHELDER: And any New Hampshire
4 deliveries would have to come from the south? That's
5 going to be the difference.

6 MR. DAFONTE: South, or Newington, or,
7 you know --

8 MS. BATCHELDER: So, in that way, unless
9 a marketer effectuates an exchange arrangement of its own
10 with Northern, it would be -- it would be limited in how
11 it can deliver into those jurisdictions?

12 MR. DAFONTE: Right. Yes, the
13 flexibility would definitely be diminished.

14 MS. BATCHELDER: Okay.

15 MR. DAFONTE: There's doubt about it.

16 MS. BATCHELDER: That's -- That was my
17 assumption, but I just wanted to confirm that. Thank you.

18 MR. DAFONTE: Sure.

19 MR. FRINK: I have two questions. Bay
20 State has a certain amount of volume on PNGTS, I forget
21 what that is.

22 MR. AUSTIN: Sorry, Steve, could you
23 speak up a little bit please.

24 MR. FRINK: Yes. Bay State has a

1 certain amount of capacity, 20 years, on PNGTS. And,
2 Tennessee capacity charge is more higher than Granite.
3 And, so, it's economical for Bay State to take the Granite
4 capacity, do that exchange. Why has the Granite -- Why
5 has the Bay State capacity on Granite gone down and why is
6 it going to go down again from 62 to 38? And, looking at
7 what has been filed in discovery, it looks like Granite is
8 under earning. And, at what point does the Granite
9 charge -- what does the Granite rate have to go to before
10 it becomes uneconomical for Bay State to take that
11 capacity?

12 MR. DAFONTE: A good question. I mean,
13 I'm not -- I can't speak to the Granite issue, all I can
14 tell you is that the Tennessee rate is roughly about 18
15 cents on a demand basis, and then there's fuel of -- it's
16 like 2 percent maybe, 1 or 2 percent, somewhere in there,
17 and a minor commodity charge. So, all of that will have
18 to be taken into consideration. I don't expect the
19 Tennessee rates to change, but they may, because you're
20 looking at a new, you know, a fairly new interconnect at
21 Dracut with the joint facilities. And, so, to the extent
22 Tennessee has to add capacity from Dracut, then that
23 rate -- that rate probably will go up. I mean, it's
24 almost certainly going to go up. So, it will depend on,

1 you know, because it, again, if Bay State already had the
2 capacity on Tennessee, it does have some, so it can move
3 some of that gas from Dracut. But, when you're talking
4 about incremental capacity, it's going to be incrementally
5 priced. So, you know, the -- you know, that target may
6 change.

7 MR. FRINK: But the 18 cent demand
8 charge, there's no demand associated with the Granite,
9 with this exchange agreement that they have?

10 MR. DAFONTE: Well, Bay State is
11 contracting for capacity on Granite. So, Bay State is
12 paying the, you know, the five and a half cents. So, I
13 mean, that's -- right now, that's the delta under today's
14 rates, the max rate, right around five and a half cents
15 versus 18 cents, roughly. So, that -- that's, you know,
16 sort of the Granite side of it, in terms of the economics
17 that Bay State looks at.

18 In terms of the change in the amount of
19 capacity that Bay State would contract for, it has been
20 de-contracting over time as it -- as Bay State has been
21 able to change some of its primary delivery points, to
22 where they don't -- they don't all deliver to Pleasant
23 Street, for example. They can deliver to their own gate
24 stations off of Tennessee. And, as I mentioned, Bay State

1 also now has the ability to deliver into a hub line. It
2 had acquired some hub line capacity, about 20,000
3 decatherms. And, so, some of that gas that would normally
4 just deliver into Granite coming down PNGTS, Bay State's
5 able to transport some of that onto the Algonquin system
6 via hub line. So, that has contributed to the reduction
7 in the amount of capacity on Granite. And, I think, going
8 forward, in looking at any potential exchange arrangement
9 with Northern Utilities, Bay State has come up with about
10 a 31,000 decatherm a day or so exchange volume. So,
11 meaning that that's about the maximum that Northern could
12 deliver to Bay State with its existing contracts on a
13 primary basis. And, so, Bay State would only have to hold
14 about that same amount of capacity, the additional 7,000
15 or so that's related to that Mendon gate station that I
16 mentioned earlier. And, again, Bay State utilizes that
17 particular gate station, which is owned by Granite, to
18 deliver into its Brockton Division. So, it would want to
19 hold some capacity just to trans -- and that's not part of
20 the exchange, that's just capacity it would want to hold
21 to ensure that it can deliver into its Brockton Division.

22 MR. FRINK: So, is that 7,000
23 essentially a guarantee, a captive customer for Granite,
24 is that --

1 MR. DAFONTE: It is, it is at this
2 point. You know, the problem that you end up with,
3 though, is that the Mendon gate is -- you know,
4 essentially becomes a, you know, a single source, and is
5 no longer -- that's not going to be part of the Bay State
6 OBA, and it will have to be part of the, you know,
7 existing Granite OBA. So, there could be some changes
8 there with respect to whether, you know, Granite wants to
9 continue to hold an asset in the State of Massachusetts.
10 And, this gets -- this all gets into, you know, what
11 happens with Granite going forward, where it becomes, you
12 know, intrastate or continues to operate the way it does
13 today. So, those are the things that still have to be
14 discussed.

15 MR. TRAUM: Steve?

16 MR. FARMER: Chico, is Northern taking
17 gas out of Distrigas by pipeline?

18 MR. DAFONTE: Yes, it is.

19 MR. FARMER: And, how does that get
20 back?

21 MR. DAFONTE: Bay State -- I'm sorry,
22 Northern has a couple of different ways in which it can
23 get it. Distrigas can deliver it in the Brockton area for
24 Bay State as part of the exchange. Or, when Northern

1 can't take the gas for the exchange, Distrigas will
2 deliver it to Pleasant Street. So, they have a couple
3 options there.

4 MR. FARMER: So, it comes back Tennessee
5 to Granite?

6 MR. DAFONTE: Yes, it can go -- because
7 they -- Distrigas has two outlets for the vapor. One is
8 right in -- directly into Algonquin, the other one is
9 directly into Tennessee. So, there's some flexibility in
10 how Northern takes that, delivery of that vapor.

11 MR. FARMER: Uh-huh.

12 MR. TRAUM: Chico, if I understand,
13 currently Bay State has a contractual commitment for
14 38,000 on Granite State?

15 MR. DAFONTE: Well, actually,
16 technically, Bay State has nothing right now, because the
17 contract just expired at the end of March. It's only
18 seasonal. So, Bay State doesn't hold any firm right now,
19 and has to renegotiate for the upcoming winter period.
20 So, we're in the process of doing that. But last winter
21 it held 62,000 decatherms of capacity.

22 MR. TRAUM: So, you're negotiating for
23 38 or --

24 MR. DAFONTE: We haven't -- We haven't

1 negotiated anything just yet.

2 MR. TRAUM: Okay. And, the 31,000, how
3 does that -- I don't understand the connection between the
4 31 and the 38?

5 MR. DAFONTE: Well, the 31,000, that's a
6 calculation that we made, which was based on how much --
7 how much capacity Northern had to Bay State city gates on
8 a primary basis. Meaning that the maximum volume that
9 Northern could deliver to us is about 31,000.

10 MR. TRAUM: Uh-huh.

11 MR. DAFONTE: Okay? So, that means that
12 I don't want to contract for any more Granite capacity
13 than I have to to perform this exchange agreement with
14 Northern. Meaning, I don't want to hold, you know, 50,000
15 or 62,000 decatherms of Granite capacity, if I can never
16 deliver 62,000 to Northern --

17 MR. TRAUM: Uh-huh.

18 MR. DAFONTE: -- for Northern to deliver
19 the same 62,000 to me. Northern can only deliver about
20 31,000 to Bay State, based on primary delivery points.
21 So, I need to have, you know, it's a guaranteed primary
22 delivery point exchange with Northern, I need to have the
23 same volume on Granite to be able to do that. So, if you
24 can picture the PNGTS line coming down, I'm going to

1 deliver that to Northern, okay, but I have to have
2 capacity on Granite to be able to deliver that to
3 Northern. And, then, from the south, Northern's going to
4 deliver that equivalent amount to Bay State. And, so
5 that -- so, the number works out to be about 31,000 is
6 what each company can deliver on a primary basis.

7 MR. McNAMARA: So, that's essentially
8 the floor for what you need to contract for?

9 MR. DAFONTE: That's right.

10 MR. McNAMARA: Yes.

11 MR. DAFONTE: That's right.

12 MR. TRAUM: And, does the floor change,
13 whether Granite State is owned by NiSource or by Unitil?

14 MR. DAFONTE: No.

15 MR. TRAUM: So, you'd be potentially
16 contracting or trying to contract for the same amount
17 under whoever's ownership?

18 MR. DAFONTE: Yes. Yes.

19 MR. WYATT: Chico, one of the data
20 requests that we asked was -- it was answered actually by
21 Fran and Dave Foote, but it looks like a similar type of
22 schedule that you've put together for us in the past.
23 And, it was the transportation supply path from receipt
24 point or source of supply to a delivery point. And, it

1 differentiates between interstate pipeline delivery points
2 that connect to Granite versus those that are not
3 connected or deliverable to Granite. And, if I add up the
4 not deliverables, I come up with just over 9,000
5 decatherms. So, those are the points that you're talking
6 about are that deliver to Bay State's system?

7 MR. DAFONTE: Yes. Those are the --
8 those are the points that they only deliver to Bay State's
9 system.

10 MR. WYATT: Uh-huh.

11 MR. DAFONTE: But Northern has, on its
12 Tennessee contracts, as does Bay State, they have what
13 they call "flexible delivery points".

14 MR. WYATT: Uh-huh.

15 MR. DAFONTE: So, even though, say a
16 contract has a maximum daily quantity of 10,000, let's
17 say, --

18 MR. WYATT: Right.

19 MR. DAFONTE: -- they may have 10,000 to
20 Point A, 10,000 to Point B, and 10,000 to Point C. So,
21 that means that Northern has the ability to deliver to any
22 one of those three points.

23 MR. WYATT: That's what gets you up to
24 the 30,000 you were talking about a few minutes ago?

1 MR. DAFONTE: Yes. Yes. So, that's,
2 and, again, taking that flexibility --

3 MR. WYATT: Okay.

4 MR. DAFONTE: -- the maximum that
5 Northern can deliver to Bay State points is 31,000.

6 MR. WYATT: Uh-huh.

7 MR. DAFONTE: And, the minimum you just
8 said was about nine.

9 MR. WYATT: Okay. I've got two
10 questions here. One, as these contracts that are isolated
11 from Granite that Northern has come up for renewal, and if
12 Northern has an option to subscribe off PNGTS or Maritimes
13 at an economical price, it really seems like it would make
14 sense for them to say "hey, let's get this capacity back
15 to our system"?

16 MR. DAFONTE: Well, let's me just
17 comment on that. And, what we're talking about is an
18 exchange --

19 MR. WYATT: Uh-huh.

20 MR. DAFONTE: -- right now at no cost.
21 So, that means Northern retains its -- what we call
22 "legacy capacity", which is priced a lot more favorably
23 than any incremental capacity that's out there. So, the
24 thought is, you want to try to keep your legacy capacity,

1 knowing that any incremental that comes up you want --

2 MR. WYATT: I understand, I'm not -- I'm
3 not suggesting that they would do something different.
4 I'm just saying, if it were economical --

5 MR. DAFONTE: Right.

6 MR. WYATT: -- seems like it might make
7 sense to do that. But, at the same time, the exchange
8 agreement is in place, and it's working well, and it's an
9 ever-greened [sic] agreement or something that there's no
10 risk of, down the road, Bay State is bought out by
11 somebody else or --

12 MR. DAFONTE: Right.

13 MR. WYATT: -- the exchange agreement is
14 no longer in place.

15 MR. DAFONTE: Right. And, you know,
16 that, just to touch on that, you know, Bay State and
17 Northern have operated under, you know, an exchange
18 agreement with Granite since FERC Order 1993 -- FERC Order
19 636 in 1993. If there had been an opportunity at any
20 point in time that was more economical for Northern or Bay
21 State to switch around its capacity, so that one could
22 deliver to, you know, its primary point, and the other to
23 its own primary point, then they would have done that.
24 It's just that, again, when you're looking at legacy

1 capacity, you know, it's something that you just can't get
2 out there. You know, we certainly know what's going on in
3 the market, and, you know, we know that, you know, you
4 just can't go out and acquire that old -- the old legacy
5 capacity.

6 There may be an opportunity to exchange
7 with someone else, if someone else has the capacity to
8 your gate, you may be able to do that.

9 MR. WYATT: Right.

10 MR. DAFONTE: I mean, you could, you
11 know, Algonquin, the Algonquin capacity is an example.
12 You know, it's a complex path, I think you have it there,
13 but, you know, it goes into an interconnect between
14 Tennessee and Algonquin at another station called
15 "Mendon", --

16 MR. WYATT: Right.

17 MR. DAFONTE: -- not to be confused with
18 the other Mendon, but we'll call the other one "Brockton",
19 how's that? The one with Bay State is Brockton. But this
20 Mendon gate station, what you could find is someone that
21 has the capacity on Algonquin or that wants the capacity
22 on Algonquin that Northern has, and may have capacity on
23 Tennessee to Pleasant Street, and they could do that
24 exchange possibly.

1 MR. WYATT: That leads -- that leads to
2 my other question. When you refer to "Pleasant Street",
3 just for clarification, you're talking about the meter at
4 Haverhill on Tennessee?

5 MR. DAFONTE: Yes. That's right.

6 MR. WYATT: And, that's -- And, that is
7 the interconnect between Tennessee and Granite also.
8 Isn't it located at that point or --

9 MR. DAFONTE: That's correct. That's
10 correct.

11 MR. WYATT: And, I thought you said
12 earlier that Northern has limited or does Northern
13 actually have capacity up to Haverhill? I believe they
14 do, but --

15 MR. DAFONTE: Yes, they have a lot of
16 capacity to Pleasant Street.

17 MR. WYATT: Yes.

18 MR. DAFONTE: And, that's where we get
19 into the minimum of 9,000 and the maximum of 31.

20 MR. WYATT: Right.

21 MR. DAFONTE: If it wanted to minimize
22 the exchange, it could deliver most of its gas on
23 Tennessee to Pleasant Street, if it needed to. I think
24 all but about a couple thousand on Tennessee can be

1 delivered to Pleasant Street.

2 MR. WYATT: Correct. Okay, I just
3 misheard you earlier I think. I just misunderstood what
4 you said. Thank you.

5 MR. DAFONTE: You misremembered?

6 MR. FRINK: The question I had was the
7 key factor to whether Bay State continues to take capacity
8 is the delta between the demand on Granite and the demand
9 on Tennessee, is that correct?

10 MR. DAFONTE: Yes, I think it's -- I
11 wouldn't say just the demand, Steve. I would say it's,
12 you know, --

13 MR. FRINK: Fuel charges, too.

14 MR. DAFONTE: -- you know, 100 percent
15 load factor, if you will, but then we have to also look
16 at, you know, the load profile for Bay State. If I have
17 to contract with Tennessee for year-round capacity, but I
18 can -- and pay less on a daily basis than Granite, but
19 Granite is able to give it to me for five months, I'd
20 probably go with Granite. So, we have to look at a few
21 things, and then you have to look at the commodity cost,
22 which Granite has very little, and the fuel, again, very
23 little shrinkage on Granite. Tennessee is a little
24 greater. So, yes, all of those things have to be taken

1 into account.

2 MR. FRINK: What concerns me is that --
3 is the huge investment over the last three years on the
4 Granite system. And, from the data responses I've seen,
5 it looks like it's a 16 percent loss on the -- on the
6 Granite system last year, somewhere in that magnitude.
7 And, to -- if you were to do a rate, go to FERC with a
8 rate case, where do you wind up? Where does that -- how
9 does -- how much of an impact is that? Is the delta gone
10 at that point? That's my concern here, is that--

11 MR. DAFONTE: Yes, and --

12 MR. FRINK: -- you made a big
13 investment, and there's a big investment that you're
14 looking over, that your looking at over the next five,
15 next five years, what does that do to this Bay State
16 contribution to Granite's revenue requirement? Do you
17 have an idea of what the impact is? Have you looked at
18 what you could expect for rates, if you went to FERC, what
19 you'd be looking for?

20 MR. DAFONTE: I haven't, I haven't
21 looked at it. I just --

22 MR. FRINK: No, that was directed more
23 towards Granite.

24 MR. DAFONTE: I don't know that --

1 MR. McNAMARA: No, we have not. We are,
2 as you say though, pretty much at the point where, I mean,
3 we have, you know, over the years, we have assessed at
4 what point is the right time to go in for a rate case on
5 all of our pipelines. And, as you said, where we stand on
6 Granite State today, I believe that it is the right time
7 that a rate case is, at least if we were to retain
8 ownership, would be impending in the near future.

9 MR. TRAUM: When was the last rate case
10 for Granite State?

11 MR. FRINK: Ninety-seven.

12 MR. McNAMARA: Yes, I was going to
13 say -- I was going to say either '93 or '97. Yes, that
14 was Order 97-8, is that right? Yes.

15 MR. FERRO: It's a '97 docket.

16 MR. McNAMARA: So, it has been -- it has
17 been a long time.

18 MR. FRINK: I don't think we mentioned
19 when we started this conversation that one item was going
20 to be the Granite contract that expires, Northern's
21 Granite contract that expires the end of October. What is
22 the status of that?

23 MR. McNAMARA: Well, Mr. Bryant and I
24 have had initial discussions about that. He's asked for

1 some additional data to basically undergird our argument
2 from a Granite perspective, we don't see any -- any reason
3 to continue a discount going forward. We see that
4 contract being moved up to the maximum tariff rate,
5 because of the cost under recoveries as you point out. We
6 have not delivered that formal data to Steve yet, but will
7 be probably next week.

8 MR. FRINK: So, in essence, come
9 November 1, Granite or, well, Northern will be contracting
10 at max rates for whatever capacity they elect to contract
11 for?

12 MR. McNAMARA: Yes.

13 MR. DAFONTE: Most likely it will --
14 and, again, we haven't discussed, there's been no
15 discussions in terms of the term, whether it's, you know,
16 one year, two years, whatever number of years, that kind
17 of thing. That's what we're awaiting in our -- the
18 response from Granite. So, that will certainly have, you
19 know, some bearing on, you know, obviously, Northern's
20 costs going forward.

21 MR. WYATT: So, then, max rates would
22 be, in essence, the tariff rate?

23 MR. McNAMARA: That's right.

24 MR. DAFONTE: That's right, yes.

1 MR. WYATT: And, if Granite comes in for
2 a rate filing, the tariff rate could be even higher going
3 forward?

4 MR. McNAMARA: That's correct.

5 MR. TRAUM: What was the discount, say,
6 on an annualized basis?

7 MR. McNAMARA: And, let me just, I do
8 want to make one distinction, too. For ratemaking, on the
9 interstate side, at least as we pursued it in the past,
10 there's -- there are two ways to pursue a discount. You
11 can have a fixed negotiated rate, where the rate stays
12 flat even after a -- even if a rate case is performed.
13 But a discount, per se, is a certain percentage of
14 discount from the maximum tariff rate. So, to the extent
15 that Northern retained a discount going forward off the
16 existing rate, it would, unless the rate, unless a
17 negotiated fixed rate is agreed to between the parties,
18 which would keep that rate no matter what happens, even a
19 discounted rate could move up in the event of a rate case,
20 because it would be a discount of X percent from the
21 maximum tariff rate. So, if the maximum tariff rate
22 doubles, you would only retain the two-cent discount off
23 of maximum or whatever at the end of the day that delta
24 is. So, even a discounted rate would -- would potentially

1 increase in a rate case.

2 MR. WYATT: Is that what this current
3 contract was, a discounted rate? I thought it was a
4 negotiated rate?

5 MR. McNAMARA: Yes.

6 MR. DAFONTE: Yes, it's a negotiated
7 rate.

8 MR. McNAMARA: I just wanted to draw a
9 distinction --

10 MR. WYATT: Okay. Okay.

11 MR. McNAMARA: -- to make sure that --

12 MR. WYATT: It could be either way.

13 MR. McNAMARA: Yes.

14 MR. WYATT: Depending on how it was
15 structured?

16 MR. McNAMARA: That's right. I'm sorry
17 you had a question there.

18 MR. TRAUM: Well, I thought Chico was
19 calculating it. What was the -- the negotiated discount
20 on an annualized basis?

21 MR. DAFONTE: Yes, the -- well, on a
22 100 percent load factor basis, about one and a half cents.

23 MR. KUMAR: How much is it? One and a
24 half cents?

1 FROM THE FLOOR: Yes.

2 MR. DAFONTE: Yes, one and a half cents
3 per decatherm.

4 MR. KUMAR: Okay, I've got that, on
5 100 percent load factor.

6 MR. DAFONTE: On 100,000.

7 MR. FRINK: We looked at it, Ken, and I
8 believe right now, at the current rate, Northern, both
9 Maine and New Hampshire, are paying approximately a
10 million and a half a year. And, at max rates, it would be
11 2 million a year.

12 MR. DAFONTE: Yes, half a million
13 dollars.

14 MR. COLLIN: Steve, we started to take a
15 look at that, the potential of a rate hike at Granite if
16 it went to the recourse rate, what the impact would be on
17 the retail customer. And, based on the (inaudible) is
18 that any change in the total rate to a typical residential
19 customer, it would be well under 1 percent. Now, in terms
20 of rate impact or a real cost impact on customers, all
21 this discussion is a fairly small percentage of the total
22 bill.

23 MR. FRINK: It gets smaller every day.

24 MR. KUMAR: Are you talking about this

1 raise in the revenue requirement, I think you sent the
2 revenue requirement in response to Staff 1-70 or something
3 like -- a revised cost of service. Do you recall what I'm
4 saying or --

5 MR. McNAMARA: I didn't understand the
6 question, I'm sorry.

7 MR. KUMAR: You sent or I got this
8 morning an updated cost of service in response to Staff
9 1-70.

10 MR. McNAMARA: Uh-huh.

11 MR. KUMAR: If possible, you can send me
12 that in Excel form, unprotected Excel?

13 MR. McNAMARA: I don't know that we'd
14 want to send it unprotected.

15 MR. KUMAR: But, you know, if I want to
16 make some change, I can make it.

17 MR. McNAMARA: Exactly.

18 MR. KUMAR: But protected, you know, you
19 can't make changes, but I'm asking in Excel format
20 unprotected. One question I have, this revenue
21 requirement when I looked at it, you show some storage
22 revenues (inaudible) that I did not see anything like that
23 (inaudible), maybe I missed something or that was included
24 something else.

1 MR. McNAMARA: No, I noticed that
2 terminology too. I don't -- that's not related to storage
3 service, because Granite does not offer storage service.
4 I don't --

5 MR. KUMAR: Yes, that was what I was
6 wondering about.

7 MR. McNAMARA: Yes, I don't -- I don't
8 know if that is a specific terminology or what that is.
9 But, no, it's not related to a storage service.

10 MR. KUMAR: Is it possible you can find
11 out what it meant, what that means?

12 MR. McNAMARA: Sure.

13 MR. KUMAR: The other question I have,
14 seeing some responses and your annual report to FERC. And
15 that mentioned you have pipeline going to Vermont also?

16 MR. McNAMARA: I'm sorry, there's a
17 pipeline what?

18 MR. KUMAR: Going to the State of
19 Vermont. That said you go through --

20 MR. McNAMARA: No.

21 MR. KUMAR: You know, we have here --

22 MS. FRENCH: Which response is this?

23 MR. KUMAR: -- Maine and Vermont
24 (inaudible).

1 MR. McNAMARA: No, I don't -- I don't
2 believe that's correct.

3 MS. FRENCH: Is he looking at a
4 response?

5 MR. McNAMARA: No, he said it was in the
6 annual report.

7 MR. FRINK: PNGTS goes to Vermont.

8 MR. McNAMARA: No, that's not correct.

9 MR. KUMAR: Well, I've seen in several
10 reports Vermont is mentioned and I thought there was
11 something new there.

12 MR. McNAMARA: I don't --

13 MS. FRENCH: In the annual report?

14 FROM THE FLOOR: You mean PNGTS?

15 Pension goes to --

16 MR. McNAMARA: I don't know.

17 MS. FRENCH: Do you mean FERC Form 2?

18 Which annual report are you talking about?

19 MR. KUMAR: Just hold it a second.

20 (inaudible) The annual report where you (inaudible) your
21 capacity.

22 MR. McNAMARA: Nothing the pipeline own
23 or operates goes through the State of Vermont.

24 MS. FRENCH: That's true for Northern as

1 well, at least as we're looking around the table here.

2 FROM THE FLOOR: It's true in fact.

3 MR. McNAMARA: Yes.

4 MS. FRENCH: It's true in fact.

5 MR. KUMAR: I'm looking at your response
6 to Staff 1-84(b).

7 MR. McNAMARA: 1-84(b)?

8 MR. KUMAR: Yes. And, several pages
9 have mentioned that. So, I'm looking at February 24th,
10 1998 report, it's a very old report.

11 MR. WYATT: What page? What page of
12 that response, Jay?

13 MR. COTE: There was a pipeline, there
14 was an oil line that went from Portland to Montreal that
15 Northern leased for a period from approximately 1986, to
16 the best of my recollection, to the late '90s, '98 or '99,
17 it was called the "Portland Pipe Line". It was a
18 converted oil to natural gas line that was leased. And, I
19 honestly don't -- I don't remember, Granite operated it if
20 I recall.

21 MR. McNAMARA: Yes.

22 MR. COTE: Now, about the time PNGTS and
23 the Maritimes were built, the oil company, Portland
24 Terminal Company, who owned the oil line, took it back

1 into oil service. And, so, as of 2000, that entire
2 business transaction was completed and was no longer a
3 gas-carrying entity.

4 MR. McNAMARA: Yes.

5 MR. COTE: That could be what you're
6 referring to.

7 MR. McNAMARA: Yes, by the time we -- by
8 the time we got involved, by the time the
9 NiSource/Columbia merger occurred, it was -- it was either
10 gone or on its way out in 2000. I--

11 MR. FERRO: It was gone.

12 MR. McNAMARA: Okay. That's what I
13 thought.

14 MR. FERRO: We extended the lease one
15 year in the late '90s. By 2000, it was gone.

16 MR. McNAMARA: I want to say '98, I
17 think. I think you guys are right, yes.

18 MR. FERRO: I think it was.

19 MR. McNAMARA: Yes.

20 MR. KUMAR: You don't have any pipeline
21 going to Vermont?

22 MR. McNAMARA: No.

23 MR. COTE: No.

24 MR. KUMAR: Okay.

1 MR. FARMER: I have a couple of
2 questions back on Integrity Management.

3 MR. McNAMARA: Sure.

4 MR. FARMER: Can you tell me --

5 MR. McNAMARA: Actually, I'm sorry, can
6 I address one thing for Ms. MacLennan, too, it's on the
7 same topic. Patricia was nice enough to pull for me the
8 New Hampshire response on cost of Integrity Management and
9 the Maine response to cost of Integrity Management. And,
10 they're different. And, I'm not clear as to why, but you
11 are correct. The Maine response we provided says
12 "\$4.3 million". The New Hampshire response, which are the
13 numbers that I was quoting earlier, say "\$6 million in
14 Maine" and "1.6 in New Hampshire". The only reason that I
15 can think as to why they would be different, and I'm only
16 conjecturing at this point, is that, in the Maine question
17 there is reference made to "anomalies identified and
18 resolved". And, I'm wondering if someone, in providing
19 the -- someone in our Engineering Department in providing
20 the cost data provided, not total dollars spent in Maine,
21 but dollars associated with resolving the anomalies. I
22 don't know that that is to be the case, but that's the
23 only thing that I can think of. I am going to run that
24 down for you, though.

1 MS. MacLENNAN: Thanks.

2 MR. McNAMARA: But I apologize for the
3 discrepancy. And, I'm sorry to interrupt.

4 MS. HATFIELD: Can you give us the
5 numbers on those, just so we have them?

6 MR. McNAMARA: Which states' response
7 would you like?

8 MS. HATFIELD: Both.

9 MR. McNAMARA: In the response that we
10 made to Maine, we state that the total --

11 MS. HATFIELD: Sorry, I meant the
12 response number, actually the data response. The question
13 number?

14 MR. McNAMARA: Oh, I apologize.

15 MS. HATFIELD: That's okay.

16 MR. McNAMARA: It's, yes, for Maine it's
17 3-10, and, for New Hampshire, it's Response Number 164.

18 MS. HATFIELD: Thank you.

19 MR. McNAMARA: Yes. And, I'm sorry, I
20 didn't mean to interrupt you.

21 MR. FARMER: Well, you may have
22 partially answered my question without knowing it. I was
23 going to ask, what is the one time cost in the, whatever
24 number it is, seven and a half million, 6 million, 3.9,

1 4.3 million, the one-time cost associated with Integrity
2 Management? And, as an example, I know, for example,
3 there had to be work done on Granite to make it piggable
4 --

5 MR. McNAMARA: Right.

6 MR. FARMER: -- to run the integrity
7 management assessment. And, where I'm going with this is,
8 that's a cost that isn't going to be ongoing.

9 MR. McNAMARA: Right.

10 MR. FARMER: Because the Integrity
11 Management Rule says you've got to reassess that pipeline
12 every seven years, forever, or as long as it's in
13 operation. And, I'd like to know, again, what those
14 one-time costs are, so I can get a feel for the ongoing
15 costs, you know, from -- I guess you're back out there in
16 2014, going through the whole thing again. So --

17 MR. McNAMARA: And, I think exactly as
18 you have characterized it is right on point. Something
19 like an investment made to make the line piggable would be
20 a one-time capital investment. Whereas the ongoing
21 expense of having -- having the guys go out, perform the
22 pig run, perform the assessment, that's the ongoing
23 expense year to year.

24 MR. FARMER: Can you give us that break

1 down? Maybe not today, but --

2 MR. McNAMARA: I don't have it, but I
3 can, I can get that for you.

4 MS. MacLENNAN: Okay. Great. I'm
5 thinking we're up to five oral data requests, but I may
6 have missed one or two.

7 MR. EPLER: I think I've got six.

8 MS. MacLENNAN: Do you? Okay. I
9 suspect you're right.

10 MR. McNAMARA: Can we, before we finish
11 up, I would like to recap, just to make sure that I
12 capture everything for you all.

13 MR. JORTNER: Just to follow up on the
14 Maine Commission's earlier concerns about getting gas
15 safety oversight, the New Hampshire Commission as well.
16 If you put aside the questions about physical changes or
17 regulatory changes, is there any reason why Unitil
18 wouldn't simply agree to answer questions and provide data
19 as requested by the two Commissions on Granite State?

20 MR. COLLIN: None that I can think of.

21 MR. JORTNER: So that could, in fact, be
22 a condition that you'd agree to in the merger?

23 MR. COLLIN: We could reach some
24 agreement on that.

1 MR. JORTNER: Yes.

2 MR. COLLIN: That issue, yes.

3 MR. FARMER: But, Wayne, that's really
4 not the issue, it's enforcement authority of the safety
5 rules is really the issue.

6 MR. JORTNER: Well, I thought it was
7 part of the issue.

8 MR. FARMER: Well, it is, but not --
9 that's the easy part.

10 MR. McNAMARA: Is there anything else we
11 can answer for you?

12 MR. KUMAR: Well, I think I asked my
13 questions.

14 MS. BATCHELDER: I just have one other
15 question. In the event that somehow the integration
16 occurs, from a marketer's standpoint, I guess the question
17 would be to Unutil, whether you'd be willing to perform a
18 no cost exchange for marketers, such as has been happening
19 before between deliveries to the north into Maine and
20 deliveries in the south to New Hampshire, because you'll
21 be able to do that on your own system, presumably, if it
22 would -- if it were integrated. So, the question would
23 be, would you be willing to confer whatever exchange
24 capability you have operationally to marketers, to make

1 that available on the same basis?

2 MR. COLLIN: Yes, I don't know if we
3 have anywhere near enough information to give you an
4 answer on that. That's, as you can appreciate, a complex
5 question and issue that --

6 MS. BATCHELDER: Right.

7 MR. COLLIN: -- we'd have to evaluate.

8 MS. BATCHELDER: And, certainly, we
9 wouldn't want anything more than Unitil could do itself
10 operationally. You know, the concern I have, just
11 listening to, you know, the facts that have gone around
12 today is that that would be a major concern for marketers
13 for integration, is that ability to maintain some of
14 the -- at least the same amount of flexibility that Unitil
15 would have in deliveries onto its system for marketers as
16 well. That's just an observation as to where I am at this
17 point.

18 MS. MacLENNAN: Becky, was that intended
19 to be a data request?

20 MS. BATCHELDER: I don't think that it's
21 a fair data request at this point. I mean, we're
22 certainly not that far along, but I just wanted to make
23 Unitil aware that that is a concern that we would have,
24 and also the Commission's, that this is a concern that we

1 would have with an integration scenario. It appears there
2 would be a significant loss of flexibility, unless some
3 type of an arrangement could be made.

4 MR. FERRO: Yes, I think Chico touched
5 upon it. But, as our tariff reads, you know, as you very
6 well know, Northern has the authority to specify the
7 delivery point for marketers. And, as you indicate, over
8 the years we've created some flexibility where you could
9 deliver in New Hampshire for a Maine customer.

10 MS. BATCHELDER: Correct.

11 MR. FERRO: Although we're very mindful
12 of that, of that constraint on our system, and on some
13 days especially. And, so, but your question was with
14 integration, you know, at the very least that condition
15 would still stand that, you know, mindful of how the
16 flexibility effects Northern's customers.

17 MS. BATCHELDER: Oh, absolutely. And,
18 we're not trying to get anything more than we've got
19 today.

20 MR. FERRO: Right.

21 MS. BATCHELDER: But what we're
22 concerned about is, to this point, Northern has been very
23 flexible about allowing that type of interchangeability, I
24 guess, understanding that, if load increased,

1 transportation load increased, that we may not have that
2 same flexibility. But that would all be within the
3 constraints that Northern has, and Northern has been
4 willing to perform that interchangeability within the
5 operational constraints it has. And, I guess --

6 MR. FERRO: Yes. And, I guess the other
7 point is, Northern is willing, has been able to do it,
8 willing to do it, it's not a given that over -- you know,
9 throughout time that we'd continue to be able to provide
10 that level of flexibility.

11 MS. BATCHELDER: But wouldn't you agree
12 that that would be predicated on changes in migration?
13 That's really the main thing that would trigger that
14 change, unless --

15 MR. FERRO: You can certainly get into
16 a --

17 MS. BATCHELDER: Or changes in the
18 portfolio?

19 MR. FERRO: Right. A lot of things --

20 MS. BATCHELDER: And, I think certainly
21 marketers understand that. We just hope that
22 operationally things would not tighten up, you know,
23 unreasonably as the process goes along and as acquisition
24 is made by Unitil.

1 I guess, you know, maybe that's a
2 question I would ask is, does Unitil intend to operate in
3 the same way as Northern has with respect to the
4 flexibility on its system and allow marketers to deliver
5 to New Hampshire for Maine customers, to the extent that
6 they are able to continue that operationally?

7 MR. WYATT: Are you saying that in a way
8 that you're able to move gas up Tennessee into New
9 Hampshire or versus moving gas down PNGTS or --

10 MS. BATCHELDER: Well, I think it works
11 both ways, actually. Chico, does it not? I mean --

12 MR. DAFONTE: Yes.

13 MS. BATCHELDER: Yes.

14 MR. DAFONTE: Yes, it does.

15 MR. WYATT: Okay.

16 MR. COLLIN: To give you a quick answer
17 to that, we have no intention of changing any of that
18 operational nature as a result of the transaction. I
19 think you've talked about things that may change in the
20 future that may cause that to need to be changed and that
21 will be evaluated just as it would be now. I don't see
22 we're taking any different position on that.

23 Back to your first question, though, to
24 the extent that the pipeline is -- there is changes to the

1 pipeline, either physically or its capacity, you know, the
2 maximum pressure, etcetera, that could have a significant
3 impact on our ability to have flexibility of delivery
4 points.

5 MS. BATCHELDER: Yes, and that's
6 understood. That's certainly understood. I guess the
7 other thing is communications between Unutil and
8 marketers. Would Unutil anticipate kind of an ongoing
9 communication with marketers, either through either, you
10 know, some companies do it through newsletters to
11 marketers, per se, and some companies have marketer
12 meetings to discuss issues that may be coming up, but some
13 type of at least formal notification to marketers, formal
14 or informal, as to changes that you anticipate happening
15 operationally, either due to portfolio changes or pressure
16 changes or, you know, anything else that could change the
17 operational mix that a marketer might see now?

18 Just a question as to what does the
19 Company intend to do with its marketer community for
20 communications?

21 MR. WELLS: I don't know the specific
22 plan. I'm sure that there have been people in the
23 organization -- sorry about that.

24 FROM THE FLOOR: Just get closer to a

1 mike.

2 MR. WELLS: I'm sure there will be
3 people dealing with that within the organization, I could
4 follow up and get back to you on that as to what the
5 specific plan is for supplier communications.

6 MS. BATCHELDER: Okay, I guess that's a
7 data request.

8 MR. WELLS: Okay.

9 MS. MacLENNAN: So, I'm gathering from
10 that question that at least Hess has not dealt with Unitil
11 prior to now, and that this is sort of a question about
12 getting to know how the new owner --

13 MS. BATCHELDER: Yes, I'm not sure that
14 Hess much load, if any, on Fitchburg.

15 MS. MacLENNAN: Does Unitil have an
16 existing selection of marketers that it does deal with on
17 a regular basis, just for my own?

18 MR. WELLS: There are marketers that
19 we --

20 MS. MacLENNAN: Yes.

21 MR. WELLS: That we deal with.

22 MS. MacLENNAN: Okay. So, this won't be
23 an entirely new process for you.

24 MR. WELLS: And, Hess has been a

1 marketer behind Fitchburg in the past. I don't believe
2 that they are currently.

3 MS. BATCHELDER: Yes. That's what my
4 understanding was as well.

5 MS. MacLENNAN: Okay. Thank you.

6 MR. FRINK: I have a question for
7 Unitil. Your synergy savings calculations, are they
8 strictly for Northern or do they include synergy savings
9 on Granite? Have you calculated synergy savings for
10 Granite?

11 MR. BROCK: Yes. Granite was included
12 in the synergies analysis. And, the results of the
13 analysis was that there was a slight increase on Granite
14 in the Central Service fees. I believe it was under
15 \$200,000, would be the estimate on an annual basis. But,
16 unlike the result of the synergy analysis on the rest of
17 the companies, they all saw a decrease.

18 MR. FRINK: And, was that because you're
19 using outside services for Granite? You're replacing the
20 Granite/NiSource service charges with other outside
21 services?

22 MR. BROCK: Yes. Essentially, yes.
23 We're replacing the NiSource and affiliate Central Service
24 fees that Granite had previously paid with an estimate of

1 the charges they would receive from the Unitil Service
2 Corp. And, that was -- it's an estimate.

3 MR. HAGLER: What do you have to pay
4 more for?

5 MR. BROCK: I believe the -- I believe
6 the results of the analysis was actually just driven by
7 the method of calculation. It wasn't -- It wasn't a
8 direct analysis of direct charges. It was an estimate of
9 what would be allocated to Granite on a going forward
10 basis, based on the plant asset allocator. So, it was
11 not -- it wasn't a specific --

12 MR. HAGLER: There's not an expertise
13 that you're lacking?

14 MR. BROCK: No. No, there isn't.

15 MR. EPLER: Can we --

16 MR. MUELLER: Motion to adjourn?

17 MR. EPLER: Are there other questions?

18 And, I think there's some procedural issues that I'd like
19 to try to address. But substantive questions? Can we let
20 the folks on the conference call go or --

21 MR. DAMON: Well, one, one topic that we
22 haven't talked about today that Trish asked if we could
23 put on the agenda was this -- an update on the metering
24 issue and where the negotiations over the --

1 MS. FRENCH: Yes, I think we can let a
2 lot of these people go though. I don't think that
3 everybody needs to be here for that. Obviously, you guys,
4 the Staffs do, but probably a lot of other people in the
5 room that don't need to be here, yes, and on the phone.
6 So, --

7 MR. McNAMARA: Before we break, Carol,
8 could you restate the data responses, to make sure I've
9 got them.

10 MS. MacLENNAN: I'll try, but I think we
11 may need --

12 MR. McNAMARA: I've got three for sure
13 that I know the pipeline is responsible for.

14 MS. MacLENNAN: Why don't --

15 MR. McNAMARA: Or would you like to send
16 them out after the fact, would that be easier?

17 MR. MUELLER: Yes or Gary -- or me.

18 MR. COLLIN: Or we can run them off.

19 MS. MacLENNAN: That would be good.

20 MR. MUELLER: The first one I had was
21 provide -- Unitil to provide the communications line for
22 customer service for the transition. Does that make
23 sense? The second one I had -- what's that?

24 MR. COLLIN: When available.

1 MR. MUELLER: Referencing Page 14 of the
2 overview on the Business Integration Plan, indicate which
3 services are provided by Northern versus an outside
4 vendor.

5 MR. MEISSNER: I think that was provided
6 by NiSource retail services affiliate versus Northern.

7 MR. MUELLER: Oh. Okay. Third was
8 explain how Northern/Unitil will ensure the cost for
9 service programs in New Hampshire are paid for by the New
10 Hampshire customers and not Maine customers.

11 MS. MacLENNAN: Right.

12 MR. MUELLER: Then, the fourth one was
13 to Granite, provide expenditures to date by Granite on
14 Integrity Management, explaining the difference between
15 the dollar figures provided in New Hampshire Response 164
16 and Maine Response 3-2.

17 Five, explain the reference to "storage
18 revenue", I think that was in a Granite State response.

19 MR. McNAMARA: Yes.

20 MR. MUELLER: I didn't have the
21 response. Six was --

22 MR. EPLER: I think, as part of that,
23 there was also a question whether Granite would provide
24 the cost of service in an unprotected Excel format.

1 MR. DAMON: Yes. When you say
2 unprotected, I mean there is a Motion for Protective Order
3 on the revenue requirement. It's a question of just
4 getting the Excel spreadsheet.

5 MR. McNAMARA: Again, and we typically,
6 when we send out studies like that or items in -- that are
7 in Excel, we do send them out as image files. For that
8 very reason, we don't want people changing cells and
9 things like that. So, I'm not sure that we're willing to
10 provide that. I'll have to speak to counsel about that.
11 And, this is not just for this, this would be any time
12 that we've responded to requests. We typically do not
13 send out modifiable documents when it comes to rate
14 studies, contracts, things like that.

15 MS. FRENCH: And, I'm not the counsel
16 he's talking about.

17 MR. McNAMARA: Yes. Different, separate
18 counsel.

19 MR. FRINK: Was the calculation, is that
20 just the one-page calculation that you submitted?

21 MR. McNAMARA: There were -- There were
22 several pages, too, based on our FERC Form 2.

23 MR. FRINK: So, that has supporting
24 schedules in a separate document.

1 MR. McNAMARA: And, I'm sorry, I'm not
2 trying to be difficult on that, on that item. It's just,
3 from the standpoint of protecting the Company --

4 MR. FRINK: One question, it's a good
5 suggestion. Could you just provide the cross references
6 for the schedules?

7 MR. McNAMARA: I think that -- I think
8 they're in the data responses.

9 MR. FRINK: Good.

10 MR. MUELLER: Okay. Number six had
11 provide data on the one time cost for the integrity --
12 Integrity Management Program versus future ongoing
13 maintenance requirements.

14 MR. McNAMARA: Got that one.

15 MR. MUELLER: Seven, does Unitil intend
16 to operate in the same way Northern has, in terms of the
17 flexibility allowed marketers/suppliers to deliver gas to
18 customers? And, seven -- no, I guess, is that seven or
19 eight?

20 MS. MacLENNAN: That was seven, I think.

21 MR. MUELLER: That was seven. Eight,
22 what are Unitil's plans for marketer/supplier
23 communications to keep marketers abreast of
24 changes/developments?

1 MS. MacLENNAN: I'm sorry.

2 MR. DAMON: And, could the responses go
3 to both states and the other parties as well? Not just
4 the party that asked for it?

5 MR. MUELLER: Well, yes. No, no. I
6 think, yes, we'll just term these "Joint ODRs" or
7 something, and, yes, we'll just file them with everybody.

8 MS. MacLENNAN: Good.

9 MR. EPLER: Okay. Can we let the folks
10 on the phone -- phones go? Is that --

11 MS. MacLENNAN: Yes.

12 MR. EPLER: Okay. We're going to close
13 down the conference line.

14 MR. CHRISMAN: Okay. Thank you all.

15 FROM THE FLOOR: Thank you.

16 MR. KUMAR: Thank you. Bye now.

17 MR. MUELLER: And, we don't need this to
18 be recorded, right? This next part?

19 MR. DAMON: What's the next --

20 MS. FRENCH: No, it shouldn't, it
21 shouldn't be actually.

22 MR. MUELLER: Yes. Okay. So, Steve,
23 we're off the record.

24 (End of recording - Technical session ended at 4:15 p.m.)

{DG 08-048} [TECHNICAL SESSION] (07-02-08)

