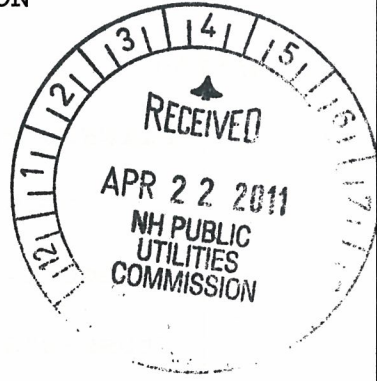


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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 19, 2011 - 10:32 a.m.
Concord, New Hampshire



RE: DG 11-045
NORTHERN UTILITIES, INC.:
2011 Summer Cost of Gas.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Northern Utilities, Inc.:
Susan S. Geiger, Esq. (Orr & Reno)

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

Reptg. PUC Staff:
Alexander Speidel, Esq.
Stephen Frink, Asst. Dir./Gas & Water Div.
Robert Wyatt, Gas & Water Division

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

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I N D E X

PAGE NO.

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 FRANCIS X. WELLS
 JOSEPH F. CONNEELY

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2	Northern Utilities, Inc. New Hampshire Division Updated Cost of Gas Adjustment filing for the Summer Period 2011 (04-15-11)	8
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P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning, everyone. We'll open the hearing in Docket DG 11-045. On March 15, 2011, Northern Utilities filed its proposed cost of gas rates for the Summer Period, May 1 through October 31, 2011. The proposed COG rate for residential customers at that time was 63.54 cents per therm, a 4.91 cents per therm decrease from the average rate from last summer. Proposed changes to the COG rate and current Local Delivery Adjustment Clause rate are expected to decrease a typical residential heating customer's summer bill by approximately \$11, or 2.6 percent, compared to last summer. And, the commercial/industrial rates were commensurate with the residential rate decrease.

Order of notice was issued on March 22nd setting the hearing for today. I also note that, on April 15, the Company submitted updated rates for the COG.

So, can we take appearances please.

MS. GEIGER: Yes. Good morning, Mr. Chairman, Commissioner Below, Commissioner Ignatius. I'm Susan Geiger, from the law firm of Orr & Reno. I represent Northern Utilities, Inc. And, with me this morning at counsel's table is Christopher Kahl from the Company.

1 CHAIRMAN GETZ: Good morning.

2 MS. HATFIELD: Good morning,
3 Commissioners. Meredith Hatfield, for the Office of
4 Consumer Advocate, on behalf of residential ratepayers.
5 And, with me for the office is Ken Traum.

6 CHAIRMAN GETZ: Good morning.

7 MR. SPEIDEL: Good morning,
8 Commissioners. Alexander Speidel, for the Staff of the
9 Commission, together with Bob Wyatt and Steve Frink of the
10 Staff of the Commission. Thank you.

11 CHAIRMAN GETZ: Good morning.

12 MR. SPEIDEL: Good morning.

13 CHAIRMAN GETZ: Are you ready to
14 proceed, Ms. Geiger?

15 MS. GEIGER: Yes, Mr. Chairman. As a
16 preliminary matter, I just want to make sure, I believe
17 that the Company filed its affidavit of publication
18 already in this case at the end of March, is that correct?

19 CHAIRMAN GETZ: That's correct.

20 MS. GEIGER: Thank you. Yes. Thank
21 you, Mr. Chairman. The Company would like to proceed with
22 a panel of the witnesses that prefiled testimony in this
23 docket.

24 (Whereupon **James D. Simpson, Francis X.**

[WITNESS PANEL: Simpson~Wells~Conneely]

1 **Wells**, and **Joseph F. Conneely** were duly
2 sworn and cautioned by the Court
3 Reporter.)

4 **JAMES D. SIMPSON, SWORN**

5 **FRANCIS X. WELL, SWORN**

6 **JOSEPH F. CONNEELY, SWORN**

7 **DIRECT EXAMINATION**

8 BY MS. GEIGER:

9 Q. Good morning. Mr. Simpson, could us please state your
10 name for the record.

11 A. (Simpson) My name is James D. Simpson.

12 Q. And, where are you employed and what position do you
13 hold?

14 A. (Simpson) I am a Senior Vice President of Concentric
15 Energy Advisors.

16 Q. Could you please explain the role that you and/or
17 Concentric played in developing Northern's Summer 2011
18 Cost of Gas filing?

19 A. (Simpson) Concentric assisted Northern with developing
20 several schedules that were submitted, first, with the
21 original filing, and then with the revised filing in
22 this docket.

23 Q. Mr. Simpson, I believe you have in front of you a
24 document that is entitled "Northern Utilities, Inc. New

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 Hampshire Division Cost of Gas Adjustment Filing Summer
2 Period 2011", dated "March 15th, 2011". Could you
3 please identify that document?

4 A. (Simpson) This is Northern Utilities' original Summer
5 2011 Cost of Gas filing.

6 MS. GEIGER: Mr. Chairman, I would ask
7 that that document be marked for identification as
8 "Exhibit 1".

9 CHAIRMAN GETZ: So marked.

10 (The document, as described, was
11 herewith marked as **Exhibit 1** for
12 identification.)

13 MS. GEIGER: Thank you.

14 BY MS. GEIGER:

15 Q. Mr. Simpson, I also believe that you have in front of
16 you another document that is entitled "Northern
17 Utilities, Inc. New Hampshire Division Updated Cost of
18 Gas Adjustment Filing Summer Period 2011", and that is
19 dated "April 15, 2011". Could you please identify that
20 document?

21 A. (Simpson) Certainly. This is the Revised Summer 2011
22 Cost of Gas filing, which was prepared to reflect
23 updated NYMEX futures gas prices as of April 12th,
24 2011. And, in addition, there were other updates,

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 revisions, and corrections to the initial filing that
2 were discussed with Staff and the Office of Consumer
3 Advocate at the April 12th technical session in this
4 docket.

5 MS. GEIGER: Mr. Chairman, I would ask
6 that the document that Mr. Simpson just identified be
7 marked for identification as "Exhibit 2".

8 CHAIRMAN GETZ: So marked.

9 (The document, as described, was
10 herewith marked as **Exhibit 2** for
11 identification.)

12 BY MS. GEIGER:

13 Q. And, Mr. Simpson, have you and other representatives of
14 the Company discussed with Staff and Office of Consumer
15 Advocate representatives this morning any additional
16 needed revisions to the Cost of Gas filings that the
17 Company has made in this docket?

18 A. (Simpson) Yes, we did.

19 Q. And, do any of the revisions that you just referred to
20 affect the Cost of Gas rates that the Company is asking
21 the Commission to put into effect for the Summer
22 Period?

23 A. (Simpson) Some of the revisions that were identified
24 are purely labeling changes that we need to make, and

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 then there are other small computational changes, none
2 of which has a material effect on the rates. And, that
3 the Company proposes to reflect the identified changes
4 in the first and subsequent monthly gas cost reports.

5 Q. Mr. Simpson, did you prefile testimony in this docket?

6 A. (Simpson) I did.

7 Q. And, is that prefiled testimony contained under the tab
8 entitled "Simpson Testimony" in Exhibit 1?

9 A. (Simpson) Yes, it is.

10 Q. And, do you have any corrections or updates to make to
11 your prefiled testimony?

12 A. (Simpson) Related to the update that was filed April
13 15th, I have prepared a redlined version of my
14 testimony that tracks the changes in the numbers as
15 reflected in the updated filing back to numbers that I
16 cite in my testimony.

17 Q. And, Mr. Simpson, I believe you have in front of you a
18 document that we've labeled or I and the Clerk have
19 labeled as "Exhibit 3" in this docket. Is that the
20 revised redlined version of your prefiled testimony?

21 A. (Simpson) Yes, it is.

22 MS. GEIGER: And, Mr. Chairman, I also
23 had the Clerk put copies of that document on the Bench,
24 and would ask that it be marked for identification as

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 "Exhibit 3".

2 CHAIRMAN GETZ: So marked.

3 (The document, as described, was
4 herewith marked as **Exhibit 3** for
5 identification.)

6 MS. GEIGER: Thank you.

7 BY MS. GEIGER:

8 Q. Now, Mr. Simpson, if you were asked the same questions
9 under oath today as those contained in Exhibit 3, would
10 your answers be the same?

11 A. (Simpson) Yes, they would.

12 Q. Do you wish to add anything further to your testimony?

13 A. (Simpson) No, I do not.

14 Q. Thank you. Mr. Wells, could you please state your name
15 for the record.

16 A. (Wells) My name is Francis X. Wells.

17 Q. Where are you employed and what position do you hold?

18 A. (Wells) I am the Manager of Gas Supply for Unitil
19 Service Corp., which provides services to Northern.

20 Q. And, did you prepare prefiled testimony in this docket?

21 A. (Wells) I did.

22 Q. And, is that prefiled testimony contained under the tab
23 entitled "Wells Testimony" in the document that's been
24 marked for identification as "Exhibit 1"?

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 A. (Wells) Yes.

2 Q. And, do you have any revisions or updates to your
3 prefiled testimony?

4 A. (Wells) Yes, I do. I have -- to the extent that my
5 testimony is changed because of the updates to Exhibit
6 -- to Schedule 5A and 5B in the April 15th filing, I
7 adopt those changes as my testimony.

8 Q. Okay. And, subject to those changes and any others
9 that would be necessitated by the revised filing made
10 on April 15th, do you adopt your prefiled testimony
11 under oath today?

12 A. (Wells) I do.

13 Q. Do you have anything further to add to your testimony?

14 A. (Wells) Yes. In my prefiled testimony, I had explained
15 that there were a number of pipeline rate tariff
16 filings, the impact of which were not reflected in the
17 original demand cost estimate provided by the Company
18 and filed with the original filing. After the
19 technical session with the Office of Consumer Advocate
20 and the Commission Staff, the Company agreed to update
21 the demand cost forecast for the purpose of reflecting
22 the proposed pipeline rate tariff changes in the final
23 rate that would be presented to the Commission for
24 review and approval.

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 Q. And that has been done?

2 A. (Wells) Yes.

3 Q. Thank you. Mr. Conneely, could you please state your
4 name for the record.

5 A. (Conneely) My name is Joseph F. Conneely.

6 Q. Where are you employed and what position do you hold?

7 A. (Conneely) I'm employed by Unitil Service Corp., and
8 I'm a Regulatory Analyst.

9 Q. Did you prepare prefiled testimony for this docket?

10 A. (Conneely) Yes, I did.

11 Q. And, is that prefiled testimony contained under the tab
12 entitled "Conneely Testimony" in the document that's
13 been premarked for identification as "Exhibit 1"?

14 A. (Conneely) Yes.

15 Q. Do you have any corrections or revisions to your
16 prefiled testimony?

17 A. (Conneely) Yes, I do. As a result of the updated Cost
18 of Gas filing made on April 15, 2011, a few figures
19 appearing on my Page 4 of my prefiled testimony need to
20 be updated. On Page 4, Line 3, the figure of "0.6354"
21 should be updated to "0.6673". On Line 4, the figure
22 of "0.0491" should be "0.0319". Again, in my
23 testimony, on Line 12 of Page 4, the figure "\$396.66"
24 should be "\$406.81". On Line 13, I have two changes.

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 The figure "10.57" should be -- should be a negative
2 "0.42 cents". And, the figure "2.59 percent", should
3 be a negative "0.10 percent".

4 Q. Mr. Conneely, with those revisions, do you adopt your
5 prefiled testimony under oath today?

6 A. (Conneely) Yes, I do.

7 MR. SPEIDEL: Excuse me. May you please
8 repeat those corrections, from the beginning?

9 WITNESS CONNEELY: Sure.

10 MR. SPEIDEL: Because we're trying to
11 follow along where you're going here.

12 WITNESS CONNEELY: Absolutely.

13 CHAIRMAN GETZ: If we could get to the
14 very end, on Pages -- or, on Line 13, you would have
15 changed it to a negative lower than?

16 WITNESS CONNEELY: Let me start -- can I
17 start from the beginning?

18 CHAIRMAN GETZ: Yes.

19 WITNESS CONNEELY: Okay. On Page 4 of
20 my prefiled testimony, Line 3, the initial figure of
21 "0.6354" should be a "0.6673". On Line 4, the figure of
22 "0.0491" should be "0.0319". On Line 12 of Page 4, the
23 figure of "\$396.66" should be "\$406.81". On Line 13,
24 there's two changes. The figure "\$10.57" should be a

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 "0.42 cents". And, the figure "2.59" should be
2 "0.10 percent".

3 MR. SPEIDEL: And, just by way of
4 clarification, on Line 13, "0.42 cents", you mean "\$0.42",
5 meaning 42 cents?

6 WITNESS CONNEELY: Correct.

7 MR. SPEIDEL: Thank you.

8 CHAIRMAN GETZ: And, "0.10 percent"
9 really is "1 percent" or --

10 WITNESS CONNEELY: One percent, yes.
11 I'm sorry, 0.1, tenth of a percent.

12 MR. SPEIDEL: One tenth of one percent.

13 WITNESS CONNEELY: Correct. Yes.

14 MR. SPEIDEL: One tenth of one percent.
15 Thank you.

16 BY MS. GEIGER:

17 Q. Mr. Conneely, with those revisions, do you adopt your
18 prefiled testimony under oath today?

19 A. (Conneely) Yes, I do.

20 Q. Do you have anything further to add to your prefiled
21 testimony?

22 A. (Conneely) No. Nothing.

23 MS. GEIGER: And, unless the
24 Commissioners would like the witnesses to elaborate any

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1 further on their prefiled testimony, they are available
2 for cross-examination.

3 CHAIRMAN GETZ: Thank you.

4 Ms. Hatfield.

5 MS. HATFIELD: Thank you, Mr. Chairman.

6 **CROSS-EXAMINATION**

7 BY MS. HATFIELD:

8 Q. Mr. Wells, you a moment ago testified about pipeline
9 rate cases. Do you recall that?

10 A. (Wells) Yes.

11 Q. And, if we look at Page 4 of 26 of your prefiled
12 testimony, is that where you discuss that in the
13 testimony?

14 A. (Wells) Page 4 of 26?

15 Q. Yes.

16 A. (Wells) Yes. As part of my summary, I do discuss an
17 update on the major pipeline rate cases. I also, on
18 Page 21, beginning on Page 21, I provide a more
19 detailed update of the pipeline rate cases that
20 Northern is currently involved in.

21 Q. And, on Page 4, at Line 9, you talk about "shippers'
22 groups" that Northern belongs to. Do you see that?

23 A. (Wells) Yes.

24 Q. Can you just briefly discuss Northern's participation

[WITNESS PANEL: Simpson~Wells~Conneely]

1 in those various groups?

2 A. (Wells) Yes. Northern is involved in the Portland
3 Shippers Group, which is representing Northern's
4 interests in the Portland Natural Gas Transmission
5 System rate case. We participate also in the New
6 England LDC Group, which represents the Company's
7 interests in the Tennessee rate case, and is also a
8 long-standing group, which basically represents the
9 Company in all Tennessee-related matters. Also, we are
10 part of the Northeast Gas Markets Group, which
11 generally represents the Company in all of its Canadian
12 -- Canadian contracts before the National Energy Board
13 for the TransCanada Tolls Application.

14 Q. Thank you. Mr. Simpson, would you please turn to
15 what's been marked as "Exhibit 2", which is the
16 Company's updated filing.

17 A. (Simpson) I'm there.

18 Q. About a third of the way through the update, there's a
19 page that just says "Summary" on it. Do you see that
20 page?

21 A. (Simpson) Is that your numbered Page 20?

22 MS. HATFIELD: Yes. Mr. Chairman, the
23 pages aren't numbered. If one were to count the pages, it
24 would be Page 20.

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1 BY MS. HATFIELD:

2 Q. Are you there, Mr. Simpson?

3 A. (Simpson) I am.

4 Q. And, if you look at the next page, it says, in the
5 upper right-hand corner, "Summary Page 1 of 4". Do you
6 see that?

7 A. (Simpson) I do.

8 Q. And, if you look at Line 50, it's described as
9 "Miscellaneous Overhead". Do you see that?

10 A. (Simpson) I do.

11 Q. Can you please tell us what is included in
12 "Miscellaneous Overhead"?

13 A. (Simpson) Let me start by giving a little bit of
14 background as to the origin of that Overhead --
15 "Miscellaneous Overhead" number. In the year 2000,
16 this Commission opened up proceedings for Northern
17 Utilities and EnergyNorth. They were revenue-neutral
18 rate redesign proceedings, and they were established
19 for the purpose of establishing rates that would be
20 reflective of the Commission's rate unbundling/service
21 unbundling initiatives.

22 So, as part of the revenue-neutral rate
23 redesign, cost analyses were performed to identify the
24 costs that were previously recovered in the base

[WITNESS PANEL: Simpson~Wells~Conneely]

1 distribution rates that related specifically and solely
2 to services that were provided to the Company's bundled
3 sales service customers. And, so, "Miscellaneous
4 Overhead" is one of those categories. And, the
5 Commission approved, in an order approving settlement
6 agreement, Order Number 23,674, dated April 5, 2001,
7 the recovery of annual miscellaneous overheads for
8 Northern Utilities of 124,297. And, so, those -- that
9 \$124,297 then is to be reflected in the cost of gas
10 rates that are charged to Northern Utilities' bundled
11 sales service customers.

12 There is a further process to allocate
13 the annual total between the winter period and the
14 summer period. And, the number that is shown on Line
15 24 of the summary schedule, which is "\$25,964", is the
16 allocation of the annual total to the summer period.
17 The 2010-2011 Winter Period Cost of Gas factor that is
18 currently in effect is recovering the remainder, which
19 is \$98,333. So that the sum of the 98,000 and the
20 almost \$26,000 is the \$124,297 that was authorized by
21 this Commission to be recovered as "Miscellaneous
22 Overhead".

23 Q. And, Mr. Simpson, I think you just referred to "Line
24 24", but did you mean "Line 50"?

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 A. (Simpson) Yeah, I did. I'm very sorry. I don't know
2 how I got that. Yes. Thank you.

3 Q. Thank you. Mr. Simpson, I'm not sure if you're the
4 right witness to ask this question to, so the others
5 can feel free to respond as well. Is company use and
6 dollars related to unaccounted for gas allocated to
7 sales and transportation customers?

8 A. (Wells) Yes, it is.

9 Q. And, how is it allocated?

10 A. (Wells) In the cost of gas, it's allocated by being
11 built in as a requirement for cost of gas. So that the
12 amount of gas that it is required of the Company to
13 purchase is increased by that amount which is needed
14 for company use. For retail suppliers, when we
15 calculate the Company gas allowance each year, we
16 include a -- a portion of that is inclusive of company
17 use. So, the two mechanisms by which these two
18 customer groups absorb of a portion of company use is
19 slightly different, but they both get assessed a
20 portion.

21 Q. And, are those portions assessed proportionately based
22 on use?

23 A. (Wells) Yes.

24 Q. And, Mr. Wells, if you would turn to Exhibit 1, the

{DG 11-045} {04-19-11}

[WITNESS PANEL: Simpson~Wells~Conneely]

1 Company's original filing, and turn to Tab 13 please.

2 A. (Wells) Okay.

3 Q. Would you please look at Bates Page 138.

4 A. (Wells) Yes.

5 Q. Can you just briefly describe what this chart is
6 showing?

7 A. (Wells) Certainly. The chart is labeled "Migration to
8 Transportation Only Service by Rate Class". It
9 provides, for each rate class, our sales forecast for
10 November 2010 through October 2011, by rate class. The
11 first portion of the table shows those customers which
12 are being served by sales service. The second portion
13 shows those customers that are transportation only.
14 And, then, the third portion shows the sum of the two
15 sections above. And, in each case, it shows the
16 percentage of each rate class for the total of that
17 subgroup. And, then, for the first two portions it
18 shows the sales service percentages for the total rate
19 class and the transportation service percentage by the
20 total rate class.

21 Q. And, do I understand correctly that it is only
22 commercial and industrial customers who are migrating?

23 A. (Wells) That is correct.

24 Q. Does their migration result in any cost-shifting to

{DG 11-045} {04-19-11}

[WITNESS PANEL: Simpson~Wells~Conneely]

1 other customers who don't migrate?

2 A. (Wells) No.

3 Q. Why is that the case?

4 A. (Wells) Any customer who migrates from sales service is
5 assigned capacity by the Company based on our estimate
6 of their Design Day requirement. So, they would get a
7 prorated share of the capacity pertaining to that
8 customer.

9 MS. HATFIELD: Thank you, Mr. Chairman.

10 I have nothing further.

11 CHAIRMAN GETZ: Thank you. Mr. Speidel.

12 MR. SPEIDEL: Yes. Thank you.

13 BY MR. SPEIDEL:

14 Q. Following up on Ms. Hatfield's question, given that
15 these allocations are updated only once a year, has the
16 allocation between transportation and demand customers,
17 has that been updated as well and reflected within this
18 graph?

19 A. (Wells) No. This reflects our sales forecast with the
20 winter filing. We do not typically update our sales
21 forecast for the summer cost of gas. So, this schedule
22 reflects that sales forecast as of that time.

23 Q. So, that it would follow from that, Mr. Wells, that the
24 increased transportation costs will not be passed on

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 until next winter for pipeline demand costs for
2 transportation customers?

3 A. (Wells) I guess I prefer to think of it as we're coming
4 up with an average rate. And, I think if you -- if you
5 look at it in terms of the impact on the rate, to the
6 extent that customers have migrated since this sales
7 forecast was developed, the impact would be that the
8 demand cost that, if we were to recalculate the entire
9 rate, the demand cost allocated to that -- to that
10 customer group that's remaining would probably be
11 lower, but the sales would be lower as well. So, I'm
12 not sure that there's really a measurable or, you know,
13 a significant impact on the cost of gas by not
14 reflecting these updates. So, it's only that portion,
15 you know, that will be different from the prior filing,
16 you know, if we were to -- if we were to try to capture
17 that, try to say this one more time, to make sure I'm
18 not contradicting myself, but that the demand cost
19 allocated to the summer period would be impacted by the
20 demand -- by the change of this schedule.

21 So, even though you are -- I mean, I
22 think it's correct that the costs would be different,
23 but it would also be -- the corollary would be that the
24 revenue would be different as well. And, so, that the

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 net impact of that is probably pretty insignificant.

2 Q. Thank you. I actually have a few more questions for
3 Mr. Wells. This would be with regards to the initial
4 prefiled testimony in the initial filing, Exhibit 1.
5 And, we can begin on Page 22. Now, if you may take a
6 moment to just read the first paragraph, "Please
7 provide an update to the 2008 PNGTS Rate Case", at
8 Lines 2 through 9.

9 A. (Wells) Would you like me to read those?

10 Q. Well, you don't have to read them out loud, just for
11 your own --

12 A. (Wells) Okay.

13 Q. -- just to refresh your own memory.

14 A. (Wells) Okay. Thank you.

15 Q. The reason I'm asking is that I will ask as to "whether
16 there are any significant updates to your testimony
17 related to either of the two PNGTS rate cases that
18 should be noted in this proceeding?"

19 A. (Wells) I've read the section. And, in a way of an
20 update on the 2008 PNGTS rate case, I would like to add
21 that several of the parties involved in this case have
22 actually, at this time, did file motions for rehearing,
23 including the Portland Shippers Group, of which
24 Northern is a member. PNGTS also filed for rehearing

{DG 11-045} {04-19-11}

[WITNESS PANEL: Simpson~Wells~Conneely]

1 of Opinion 510. I would like to also add that PNGTS
2 has sought a waiver from filing a compliance filing
3 with Opinion 510, subject to the Commission's -- the
4 FERC Commission's final review of the various motions
5 for rehearing.

6 Q. Okay. Thank you. The next question would be, are most
7 of Northern's PNGTS capacity costs in the winter period
8 cost of gas forecasts?

9 A. (Wells) Yes, they are. Northern has two contracts with
10 PNGTS totaling 34,100 decatherms; 33,000 decatherms of
11 that is "winter only" capacity, for which Northern is
12 billed only for the months of November through March,
13 and the remaining 1,100 decatherms is available
14 year-round at the Company.

15 Q. Thank you. Do you know, Mr. Wells, what the expected
16 increase in Northern's New Hampshire Division annual
17 pipeline demand charges would be, if the proposed
18 Tennessee rate case increase is approved?

19 A. (Wells) That would actually be a more complicated
20 question than it appears on the surface, because there
21 are two rate cases ongoing at the FERC. In reference
22 to the 2010 rate case, which is the one that is
23 currently being -- is in the process of being
24 litigated, the rate -- the rate went from approximately

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 \$27 to \$44 for our year-round service, and from \$52 to
2 \$76 for our "winter only" service. And, the increase
3 in that is approximately 40 percent. Unfortunately, I
4 cannot point to a schedule that gives the exact
5 numbers.

6 Q. It's all right, Mr. Wells. We'll discuss it during the
7 Winter Cost of Gas filing, --

8 A. (Wells) Okay.

9 Q. -- since it might be hard to quantify at this point. I
10 just wanted to sort of take a look at that if it were
11 at the tip of the fingers, and understand that it might
12 not be.

13 The following question that we have
14 relates to Page 24 of your prefiled testimony. And,
15 there is a reference at Lines 13 through 14, reads that
16 "Northern has intervened as a member of the New England
17 Tennessee Shippers Group." Now, the FERC webpage also
18 shows that Northern has intervened in the Tennessee
19 docket as part of the New England Local Distribution
20 Companies, which I believe you've referred to earlier
21 today. Do you know what the difference is between the
22 two groups?

23 A. (Wells) I believe I used the term "New England
24 Tennessee Shippers Group" and the "New England LDCs"

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 interchangeably. The correct reference is "New England
2 LDCs". I would also point out that the New England
3 LDCs have joined a Northeast Shippers Group, and are
4 also participating with a larger group of shippers,
5 larger than the New England LDCs, so that probably
6 contributed, I apologize, a bit to my confusion in
7 conveying that properly in my prefiled testimony.

8 Q. Well, thank you for the explanation. We have a
9 question that goes to Northern's level of involvement
10 in the TransCanada Pipeline case. Would you say that
11 the involvement in the TransCanada Pipeline rate case
12 by the Company is similar to that of its involvement in
13 the PNGTS and Tennessee cases?

14 A. (Wells) It has some similarities; it also has some
15 differences. I want to point out that we have two
16 contracts, Northern has two contracts with TransCanada.
17 And, if I look at my Schedule 5A, either the originally
18 filed or the revised is fine -- actually, I'd prefer to
19 look at the revised. I apologize for that. I note
20 that we have two contracts with TransCanada. They're
21 listed as one for 6,264 gigajoules, from Parkway to
22 Iroquois. This contract is part of the ANE Shippers
23 Group. And, there is also a contract for 35,872
24 gigajoules, from Dawn to East Hereford. This contract

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 is not part of the Trans -- of the ANE Shippers Group.
2 And, so, we need to, although, for the most part, the
3 interests of the ANE and Northern are well-aligned,
4 there are some issues that don't overlap. In
5 particular, TransCanada charges for a pressure charge
6 for deliveries at East Hereford. Because East Hereford
7 interconnects with Portland Natural Gas Transmission,
8 and the requirements of the Portland Natural Gas
9 Transmission are for a higher pressure than are
10 normally required under TransCanada's tariff, there are
11 incremental investments and incremental costs to
12 TransCanada for those deliveries. And, you know, this
13 is a well-established National Energy Board precedent
14 for charging those capacity holders incrementally for
15 the increased -- for what would be considered above
16 normal service levels, having a separate pressure
17 charge.

18 We do have -- we have identified some
19 issues with their rate calculation. And, as a result
20 of which, Northern has subsequently joined the Tolls
21 Task Force. The Tolls Task Force is a group that is
22 basically headed by TransCanada for the purpose --
23 under the, you know, under the direction of the
24 National Energy Board, for the purpose of parties just

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 negotiating and generally discussing rate issues.
2 We've joined the Tolls Task Force for the purpose of
3 addressing these pressure charges at East Hereford.
4 Specifically, the issue is that the revenue that
5 TransCanada has used for a rate determination reflects
6 only the long-term contracts that TransCanada has.
7 And, currently, the only parties with long-term
8 contracts are Northern and one other party.

9 However, our issue is that there's a lot
10 more, you know, TransCanada should expect a lot more
11 flow through that meter than just those under those
12 long-term contracts. And, we would like to join -- our
13 purpose in joining the Tolls Task Force, at least
14 initially, is to try to raise this issue and get the
15 proposed -- their proposed methodology for calculating
16 that pressure charge to reflect a higher volume, so as
17 to lower the rate to Northern's customers.

18 Q. Thank you, Mr. Wells. This is in reference to Mr.
19 Conneely's testimony, and in his original filing as
20 part of Exhibit 1. This would be Page 2, and it's Line
21 1 -- no, that's not correct. In any event, oh, Line 1
22 in Tab -- that might have been -- Mr. Conneely, did the
23 Company discuss its Revised Summer 2010 Cost of Gas
24 Reconciliation with Staff and the OCA at the cost of

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 gas technical session last week?

2 A. (Conneely) Yes.

3 Q. Thank you very much. And, I also have a question for
4 the panel at large, someone might be able to assist.
5 This is within the filed updated as part of Exhibit 2.
6 And, this is the "Discussion of Revisions" page. Now,
7 that's -- there aren't date stamps here, but it's
8 roughly within the middle of the document, and
9 resembles this [indicates]. And, has the heading
10 "Northern Utilities, Incorporated in large lettering at
11 the top, and then it reads "Prepared by Frederick J.
12 Stewart, Manager, Regulatory Services." In the second
13 paragraph of this document, the Company notes that "the
14 updated demand costs for the Tennessee Gas Pipeline,
15 the TransCanada Pipelines, and Granite State Gas
16 Transmission", and that "Northern has implemented
17 various format changes."

18 Now, what Staff would be interested in
19 is whether the Company could provide the FERC tariff
20 pages supporting the updated demand costs?

21 A. (Wells) Yes, we could. We could take that as a record
22 request.

23 MR. SPEIDEL: We would appreciate that.
24 If we may have that marked as "Record Request Number 1"?

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[WITNESS PANEL: Simpson~Wells~Conneely]

1 CHAIRMAN GETZ: We'll reserve "Exhibit
2 4" for that filing.

3 **(Exhibit 4 reserved)**

4 MR. SPEIDEL: Thank you. And, Staff has
5 no further questions. Thank you.

6 CHAIRMAN GETZ: Thank you. I guess no
7 questions from the Bench. Are there any redirect
8 questions?

9 MS. GEIGER: Mr. Chairman, may I have
10 just a second with the clients please?

11 (Atty. Geiger conferring with the
12 witnesses.)

13 MS. GEIGER: Thank you, Mr. Chairman.
14 The Company has nothing further.

15 CHAIRMAN GETZ: Okay. Thank you. Then,
16 the witnesses are excused. Thank you, gentlemen.

17 WITNESS WELLS: Thank you.

18 CHAIRMAN GETZ: Any objection to
19 striking the identifications and admitting the exhibits
20 into evidence?

21 MS. GEIGER: No.

22 CHAIRMAN GETZ: Hearing no objection,
23 they will be admitted into evidence. Anything else before
24 we provide an opportunity for closings?

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1 (No verbal response)

2 CHAIRMAN GETZ: Hearing nothing, then,
3 Ms. Hatfield.

4 MS. HATFIELD: Thank you, Mr. Chairman.
5 The OCA has no objection to the Company's filing. And, we
6 appreciate that the Commission allowed us a few minutes
7 before the hearing to have a technical session. And, we
8 agree with the Company's proposal that any additional
9 revisions would be reflected in their monthly updates.
10 Thank you.

11 CHAIRMAN GETZ: Thank you. Mr. Speidel.

12 MR. SPEIDEL: Thank you very much,
13 Mr. Chairman. Staff also thanks the Commission for
14 allowing some time for a technical session. And, Staff
15 also supports the Northern Utilities proposed 2011 Summer
16 Cost of Gas rates. Staff has been able to match the NYMEX
17 prices used in the updated cost of gas forecast, Schedule
18 22, Page 1, Line 13, to the April 11, 2011 settlement
19 prices and is satisfied that these prices provide a fair
20 representation of current market conditions.

21 Northern is participating in various
22 customer/shipper groups dealing with several pipeline rate
23 proceedings currently before the Federal Energy Regulatory
24 Commission, or FERC, and the Canadian National Energy

1 Board, or the NEB. The Company has made adjustments to
2 this Cost of Gas filing that incorporates the best rate
3 information available at this time. Because of the way
4 Northern allocates more of these pipeline demand charges
5 to the winter cost of gas periods, the final outcome of
6 these FERC rate filings will likely have a more noticeable
7 impact in Northern's winter cost of gas forecast.

8 This morning the Staff talked with
9 Commission Audit Staff, which notes it has nearly
10 completed its review of the 2010 Summer Cost of Gas
11 reconciliation, and expects the revised reconciliation to
12 be materially accurate. The sales forecast for the 2011
13 Summer Period appears to be consistent with recent past
14 history. The supply plan integrates actual costs for
15 hedged supplies and recent NYMEX futures average prices
16 for non-hedged supplies. Staff has discovered what it
17 considers minor discrepancies in the Revised Cost of Gas
18 calculations that should have no material effect on the
19 rate calculations and will easily be corrected by the
20 Company prior to the first monthly over and under report.

21 Staff and the parties have conducted a
22 brief technical session, as mentioned, to discuss these
23 errata. Staff also suggests, subject to Commission
24 approval, that any corrections agreed upon in today's

1 technical session be noted and incorporated into the first
2 monthly cost of gas over and under reconciliation report.

3 There will be a reconciliation of 2011
4 projected and actual gas costs, and any concerns that may
5 arise related to the 2011 Summer gas planning and dispatch
6 may be raised and addressed in the 2012 Summer Cost of Gas
7 proceeding.

8 The Company and Staff had a productive
9 cost of gas format work session two years ago, and further
10 refinements with each subsequent cost of gas proceeding in
11 an attempt to refine and make its cost of gas filing more
12 consistent with that of its local market peer, National
13 Grid New Hampshire/EnergyNorth. Much progress has
14 occurred as a result, and Northern has agreed to meet with
15 Staff again, prior to the Winter Cost of Gas filing for
16 another work session to refine some of the schedules in an
17 attempt to make further improvements to its filing and,
18 hopefully, to streamline the entire process. Thank you.

19 CHAIRMAN GETZ: Thank you. Ms. Geiger.

20 MS. GEIGER: Yes. Thank you Mr.
21 Chairman. Northern Utilities would respectfully ask that
22 the cost of gas rates that it has submitted with its most
23 recent filing be put into effect by the Commission. We
24 certainly appreciate the Commission's opportunity this

1 morning for the Company to meet with Staff and OCA in a
2 brief technical session that resulted in an agreement
3 among the parties that further refinements or adjustments
4 to correct for errata in the revised filing will be made
5 in the first monthly cost of gas over/under
6 reconciliation, so that, again, so that the information
7 that Staff brought to the Company's attention, which has
8 no material effect at all on the COG rate, will be
9 reflected in that filing.

10 Again, the Company appreciates very much
11 Staff's and OCA's thoroughness in reviewing the filing and
12 in vetting the issues, both at the technical session that
13 was held April 12th, as well as the one that was held this
14 morning just before today's hearing. And, with that, we
15 will submit the case to the Commission for a decision.
16 Thank you.

17 CHAIRMAN GETZ: Thank you. And, then,
18 we'll close this hearing and take the matter under
19 advisement.

20 **(Whereupon the hearing ended at 11:18**
21 **a.m.)**