

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

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4 **October 25, 2012** - 1:35 p.m.  
Concord, New Hampshire

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7 RE: **DG 12-131**  
8 **NORTHERN UTILITIES, INC.**  
9 *Investigation into Maine-New Hampshire*  
10 *Interstate Cost Allocation Matters.*

11  
12 **DG 12-273**  
13 **NORTHERN UTILITIES, INC.**  
14 *Winter 2012-2013 Cost of Gas.*

15  
16 **PRESENT:** Commissioner Michael D. Harrington, Presiding  
17 Commissioner Robert R. Scott

18 F. Anne Ross, General Counsel

19 Sandy Deno, Clerk

20 **APPEARANCES:** **Reptg. Northern Utilities, Inc.**  
21 Gary Epler, Esq.  
22 Rachel A. Goldwasser, Esq. (Orr & Reno)

23 **Reptg. Residential Ratepayers:**  
24 Rorie E. P. Hollenberg, Esq.  
Donna McFarland, Finance Director  
Office of Consumer Advocate

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

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

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

CMSR. HARRINGTON: Good afternoon.

MS. HOLLENBERG: Good afternoon.

CMSR. HARRINGTON: I guess we all fit in here with not too much room left over. Today we're here to have the combined hearing on DG 12-131, Investigation into Interstate Gas Cost Allocation Errors, and DG 12-273, Winter Cost of Gas. We'll be running the two as a single hearing and we're just combining the dockets. Let's start with maybe the obvious question at this time, the notice of the hearing has been published?

MS. DENO: Yes, it has.

CMSR. HARRINGTON: You have that? Okay. Are there any administrative matters that we need to take? So, we'll just go with appearances then.

MR. EPLER: Thank you, Commissioners. My name is Gary Epler. I'm the Chief Regulatory Counsel for Unutil Service Corp., appearing on behalf of Northern Utilities. And, with me is Attorney Rachel Goldwasser of the firm Orr & Reno. Thank you very much.

CMSR. HARRINGTON: Okay.

MS. HOLLENBERG: Good afternoon. Rorie Hollenberg and Donna McFarland here for the Office of Consumer Advocate.

1 MR. SPEIDEL: Good afternoon,  
2 Commissioners. Alexander Speidel, on behalf of Commission  
3 Staff. And, I have with me Robert Wyatt and Steve Frink  
4 of the Gas and Water Division.

5 CMSR. HARRINGTON: Okay. What we'll do  
6 is we're going to start with DG 12-131, and then we'll go,  
7 when that's completed, directly into DG 12-072 [12-273?].

8 MS. ROSS: Seventy-three.

9 CMSR. HARRINGTON: Seventy-three, I'm  
10 sorry. That's the wrong number.

11 CMSR. SCOTT: That's why she's here.

12 CMSR. HARRINGTON: Right. Exactly.

13 That's why Anne's here. Bear with me one second.

14 (Short pause).

15 CMSR. HARRINGTON: Anyway, we'll just go  
16 ahead, it will just make this briefer, that's all. On DG  
17 12-131, a prehearing conference was held on May 30th.  
18 And, there's a Hearings Examiner report filed. There were  
19 no intervenors except for the Office of OCA, who filed  
20 their Notice of Intent on 5/24 that they would be a  
21 participant in the hearing. A Settlement Agreement was  
22 reached between all parties and was filed with the  
23 Commission on 10/16.

24 And, I guess we'll start with the

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1 Company panel, which has already taken their seat.

2 MR. EPLER: Yes. Commissioners, if it's  
3 all right, in terms of procedure, I think it would be  
4 appropriate if we swear in the Company's panel, introduce  
5 them. There are two exhibits that we would then request  
6 to be marked. And, then, I'll have a short opening  
7 statement, if that is okay with the Commission. And, I  
8 think there's general agreement from the Staff and the OCA  
9 to proceed in that manner.

10 CMSR. HARRINGTON: Okay. That sounds  
11 like a plan of action. Thank you. Just excuse me for one  
12 second.

13 (Short pause.)

14 CMSR. HARRINGTON: Go ahead and swear  
15 them in.

16 (Whereupon *Christopher A. Kahl,*  
17 *Todd Diggins,* and *George Simmons* were  
18 duly sworn by the Court Reporter.)

19 **CHRISTOPHER A. KAHL, SWORN**

20 **TODD DIGGINS, SWORN**

21 **GEORGE SIMMONS, SWORN**

22 **DIRECT EXAMINATION**

23 BY MR. EPLER:

24 Q. Okay. Could the panel, starting at my left, please

[WITNESS PANEL: Kahl~Diggins~Simmons]

1 state your name, state by whom you're employed, and the  
2 position you hold.

3 A. (Kahl) Christopher Kahl. I'm a Senior Regulatory  
4 Analyst for Unutil Corporate Services.

5 A. (Diggins) Todd Diggins. I'm the Manager of General  
6 Accounting and employed by Unutil Service Corp.

7 A. (Simmons) I'm George Simmons, Manager of Regulatory  
8 Services, Unutil Service Corp.

9 MR. EPLER: Okay. Thank you.

10 Commissioners, as I indicated, there are two exhibits that  
11 we -- two documents that we'd like marked as exhibits.

12 The first is the report that was filed by the Company on  
13 July 20th, 2012, consists of a narrative and a number of  
14 schedules. And, then, the second would be the Settlement  
15 Agreement that was filed by the parties on October 15th,  
16 2012. So, if these can be premarked for identification  
17 purposes as exhibits, 1 would be the report and 2 would be  
18 the Settlement Agreement.

19 CMSR. HARRINGTON: That's fine. We can  
20 mark them as such.

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

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 CMSR. HARRINGTON: Just make sure that  
2 she gets a copy when she's back or she should have one.

3 MR. EPLER: Yes. I believe she has one,  
4 but I will check with her. Thank you.

5 CMSR. HARRINGTON: Okay. Fine. Go  
6 ahead.

7 MR. EPLER: Okay. Thank you. By way of  
8 background, I thought it would be helpful if I gave a  
9 short opening statement to set the context for the report  
10 and for the Settlement Agreement.

11 During the course of preparing for  
12 Northern's winter season cost of gas filing, for both New  
13 Hampshire and its peak period cost of gas factor for Maine  
14 in 2011, Northern Utilities discovered an inconsistency in  
15 its allocation of certain gas supply resource costs  
16 between its Maine and New Hampshire Divisions. The  
17 Company investigated the matter and, shortly thereafter,  
18 it determined that the allocation of costs, of these  
19 resource costs, to its Maine and New Hampshire Divisions  
20 required revisions to the inclusion of Maine Division's  
21 company managed sales volumes in its monthly supply cost  
22 allocator.

23 As a result of this, in November 2011,  
24 Northern updated its allocator. And, in its 2012 summer



[WITNESS PANEL: Kahl~Diggins~Simmons]

1 season off-peak filings, both in Maine and New Hampshire,  
2 included monthly allocation adjustments in its cost of gas  
3 reconciliation. At this point -- and this summer season  
4 off-peak filing became Docket DG 11-068. At this point,  
5 the Company continued to investigate this matter.

6 If the Commission recalls, in that  
7 off-peak filing and docket, there were some discovery  
8 requests related to this matter. And, it was discussed at  
9 the hearing, and it appeared that there were potentially  
10 some additional sums of money involved other than what the  
11 Company had proposed in its reconciliation filing. As a  
12 result of that, and the -- the Staff recommended that the  
13 Commission open up a new docket, which turned into the  
14 present docket, so that this matter could be further  
15 investigated. The Commission adopted that recommendation,  
16 and, in Order 25,354, opened this docket.

17 There were a number of -- there was a  
18 prehearing conference, a technical session that followed,  
19 and an initial round of discovery by the Staff to the  
20 Company. During discussions between the Company and the  
21 Consumer Advocate, and the Staff, prior to the prehearing  
22 conference, the parties concluded that it would be best if  
23 the Company filed a report, rather than just proceeding  
24 with discovery, and so on, that it would be helpful for

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 the Company to complete its investigation which it  
2 indicated that it was undertaking. So, that was presented  
3 to the Commission, the Commission agreed that it would be  
4 beneficial for the Company to do so.

5 The report was initially due on June  
6 22nd. The Company requested additional time to file.  
7 And, on July 20th, 2012, the Company filed the report. At  
8 the same time, under separate cover, the Company also  
9 filed its responses to the first set of data requests.

10 Basically, the report concludes that  
11 certain costs, certain sales volumes were excluded from  
12 the Maine Division due to an incorrect allocator,  
13 allocation formula. Apparently, this problem with the  
14 allocator had been discovered by the predecessor owner,  
15 NiSource or Bay State, during the Summer of 2008 and was  
16 corrected. But, during the transition of ownership from  
17 Bay State and NiSource to Unitil, which occurred during  
18 the course of the summer and was finalized in December of  
19 2008, those corrections were never memorialized, either in  
20 documentation or through discussions between the  
21 companies. So, the instructions that Unitil under --  
22 Northern, under Unitil ownership, obtained from the  
23 Company inherited the incorrect allocation formula.

24 So, as a result, when the Company made

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 its subsequent filings each season, cost of gas filings  
2 and so on and filed its reconciliations, the incorrect  
3 allocations were carried forward. And, this was the  
4 anomaly that the Company realized as we worked through  
5 gaining understanding of the allocator and more  
6 familiarity with the cost of gas filings. That's what  
7 came to our attention during the Winter of 2011, and what  
8 we continued to investigate through this period leading up  
9 to the report.

10 At the time we filed our -- made the  
11 filing in the off-peak season in 2011, our investigation  
12 wasn't complete, so at that time we didn't know the extent  
13 of it. Upon filing the report, we realized -- well, prior  
14 to filing the report, we realized the amounts were in  
15 excess of \$4 million. The way the allocation works, the  
16 Company didn't benefit from this misallocation. It's  
17 really what I guess is commonly referred to as a "zero-sum  
18 game". If we weren't allocating costs to Maine, those  
19 costs were being allocated to New Hampshire. The Company  
20 didn't benefit from that, either outright or through a  
21 flow-through of any interest or monies or so on.

22 So, we undertook a recalculation of  
23 these amounts for each specific period, and provided  
24 documentation. That documentation is in the appendices

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 and the schedules that are part of the report. We  
2 actually went back and recalculated each period.

3 You'll see in the Settlement Agreement  
4 that the exact amount that we indicate was overcollected  
5 from New Hampshire is the amount that we are proposing in  
6 the Settlement Agreement to flow back to New Hampshire  
7 ratepayers. The Settlement Agreement is pretty  
8 straightforward, in that it indicates that that amount  
9 would be flowed through over a one-year period.

10 With that, if I could ask --

11 CMSR. HARRINGTON: Excuse me, Mr. Epler.

12 MR. EPLER: Yes.

13 CMSR. HARRINGTON: Just one quick  
14 question for clarification.

15 MR. EPLER: Sure. Absolutely.

16 CMSR. HARRINGTON: The previous owner  
17 identified the problem, and then corrected it. So, at the  
18 time of the transfer to Unitil, there was no money owed to  
19 the New Hampshire ratepayers?

20 MR. EPLER: As far as we know, we don't  
21 have complete records, but we do know that the -- in their  
22 two summer -- the correction occurred in the 2008 Summer  
23 filing, the correction that they explored. And, I believe  
24 that amount was approximately \$3 million.

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 CMSR. HARRINGTON: And, they returned  
2 that --

3 MR. EPLER: \$3 million that was returned  
4 to New Hampshire, and \$3 million that was additional  
5 monies that were charged in Maine.

6 CMSR. HARRINGTON: And, then, the  
7 formula going forward wasn't corrected. So, basically,  
8 the first mistake was duplicated by Unitil?

9 MR. EPLER: Yes. We carried that  
10 through from essentially, this could be clarified by the  
11 witnesses, but I believe from December 2008, from the time  
12 we acquired the Company, up until we made the initial  
13 correction in November 2011. Is that correct?

14 WITNESS DIGGINS: Yes. That is correct.

15 CMSR. HARRINGTON: All right. Thank  
16 you.

17 BY MR. EPLER:

18 Q. Mr. Diggins -- well, first of all, can I ask the panel,  
19 the document that's been marked as "Exhibit Number 1",  
20 which is the report the Company filed and the attached  
21 schedules, can the panel confirm that this report and  
22 the schedules were prepared jointly by you or under  
23 your direction?

24 A. (Diggins) Yes, it was.

[WITNESS PANEL: Kahl~Diggins~Simmons]

1 A. (Kahl) Yes.

2 A. (Simmons) Yes.

3 Q. Mr. Diggins, could you turn to the schedules that  
4 followed the narrative of the report and explain what  
5 those -- what those schedules contain and what the  
6 Company did to -- what they represent?

7 A. (Diggins) I can. Schedule 1 is a summary schedule that  
8 shows the reallocation of costs between the divisions  
9 for the time period in question. And, it summarizes it  
10 by off-peak periods and on-peak periods. It is  
11 basically a summary schedule which follows the more  
12 detailed -- which supports the more detailed schedules  
13 that are to follow. So, if we flip to Schedule 2, --

14 Q. And, just if I could just interrupt before you get to  
15 Schedule 2. And, then, is this same schedule here that  
16 summarizes all the periods and the reallocations that  
17 were undertaken by the Company, is that the same  
18 schedule that's attached to Document 2, which is the  
19 Settlement Agreement?

20 A. (Diggins) Yes, it is.

21 Q. Thank you.

22 CMSR. SCOTT: Could I just get a  
23 clarification before you move on from Schedule 1. Thank  
24 you. I don't have a mike, do I? Just to clarify, the

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 difference between "As Filed" and "Updated"?

2 WITNESS DIGGINS: The "As Filed" column  
3 is derived directly from the original cost of gas filings  
4 that the Company had submitted. And, the "Updated"  
5 columns are derived after the Company has made all its  
6 adjustments to its allocation percentages and company  
7 managed volumes, which include the company managed volumes  
8 correction, to come up with the adjusted amount for the  
9 cost of gas filings.

10 CMSR. SCOTT: Okay. Thank you.

11 CMSR. HARRINGTON: So, is that like the  
12 true-up that you do anyways, correct?

13 WITNESS DIGGINS: No. That is a true-up  
14 for this particular allocation issue.

15 CMSR. HARRINGTON: Okay.

16 **BY THE WITNESS:**

17 A. (Diggins) So, after the summary schedule, Number 1,  
18 Schedules 2 through Schedule 13 provide a more detailed  
19 representation of the summary schedule. It includes  
20 the original cost of gas filings for the periods,  
21 reconciliation filings, from the periods from the  
22 Winter Period 2008 to 2009, all the way through the  
23 Summer Period 2011. It includes the original, along  
24 with the revised calculations, with the -- the revised

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 calculations include the updated allocation  
2 percentages.

3 Schedules -- Schedule 14 lists how the  
4 variable commodity allocator was updated, and it walks  
5 you through a couple of the steps that we did to make  
6 that change. One being the update to the lost and  
7 unaccounted for percentages, another being the  
8 inclusion of the New Hampshire company managed volumes,  
9 additional company managed volumes, from December '08  
10 through March 2009, and the last, the inclusion of the  
11 Maine company managed volumes. And, with those  
12 adjustments, new variable commodity allocation  
13 percentages were created and flowed through to the  
14 costs to be allocated to both divisions.

15 BY MR. EPLER:

16 Q. Mr. Diggins, would it be correct to state that  
17 basically what the Company has done in these Schedules  
18 2 through 14 is to go through each filing and  
19 recalculate the numbers as if we had made the correct  
20 allocation at the time, so that you capture interest  
21 and working capital and so on?

22 A. (Diggins) It is. That would be correct.

23 Q. Okay.

24 A. (Diggins) To continue, Schedules 15 and 16 try to

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 summarize how those changes occurred. And, at a high  
2 level, what we did is we went back and looked at every  
3 cost that flows through the cost of gas reconciliation,  
4 and looked at what allocation it was being split to  
5 each division by, and adjusted each cost based on the  
6 new allocation percentage that was calculated.

7 And, lastly, Schedule 17 is a summary,  
8 again, that shows the stratification of updates for  
9 each type of change, being the lost and unaccounted for  
10 percentages, the inclusion of the New Hampshire company  
11 managed volumes, and the inclusion of the Maine company  
12 managed volumes. So, it tries to walk you through  
13 step-by-step how each of those changes impacted the  
14 cost allocation to each division.

15 Q. Okay. And, if I were to turn your attention again to  
16 the first schedule, Schedule 1, Page 2 of 2, Line 88,  
17 and you see the total of "\$4,130,679". Is that the  
18 same total that's in Paragraph 2.2 of the Settlement  
19 Agreement, the amount that would be refunded to  
20 customers over a period of one year?

21 A. (Diggins) Yes, it is.

22 Q. And, do you feel confident in affirming that the effect  
23 of this Settlement is to hold customers harmless for  
24 the period since the Company acquired -- since Unutil

[WITNESS PANEL: Kahl~Diggins~Simmons]

1           acquired Northern Utilities of the incorrect  
2           allocation?

3   A.   (Diggins) That is correct.

4                               MR. EPLER:  Okay.  Thank you,  
5           Commissioners.  I have no further questions of the panel.

6                               CMSR. HARRINGTON:  Ms. Hollenberg.

7                               MS. HOLLENBERG:  Thank you.  I'll direct  
8           this to the panel and allow you to decide amongst  
9           yourselves who would be the person to answer.

10   **CROSS-EXAMINATION**

11   BY MS. HOLLENBERG:

12   Q.   The \$4 million adjustment, does -- I think you've  
13           testified just a moment ago that it captured a value  
14           for the interest that would have been earned on those  
15           amounts during the period of time that they were not  
16           recovered, is that correct?

17   A.   (Diggins) That is correct.

18   Q.   Okay.  And, that's for the entire period of time during  
19           which the allocation formula was incorrectly applied?

20   A.   (Diggins) That is correct.

21   Q.   Okay.  And, do you know what rate of interest was  
22           applied or is it a variable?  Did it change over time?

23   A.   (Diggins) I mean, it's the same interest rate that's  
24           allowed to be recovered under the cost of gas

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 adjustment clause.

2 Q. Thank you. Would you agree that it -- the 4 million  
3 amount that is being credited to New Hampshire  
4 customers, does -- will that include interest for the  
5 period of time during which it's refunded? So, for the  
6 12-month refunded period of time, will customers -- the  
7 value of that money be realized by customers?

8 A. (Diggins) Yes, it would.

9 MS. HOLLENBERG: Okay. Thank you very  
10 much. I don't have any further questions.

11 CMSR. HARRINGTON: Mr. Speidel. Excuse  
12 me?

13 MR. EPLER: Commissioners, actually,  
14 there's an additional question or two, if it's all right,  
15 that I ask the panel? I just had forgotten to.

16 CMSR. HARRINGTON: Is that redirect or  
17 --

18 MR. EPLER: No. No, it's not redirect.  
19 It's on a different matter, just wanted to point something  
20 out in the Settlement Agreement.

21 CMSR. HARRINGTON: Okay. We'll allow  
22 it.

23 **DIRECT EXAMINATION (resumed)**

24 BY MR. EPLER:

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 Q. Mr. Simmons, I'll ask this question of you. If you can  
2 just turn to the Settlement Agreement, and just want to  
3 point out to the Commission Paragraph 2.5. Can you  
4 just refer to that and just indicate your understanding  
5 of that paragraph?

6 A. (Simmons) Sure. So, you want me to take a look at  
7 Section 2.5 of the Settlement Agreement, the parties  
8 may -- the Company and New Hampshire Staff and Public  
9 Advocate -- Consumer Advocate will "work together to  
10 develop additional filing detail. And, at a minimum,  
11 it says right here, that not only will we provide the  
12 commodity costs in the reconciliation assigned to the  
13 New Hampshire Division, but will also include the  
14 commodity costs, and, actually, demand charges, too,  
15 that are going to be assigned to Maine. And, we'll  
16 have a schedule that also includes the total of demand  
17 and commodity costs, so there will be a breakdown as to  
18 how that total is assigned to the two divisions. It  
19 will be much clearer as to how much of the total gas  
20 supply was assigned to both divisions.

21 And, then, the second thing, at the  
22 bottom, it says that there will be a collaborative  
23 group or -- to improve additional information that  
24 might come about and explaining the cost of gas

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 reconciliation, which is the time when the Company  
2 collects the actual cost of gas supplies that it  
3 charges to its customers.

4 Q. And, would you agree that the intent of this is to  
5 provide more --

6 A. (Simmons) More and better information.

7 Q. -- information, and in a clearer format?

8 A. (Simmons) Yes.

9 Q. So that these kind of issues hopefully would not  
10 develop, and just be more apparent to all the parties  
11 involved?

12 A. (Simmons) Most definitely.

13 MR. EPLER: Great. Thank you. I  
14 appreciate it, Commissioners.

15 CMSR. HARRINGTON: Mr. Speidel.

16 MR. SPEIDEL: Thank you very much.

17 **CROSS-EXAMINATION (resumed)**

18 BY MR. SPEIDEL:

19 Q. Gentlemen, if you could just confirm that, pursuant to  
20 the terms of the Settlement Agreement, on Page 2,  
21 there's a reference in part 2.3 to an adjustment of  
22 \$4,101,779 to be applied to the winter period 2011-2012  
23 reconciliation, to reflect an adjustment in that  
24 amount, is that correct?

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 A. (Diggins) That is correct.

2 Q. Okay. And, that there will be a further adjustment of  
3 \$28,900, a downward adjustment, for the 2012 Summer  
4 Period reconciliation, which will be reflected in cost  
5 of gas rates effective May 1st, 2013, is that correct?

6 A. (Diggins) That is correct.

7 Q. So, these two components together reflect the refund to  
8 customers referred to in part 2.2 of the Settlement  
9 Agreement in the amount of "\$4,130,679", is that right?

10 A. (Diggins) That is correct.

11 MR. SPEIDEL: Thank you. No further  
12 questions.

13 CMSR. HARRINGTON: Commissioner Scott?

14 CMSR. SCOTT: Thank you.

15 BY CMSR. SCOTT:

16 Q. Gentlemen, just maybe you can help walk me through, a  
17 couple quick questions. Is the -- the allocation  
18 between the Maine and New Hampshire, as you tried to  
19 parse this back in time, if you will, did you look, in  
20 2008, is the distribution of customers for the two  
21 entities, how did you figure that out, as far as your  
22 apportionment was based on 2008 moving toward? Is  
23 there a lot of customer migration back and forth, I  
24 guess is the question? How do you reconcile that, is

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Diggins~Simmons]

1 my question?

2 A. (Diggins) Actually, the allocations used billed therms  
3 or ccfs to each customer. So, those same exact values  
4 were used for the updated allocation. There are other  
5 components that changed to cause the allocator to  
6 change. But the underlying values, from the sales  
7 point of view, is from billed consumption to the  
8 customer.

9 Q. Okay. So, I'll rephrase my question. So, has there  
10 been, over the period of time in question, has there  
11 been a change in customer base that would have an  
12 impact on how this works?

13 A. (Simmons) Let me see if I can try to answer it this  
14 way. The way the allocator works is we take actual  
15 billed tariff sales, and that includes mostly  
16 residential, commercial customers, *etcetera*, so, this  
17 is the bundled gas supply sale that we make. It also  
18 includes interruptible sales. It also includes any  
19 company use by division. And, it includes lost and  
20 unaccounted for by division. It also includes company  
21 managed sales volume. What we left out of the  
22 allocator was the Maine Division company managed sales  
23 volume. And, so, what we did was we went back and we  
24 looked at the Maine company managed sales volumes, and

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 input those into the monthly commodity cost allocators.  
2 And, so, as it relates to customer migration over time,  
3 and therefore increases, I guess, in company managed  
4 sales, I believe what's happened is, is that both  
5 divisions have customers that have migrated, but  
6 Maine's migration, I believe, is higher or greater than  
7 New Hampshire's migration over time. But that's my  
8 understanding.

9 Q. Okay. Thank you.

10 A. (Simmons) Is that okay?

11 Q. I think so. But, bottom line, if I understand  
12 correctly, is you use, basically, your allocation  
13 method was to use the actual sales?

14 A. (Simmons) Yes. Yes. Yes. Yes.

15 Q. Okay. Thank you. On I think it's Page 3 of the  
16 Executive Summary of Exhibit 1, your report, you  
17 reference, and I don't really have it in front of me,  
18 but basically you reference or, if I remember  
19 correctly, you ask that we do this -- we synergize our  
20 actions with the Maine PUC. With that statement being  
21 made in the Executive Summary, I just want to confirm  
22 that the Settlement Agreement, Exhibit 2, is not at all  
23 contingent upon anything to do with the Maine -- the  
24 State of Maine?

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 A. (Diggins) That is correct.

2 Q. Obviously, there's a lot of work gone through to  
3 rectify this error. I would like to, I guess, get an  
4 assurance that there's no other similar carry-throughs  
5 that possibly, I mean, I assume you checked any other  
6 similar possibilities?

7 A. (Diggins) Yes. We did a comprehensive preview of all  
8 aspects of this. And, we feel confident that we have  
9 them all correct.

10 Q. Thank you. And, on Schedule 14 of Exhibit 1, let me  
11 see if I can find it, too, I just wanted to get  
12 clarification, you have in red the "Co-Managed", can  
13 you explain what that is?

14 A. (Simmons) Is your question "what is the company --  
15 "Co-Managed" means "company managed", but "what's a  
16 company managed sale?" Or, how it specifically relates  
17 to this schedule?

18 Q. I guess I was more questioning why is it in red? Was  
19 there some significance to highlight or --

20 A. (Simmons) As to why, I'm not exactly sure, but I'm  
21 assuming that the reason why it's highlighted in red is  
22 because it is the largest of the adjustments that we're  
23 making.

24 Q. Okay. And, I noticed your, I don't how you pronounce

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Diggins~Simmons]

1           it, your acronym, but I'll call it your "losses", your  
2           LAUF. You now have a reduced percentage for both  
3           states. Why is that? It sounds like a good thing, I  
4           think, but why is that?

5    A.   (Simmons) When we -- when Unitil got the Company from  
6           NiSource, NiSource used an estimated company managed --  
7           I'm sorry, lost and unaccounted for percentage, and I  
8           believe it was something like 2 percent for Maine and  
9           1 percent for New Hampshire. And, so, what's happened  
10          over time is we here at Unitil have gotten actual lost  
11          and unaccounted for data. And, so, we've updated the  
12          estimate for what we think is a better estimate for  
13          lost and unaccounted for. And, it's based on the  
14          48-month historical average, so it's a rolling average  
15          of 48 months' worth of data. And, so, we think that,  
16          as you said, it's lower, so that's somewhat better, but  
17          we think it's a better estimate.

18   Q.   Okay. Thank you. And, I think Commissioner Harrington  
19          noted to me privately here, but, on Exhibit -- excuse  
20          me, Schedule 17 of Exhibit 1, can you explain why the  
21          credit to New Hampshire is not the same as the extra  
22          bill to Maine? Why are the two not the same?

23   A.   (Kahl) I believe that's due to the different interest  
24          rates that would apply. And, I believe --

[WITNESS PANEL: Kahl~Diggins~Simmons]

1 A. (Diggins) And, also, the different bad debt  
2 allowances --

3 (Court reporter interruption.)

4 **CONTINUED BY THE WITNESS:**

5 A. (Diggins) The different bad debt allowances that are  
6 allowed by each individual state.

7 CMSR. SCOTT: Okay. Okay, that's all I  
8 have.

9 CMSR. HARRINGTON: Okay. Thank you.  
10 Just a couple of questions.

11 BY CMSR. HARRINGTON:

12 Q. I believe it was stated that the -- that Unitil  
13 identified this problem in November of 2011, is that  
14 correct, approximately?

15 A. (Simmons) Right.

16 A. (Diggins) Correct.

17 Q. Okay. And, what prompted the identification of the  
18 problem? How did it come about that someone discovered  
19 this?

20 A. (Simmons) As we state on Page 13 of the report, while  
21 preparing the '11-'12 peak COG, we, the Regulatory  
22 Department, which I am manager of, had received a  
23 question from the Accounting Department. And, the  
24 question was "why does the allocator used to allocate

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 the actual monthly commodity costs to the divisions  
2 only include New Hampshire volumes?" And, this  
3 appeared an inconsistent allocator, unless we could  
4 find that the company managed volumes were someplace  
5 else in the allocator. And, so, we looked at the other  
6 components. And, as I had said, the other components  
7 were billed sales, interruptible sales, company use,  
8 and lost and unaccounted for. But we still dug into  
9 it. And, upon review of the other components, and we  
10 found that the Maine company managed volumes were not  
11 in another component, and thus we concluded the  
12 allocator was inconsistent with the method that we also  
13 found to be in place during the 2008 reconciliation  
14 done by NiSource.

15 So, due to the inconsistency, what we  
16 decided was that we should make some prior period  
17 adjustments to the actual commodity costs allocated to  
18 the divisions to reflect the -- a more consistent  
19 allocator.

20 Q. Okay. Thank you. A question on the rebates  
21 themselves, are going to start and they're proposed to  
22 start November 1st, 2012. What if a customer comes on  
23 board to your company on that date? Are they going to  
24 see the lower rate, even though they never paid the

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 higher amount prior to that? Or, is that -- it's just  
2 getting too complicated to keep track of the comings  
3 and goings of customers?

4 A. (Kahl) Yes, that would be too complicated. This is the  
5 tariffed rate. And, so, it would go in November 1 for  
6 all customers who are --

7 Q. At that time?

8 A. (Kahl) -- at that time, yes.

9 Q. That's what I figured the answer was, but I just wanted  
10 to ask to make sure. And, just one other thing. Is  
11 the Company planning any type of an explanation to the  
12 customers, because they're going to see a larger than  
13 would be anticipated decrease, and then, when this,  
14 after a year from now, this is assuming that everything  
15 else stays equal, the rates are going to go up again.  
16 So, are you planning to notify the customers in any way  
17 to kind of explain what happened or --

18 A. (Simmons) I know we have an explanation on each and  
19 every month's -- well, I don't know if it's each and  
20 every month's, but especially when the season rate  
21 changes from, say, the summer season to the winter  
22 season, we do put on the bill a bill message why things  
23 are changing. I'm not sure, though, that -- that we  
24 have a phrase or whatever that says that it's "due to

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[WITNESS PANEL: Kahl~Diggins~Simmons]

1 an inconsistent allocation". I think this month says  
2 that it's "due to higher gas prices", but I don't  
3 remember if it says that.

4 A. (Kahl) Yes. One thing to point out is, it is one  
5 component of the rates.

6 Q. Uh-huh.

7 A. (Kahl) And, I believe this year commodity costs are  
8 significantly higher, NYMEX prices are higher. So, it  
9 tends to kind of erase that to some degree. So, the  
10 customers may not be seeing that much of a drop this  
11 time around. So, to try to identify one component,  
12 even though it is a fairly significant amount of money,  
13 it can still be erased when it gets down to the bottom  
14 line.

15 CMSR. HARRINGTON: Okay. Maybe you can  
16 just handle it, when people call up and ask why, you can  
17 tell them at that point. That's all the questions that I  
18 had. Anything on redirect, Mr. Epler?

19 MR. EPLER: No thank you, Commissioners.  
20 Appreciate it.

21 CMSR. HARRINGTON: Okay. So, what we're  
22 going to do is we're not going to officially close this  
23 one, we're just going to sort of roll right into the other  
24 docket. And, we'll start on 12-273.

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS: Frink]

1 MR. SPEIDEL: If we may, Commissioner,  
2 I'm sorry. We're going to have some testimony from Steve  
3 Frink.

4 CMSR. HARRINGTON: Oh, I'm sorry. Okay.  
5 I've forgotten. My mistake, I had that written down, too.  
6 By all means, call your witness.

7 (Whereupon **Stephen P. Frink** was duly  
8 sworn by the Court Reporter.)

9 **STEPHEN P. FRINK, SWORN**

10 **DIRECT EXAMINATION**

11 BY MR. SPEIDEL:

12 Q. Mr. Frink, could you please state your name and place  
13 of business.

14 A. My name is Stephen Frink. I work for the New Hampshire  
15 Public Utilities Commission.

16 Q. And, what is your title and job responsibility at the  
17 Commission?

18 A. I'm the Assistant Director of the Gas and Finance  
19 Division, primarily responsible for the review of gas  
20 filings.

21 Q. Thank you, Mr. Frink. Could you please briefly  
22 describe the allocation issue that gave rise to this  
23 investigation?

24 A. The allocation issue, it related to mandatory capacity

[WITNESS: Frink]

1 assignment, which requires transportation customers to  
2 pay their share of the utility supply resource costs.  
3 And, in New Hampshire, that was implemented in 2001.  
4 And, in Maine, they didn't implement mandatory capacity  
5 assignment until 2006. Now, prior to 2006, there are  
6 only -- mandatory capacity assignment only existed in  
7 New Hampshire. And, so, it was only allocated -- those  
8 costs were only allocated to New Hampshire.

9 Post 2006, Northern started allocating  
10 -- correctly allocating the capacity assignment costs  
11 related to Maine -- to Maine. Unitil acquired Northern  
12 in 2008, and they used the pre-2006 allocation  
13 methodology, which resulted in New Hampshire customers  
14 being billed for costs to serve Maine customers.

15 Q. Did Unitil shareholders benefit in any way from the  
16 misallocation of costs?

17 A. No. As pointed out by the Company, they only recovered  
18 reasonable and prudent costs as approved by both  
19 commissions. They did not double collect. It was  
20 simply a matter of they collected too much in New  
21 Hampshire and too little in Maine.

22 Q. When did the Company have the first early indications  
23 of the possibility of an error in these allocations?

24 A. The Company realized, had indications in the Spring of



[WITNESS: Frink]

1 2011, and they actually began correcting -- they  
2 actually used a corrected allocation effective  
3 November 1 of 2011.

4 Q. When did Northern notify Staff regarding this error?

5 A. Northern notified Staff in the 2012 Summer Cost of Gas  
6 filing. And, actually, it was contained in a question  
7 and answer in the utility's filing, explaining a  
8 \$10,385 adjustment to the 2011 Summer Cost of Gas  
9 reconciliation, an error that was related and how it  
10 allocated costs related to unaccounted for volumes.

11 The Company also noted that it had  
12 determined that the company managed volumes were not  
13 previously input and included in the Maine Division  
14 monthly total used to calculate the commodity  
15 allocators. And, that was the first Staff knew about  
16 this.

17 Q. Did the Company discuss or propose adjustments for cost  
18 of gas periods prior to 2011?

19 A. No, it did not. Northern corrected the unaccounted for  
20 allocation error for the prior summer period. And, in  
21 a data response in last summer's cost of gas filing,  
22 that was DR 12-068, in a data response they  
23 specifically stated that they were not proposing  
24 adjustments to prior summer or winter periods for this

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[WITNESS: Frink]

1 misallocation. And, as noted by the Commissioners, the  
2 final report on the issue recommended that the New  
3 Hampshire Commission recover those costs from the Maine  
4 Commission, or seek to. So, there was no proposal and  
5 no recommendation to go back beyond what they had  
6 already done.

7 Q. So, Mr. Frink, could you give a little bit of a  
8 description of Staff's review of Northern's 2011 Summer  
9 Cost of Gas filing.

10 A. Yes. The summer filing was filed on March 15th. It  
11 was 238 pages of testimony and exhibits. There was a  
12 tech session held on April 9th, and a hearing on  
13 April 19th.

14 Q. Were there any other cost of gas proceedings under  
15 Staff review at that time?

16 A. Yes. There's always the summer cost of gas filings of  
17 New Hampshire Gas Company and EnergyNorth were before  
18 the Commission.

19 Q. Could you describe Staff's required review of cost of  
20 gas filings, in terms of Staff's duty to examine these  
21 filings?

22 A. Staff reviews, on the Commission's behalf, to determine  
23 if the actual forecasted costs are reasonable and  
24 prudent. The Audit Staff performs an audit of the

[WITNESS: Frink]

1 prior year's cost of gas reconciliation. And, Staff  
2 reviews the testimony and schedules, cross-referencing  
3 through multiple pages and references for accuracy and  
4 to see that they're correct.

5 Q. Given the volume of material submitted as part of  
6 Northern's filing and severe time constraints inherent  
7 in the current structure of the cost of gas review  
8 process, did Staff immediately realize the implication  
9 of the misallocation?

10 A. Mr. Wyatt, who is the lead and essentially sole analyst  
11 responsible for cost of gas filings, did, in large part  
12 thanks to his extensive utility experience and intimate  
13 knowledge of the cost of gas filings, he's designed  
14 many of those schedules, he is always continually  
15 looking to improve those, recognized that, even though  
16 it was only a \$10,000 adjustment on a 3 million cost  
17 filing, that it had implications, particularly as they  
18 pertain to the winter period. He issued discovery and  
19 recommended a new docket be opened to investigate that  
20 issue.

21 Q. Could or should Staff have caught the error prior to  
22 the 2011 Summer filing, in your opinion, Mr. Frink?

23 A. No. The misallocated costs were not -- are not  
24 specifically identified in the cost of gas filings.

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[WITNESS: Frink]

1           There is a single line reference that credits the  
2           revenue received from New Hampshire transportation  
3           customers subject to mandatory capacity assignment, and  
4           that credit offsets total gas costs. So, there are  
5           many schedules of expenses, and then there's one small  
6           line that references "company managed revenues", and  
7           that's all you see related to those in the existing  
8           cost of gas filings.

9   Q.   Will future cost of gas filings be more transparent  
10       regarding those costs and the cost allocations?

11   A.   Yes. The Staff and Company are working towards that  
12       end.

13   Q.   In your opinion, what can the Company do in the future  
14       to expedite Staff's review of potential cost of gas  
15       accounting errors requiring attention?

16   A.   Well, it would be helpful if the Company informed Staff  
17       of such potential errors, even though not 100 percent  
18       verified, as early as possible in the review process,  
19       giving Staff a heads-up about possible issues.

20   Q.   Mr. Frink, could you explain why the Settlement is in  
21       the public interest?

22   A.   The customers are made whole. All refunds -- and the  
23       refunds return all overcharges. It also includes  
24       carrying costs. So, the time value of money is

[WITNESS: Frink]

1 recognized and customers are compensated for that.  
2 It's got a one-year refund period, even though the  
3 overbilling occurred over a number of years. And,  
4 that's to lessen the intergenerational subsidizations,  
5 which, again, I think the Commissioners mentioned that.  
6 That, yes, there are customers that have joined the  
7 system and left the system, some of which overpaid the  
8 charges and are gone now, and some that didn't  
9 contribute to the -- pay those overcharges, and now  
10 will get the benefits of the refund.

11 But we've had experience with a similar  
12 situation with EnergyNorth, in which they were -- they  
13 had overbilled customers over a number of years, and  
14 the cost and effort and as to whether it's even  
15 possible to determine what each specific customer  
16 overpaid and is due as a refund is -- may not even be  
17 possible, and it is very time-consuming and  
18 cost-prohibitive. So, the simplest and fairest method  
19 seems to be to return the overbilling as quickly as  
20 possible.

21 Q. Do you have anything else to add, Mr. Frink?

22 A. Yes. In spite of his strenuous objections, I would  
23 like to, for the record, commend Mr. Wyatt for his  
24 efforts in recovering this \$4 million for New Hampshire

[WITNESS: Frink]

1 ratepayers. It's not the first time. As I mentioned,  
2 he was the key in the EnergyNorth thermal billing  
3 investigation that recovered \$3 million for New  
4 Hampshire customers. He's been in numerous cost of gas  
5 proceedings where he's, through his diligence and  
6 expertise, has saved New Hampshire ratepayers money.  
7 So, and that's all I wish to add.

8 MR. SPEIDEL: Thank you very much. I  
9 have no further questions for this witness.

10 CMSR. HARRINGTON: Mr. Epler?

11 MR. EPLER: No questions. Thank you.

12 CMSR. HARRINGTON: Ms. Hollenberg?

13 MS. HOLLENBERG: No questions. Thank  
14 you.

15 CMSR. HARRINGTON: Commissioner Scott.

16 CMSR. SCOTT: Yes.

17 BY CMSR. SCOTT:

18 Q. Mr. Frink, I'm sure you heard I asked the Company if  
19 they had checked to see if there were any other similar  
20 follow-through issues with billing, you know, moving  
21 forward, and they said they had checked and they felt  
22 comfortable, I'm paraphrasing, of course, that there  
23 were none. Do you concur with that assessment?

24 A. Yes, I do. There was one non-misallocation that

[WITNESS: Frink]

1 occurred during that period, unrelated to company  
2 managed supplies. It was only for a few months, and I  
3 forget what year, maybe 2008. But it actually went the  
4 other way, and that was corrected in this proceeding.  
5 But we did ask -- specifically ask the Company, during  
6 discovery as part of the technical sessions and  
7 settlement discussions, as to what steps they have  
8 taken to ensure that Gas Supply interacts with  
9 Accounting, and that this is being looked at and it  
10 continues to be looked at, and we're comfortable that  
11 this resolves the issue and sets up protections going  
12 forward.

13 CMSR. SCOTT: Great. Thank you.

14 CMSR. HARRINGTON: I have just one  
15 question.

16 BY CMSR. HARRINGTON:

17 Q. You had stated, in response to a question about what  
18 could be done in the future, that you said "the Company  
19 should -- could inform the PUC Staff of potential  
20 errors sooner." Was there a delay in this particular  
21 case, where they held an internal investigation or  
22 something? I'm trying to figure out exactly what  
23 you're implying by that.

24 A. Yes. As stated in a discovery response in the summer

[WITNESS: Frink]

1 cost of gas, and it may be in the report as well, the  
2 Company became aware of the problem in early 2011.  
3 And, it wasn't until the Summer of 2012 that it was  
4 addressed in testimony and in a schedule. So, that was  
5 really the first time the Commission was made aware of  
6 this. But, in essence, there was -- the Company, much  
7 earlier than that, knew there was a potential problem,  
8 and didn't come forward with that until much later. We  
9 would have -- it would have been helpful, if, when they  
10 first started the investigation, they brought it to our  
11 attention. If nothing else, maybe it could be resolved  
12 a little quicker and a full refund returned a little  
13 earlier. But, in the end, because they are returning  
14 the -- they are applying carrying costs, as long as you  
15 were a customer during that period and going forward,  
16 you'll be made whole.

17 CMSR. HARRINGTON: Okay. Thank you.

18 Any redirect?

19 MR. SPEIDEL: I have none. Thank you.

20 CMSR. HARRINGTON: Okay. The witness is  
21 excused. Now, I'll try this again. I think we're all set  
22 on this particular docket. So, we will go to --

23 (Cmsr. Harrington conferring with Atty.  
24 Ross.)



1 CMSR. HARRINGTON: Okay. All right.  
2 So, now, we'll, keeping the same hearing open, we're going  
3 to switch gears to DG 12-273, which is the 2012-2013  
4 Winter Period Gas -- Cost of Gas Adjustment. On  
5 September 14th, Northern Utilities filed its cost of gas  
6 rates for the winter period beginning November 1st through  
7 April 30th, 2013. The Petition included cost of gas and  
8 distribution rate components, and was updated by Northern  
9 via a filing made on October 15th. The proposed cost of  
10 gas rate presented in Northern's initial filing is \$0.7892  
11 per therm, a 0.3626 per therm decrease from the weighted  
12 average residential cost of gas rate from last winter.  
13 The proposed rate reflects a one-time credit that's  
14 responsible for \$0.1502 of the decrease, and that is  
15 related to the interstate allocation matters as presented  
16 in the Settlement Agreement filed on October 16th in  
17 Docket DG 12-131, which we just discussed.

18 In this, there was a request for  
19 confidential treatment, which we'll take under advisement.  
20 And, I'm not going to bother with appearances, because  
21 it's the same people that were just here just before.

22 So, are there any administrative matters  
23 we need to take care of first?

24 MR. SPEIDEL: Yes. If I may interject,

1 Commissioner. I believe that the Company relied on the  
2 new filing procedure for confidential materials.

3 CMSR. HARRINGTON: Uh-huh.

4 MR. SPEIDEL: Whereby there is no  
5 requirement that the Commission rule on the motion --

6 CMSR. HARRINGTON: Okay.

7 MR. SPEIDEL: -- or the request for  
8 confidential treatment, because it's part of the cost of  
9 gas and commodity costs of that nature.

10 CMSR. HARRINGTON: Okay. So, it's  
11 basically just it's -- it's granted by rule.

12 MR. SPEIDEL: Well, it isn't granted,  
13 Commissioner. It's essentially pending a request by a  
14 member of the public for the information, confidential  
15 treatment is extended.

16 CMSR. HARRINGTON: Okay.

17 MR. SPEIDEL: A balancing test will be  
18 required after, --

19 CMSR. HARRINGTON: All right.

20 MR. SPEIDEL: -- if a request were to  
21 come in.

22 CMSR. HARRINGTON: Thank you. Okay. I  
23 guess then we'll start with the Company panel.

24 MS. GOLDWASSER: So, the Company calls

[WITNESS PANEL: Kahl~Wells~Conneely]

1 Christopher Kahl, Francis Wells, and Joseph Conneely. As  
2 a procedural matter, before we start, would you like to  
3 continue with "Exhibit Number 3" or are we going to start  
4 with "1" again?

5 CMSR. HARRINGTON: We'll continue with  
6 "3".

7 MS. GOLDWASSER: Okay.

8 (Whereupon *Francis X. Wells* and  
9 *Joseph F. Conneely* were duly sworn by  
10 the Court Reporter, and *Christopher A.*  
11 *Kahl* had been previously sworn in.)

12 **CHRISTOPHER A. KAHL, PREVIOUSLY SWORN**

13 **FRANCIS X. WELLS, SWORN**

14 **JOSEPH F. CONNEELY, SWORN**

15 **DIRECT EXAMINATION**

16 BY MS. GOLDWASSER:

17 Q. I'll take the witnesses sequentially here. We'll start  
18 with Mr. Kahl. You've already identified yourself for  
19 the record and identified where you're employed. Have  
20 you testified before the Public Utilities Commission?

21 A. (Kahl) Yes. I testified at hearings on Northern's  
22 Winter 2011-2012 Cost of Gas filing and on Northern's  
23 Summer 2012 Cost of Gas filing.

24 Q. You have before you a document entitled "Northern

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[WITNESS PANEL: Kahl~Wells~Conneely]

1 Utilities, Inc. New Hampshire Division Cost of Gas  
2 Adjustment Filing Winter 2012-2013", bearing the date  
3 "September 14th, 2012". Can you identify that document  
4 please?

5 A. (Kahl) This is Northern's original 2012 -- Winter  
6 2012-2013 period cost of gas filing.

7 MS. GOLDWASSER: I'd like that to be  
8 marked as "Exhibit 2" -- I'm sorry, "Exhibit 3".

9 CMSR. HARRINGTON: Exhibit 3. So  
10 marked.

11 (The document, as described, was  
12 herewith marked as **Exhibit 3** for  
13 identification.)

14 BY MS. GOLDWASSER:

15 Q. Did you assist in developing the Northern's Winter  
16 2012-2013 Cost of Gas filing?

17 A. (Kahl) Yes, I did.

18 Q. Before you, you also have a document that is entitled  
19 "Northern Utilities, Inc. New Hampshire Division  
20 Environmental Response Cost Report Through June 2012".  
21 Can you please identify that document?

22 A. (Kahl) This is Northern's original Environmental  
23 Response Cost Report submitted with our cost of gas  
24 filing.

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[WITNESS PANEL: Kahl~Wells~Conneely]

1 MS. GOLDWASSER: And, I'd like for that  
2 to be marked as "Exhibit 4".

3 CMSR. HARRINGTON: So marked.

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

7 BY MS. GOLDWASSER:

8 Q. Mr. Kahl, did you assist in developing --

9 CMSR. HARRINGTON: Excuse me just one  
10 second. Do we have copies of that?

11 MS. DENO: I'm sorry, what was the --

12 MS. GOLDWASSER: Commissioner  
13 Harrington?

14 CMSR. HARRINGTON: Yes.

15 MS. GOLDWASSER: There should be a  
16 second blue binder. You have one blue binder that's the  
17 cost of gas, and a second blue binder is the Environmental  
18 Report.

19 MS. DENO: It's the Environmental.

20 CMSR. HARRINGTON: Okay. We just don't  
21 have it up here. But, as long as you have it, that's  
22 what's important. Okay. Excuse me. Go ahead.

23 BY MS. GOLDWASSER:

24 Q. Mr. Kahl, you assisted in developing the Environmental

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Wells~Conneely]

1 Report, which has been marked as "Exhibit 4"?

2 A. (Kahl) Yes.

3 Q. And, does this filing take into account the allocation  
4 issues which were addressed in Docket DE 12-131?

5 A. (Kahl) Exhibit 3, cost of gas filing does.

6 Q. Thank you. You have another set of documents, which  
7 were issued under cover letter dated October 12th,  
8 2012, from Mr. Simmons, containing the subject line  
9 "Northern Utilities, Inc. Revised Proposed Cost of Gas  
10 Adjustment for the 2012-2013 Winter Period". Can you  
11 please identify that document?

12 A. (Kahl) Yes.

13 Q. And, can you explain to the Commission what that  
14 document is?

15 A. (Kahl) This is Northern's revised winter period cost of  
16 gas filing for 2012-2013, which updates the Company's  
17 original filing. The updated filing reflects NYMEX  
18 futures gas prices as of October 10th, 2012, as well  
19 other updates, revisions and corrections to the initial  
20 filing that were discussed at the technical session  
21 held October 2nd, 2012 in this docket.

22 MS. GOLDWASSER: And, I ask that that  
23 filing be marked as "Exhibit 5".

24 CMSR. HARRINGTON: Just one question on

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Wells~Conneely]

1 that. Is this the October 12th, 2012 Revised Proposed Gas  
2 Adjustments? Is that the document you have?

3 WITNESS KAHL: Yes.

4 CMSR. HARRINGTON: To me, it says --  
5 what it says here is that "these pages were inadvertently  
6 left out of the Revised Cost of Gas Filing submitted  
7 earlier today." So, there's two different --

8 WITNESS KAHL: There are two filings on  
9 that day.

10 MS. DENO: Yes.

11 CMSR. HARRINGTON: Okay. And, you want  
12 to make the exhibit the combination of both of those  
13 filings or --

14 MS. GOLDWASSER: No, Mr. Chairman. I  
15 was about to --

16 CMSR. HARRINGTON: Nope, I'm not  
17 "Chair".

18 MS. GOLDWASSER: Excuse me.  
19 Commissioner Harrington, I was about to seek the -- the  
20 last document you just referenced was replacement pages to  
21 be marked as "Exhibit Number 6". So, Exhibit Number 5 is  
22 the thicker -- is the thicker of the two documents that  
23 the Commission received on October 12th, that provides the  
24 vast majority of the revised pages, which have been

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Wells~Conneely]

1 updated with the most up-to-date numbers. The two pages  
2 which were omitted from that filing is a very slim filing  
3 that the Commission received at the end of the day on  
4 October 12th.

5 CMSR. HARRINGTON: Okay. I just wanted  
6 to make sure we had them straight, where they both have  
7 the same dates and similar names. Okay. So marked.

8 (The documents, as described, were  
9 herewith marked as **Exhibit 5** and  
10 **Exhibit 6**, respectively, for  
11 identification.)

12 BY MS. GOLDWASSER:

13 Q. So, Exhibit 6, Mr. Kahl, can you just explain what  
14 Exhibit 6 is and make it clear on the record?

15 A. (Kahl) Yes. This document provides two tariff pages  
16 which were inadvertently left out of the revised cost  
17 of gas filing submitted earlier in the day on October  
18 12th, 2012.

19 Q. And, together, do Exhibits 5 and 6 include clean and  
20 red-line versions of the tariff pages necessary to  
21 implement the proposed COG rates for the winter period?

22 A. (Kahl) Yes, they do.

23 Q. Mr. Kahl, did you also prefile testimony in this  
24 docket?

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[WITNESS PANEL: Kahl~Wells~Conneely]

1 A. (Kahl) Yes.

2 Q. And, is that prefiled testimony contained under the tab  
3 "Kahl Testimony" in Exhibit 3?

4 A. (Kahl) Yes.

5 Q. To the best of your knowledge and belief, was that  
6 testimony true and accurate at the time it was filed?

7 A. (Kahl) Yes, it was.

8 Q. Do you have any corrections or updates to that  
9 testimony?

10 A. (Kahl) Yes. To the extent that my prefiled testimony  
11 is inconsistent with the information contained in the  
12 revised cost of gas filing that have been marked as  
13 Exhibits 5 and 6, the revisions in Exhibits 5 and 6  
14 take precedence and supersede any conflicting  
15 information in my prefiled testimony.

16 Q. Subject to changes necessitated by the revised COG  
17 filings made on October 12th, do you adopt your  
18 prefiled testimony today under oath?

19 A. (Kahl) Yes.

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

21 A. (Kahl) No.

22 Q. Mr. Wells.

23 A. (Wells) Yes. Good morning.

24 Q. Can you please state your name for the record?

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[WITNESS PANEL: Kahl~Wells~Conneely]

1 A. (Wells) My name is Francis Wells.

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

3 A. (Wells) I am employed by Unitil Service Corp. I am the  
4 Manager of Gas Supply.

5 Q. Did you prefile -- did you prepare prefiled testimony  
6 in this docket?

7 A. (Wells) Yes.

8 Q. And, is that prefiled testimony contained under the tab  
9 entitled "Wells Testimony" in the document that has  
10 been marked for identification as "Exhibit 3"?

11 A. (Wells) Yes, it is.

12 Q. To the best of your knowledge and belief, was your  
13 prefiled testimony true and accurate at the time it was  
14 filed?

15 A. (Wells) Yes.

16 Q. Do you have any corrections or updates to your prefiled  
17 testimony?

18 A. (Wells) Yes. To the extent that my prefiled testimony  
19 is inconsistent with the information contained in the  
20 revised COG filing that has been marked as Exhibits 3  
21 and 4 [Exhibits 5 and 6?], the revisions in Exhibits 5  
22 and 6 take precedence and supercede any conflicting  
23 information in my prefiled testimony.

24 Q. Subject to the changes necessitated by the Company's

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Wells~Conneely]

1 updated COG filings made on October 12th, do you adopt  
2 your prefiled testimony under oath today?

3 A. (Wells) Yes.

4 Q. Do you have anything further you'd like to add to your  
5 testimony?

6 A. (Wells) Yes. I would like to briefly respond to  
7 Mr. Wyatt's prefiled testimony. Northern has reviewed  
8 Mr. Wyatt's testimony and appreciates his  
9 thoughtfulness and diligence in reviewing our cost of  
10 gas filings. I would like to provide an overview of  
11 Northern's decision to purchase the Tennessee Gas  
12 Pipeline Zone 6 delivered supply, with which Mr. Wyatt  
13 expressed concerns in his testimony. It is important  
14 to note that this purchase is not a new addition to  
15 Northern's supply portfolio, but rather a replacement  
16 of a contract that was previously part of Northern's  
17 portfolio for ten years. This is a replacement of the  
18 5,000 dekatherms per day of Tennessee Zone 6 delivered  
19 supply that was the pipeline supply portion of the  
20 Distrigas liquid/vapor combination service contract.  
21 This Tennessee Zone 6 delivered supply contract  
22 replaces these volumes without the demand charges  
23 associated with the Distrigas contract.

24 Northern's view is that the New England

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Wells~Conneely]

1 spot natural gas prices present the potential to be  
2 very volatile for the upcoming winter, due to the  
3 following factors: First, increased loads due to local  
4 distribution company growth and increase in natural gas  
5 as fuel for electric generation. Secondly, potential  
6 reduced LNG imports due to increasing global demand and  
7 prices. And, third, an already constrained pipeline  
8 system into New England.

9 The purpose of this purchase is to limit  
10 exposure to New England spot price volatility. It  
11 allows incremental volumes to be purchased through the  
12 portfolio, rather than at spot market prices.

13 Delivered prices from the portfolio will be more stable  
14 than prices in the New England spot market. Northern  
15 considers its purchase of Tennessee Gas Pipeline Zone 6  
16 delivered supply for the upcoming winter to be part of  
17 an overall strategy of reducing exposure to very  
18 volatile New England spot prices, and therefore  
19 believes that its purchase to be part of a least cost  
20 portfolio.

21 Q. Do you have anything further you'd like to add?

22 A. (Wells) No thank you.

23 Q. Now, Mr. Conneely, can you please state your name for  
24 the record?

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Wells~Conneely]

1 A. (Conneely) Yes. My name is Joseph Conneely.

2 Q. And, where are you employed and what position do you  
3 hold?

4 A. (Conneely) I work for Unitil Service Corp., and I'm  
5 Senior Regulatory Analyst.

6 Q. Did you prepare prefiled testimony in this docket?

7 A. (Conneely) Yes.

8 Q. Is that prefiled testimony contained under the tab  
9 entitled "Conneely Testimony" in the document that has  
10 been marked for identification as "Exhibit 3"?

11 A. (Conneely) Yes.

12 Q. To the best of your knowledge and belief, was that  
13 prefiled testimony true and accurate at the time it was  
14 filed?

15 A. (Conneely) Yes.

16 Q. Do you have any corrections or updates to your prefiled  
17 testimony?

18 A. (Conneely) Yes. To the extent that my prefiled  
19 testimony is inconsistent with the information  
20 contained in the revised cost of gas filing that have  
21 been marked as "Exhibits 3" and "4", the revisions in  
22 Exhibits 3 and 4 take precedence and supercede any  
23 conflicting information in my prefiled testimony.

24 Q. And, let me just clarify for the record. Did you mean

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Wells~Conneely]

1 to state that the -- that, to the extent your prefiled  
2 testimony is inconsistent with the information  
3 contained in Exhibits 5 and 6?

4 A. (Conneely) I'm sorry, yes, 5 and 6.

5 Q. That those would take precedence?

6 A. (Conneely) Yes.

7 Q. Subject to the changes necessitated by the Company's  
8 revised COG filings made on October 12th, do you adopt  
9 your prefiled testimony today under oath?

10 A. (Conneely) Yes.

11 Q. Given the revised COG filings that were marked as  
12 "Exhibits 5" and "6" today, could you briefly summarize  
13 the rate impacts on a typical residential heating  
14 customer?

15 A. (Conneely) Yes. The rate impact on a typical  
16 residential heating customer, using 932 therms, would  
17 be a decrease of \$226.62, or 15 percent lower from last  
18 year's winter season.

19 Q. Thank you. Do you have anything further you would like  
20 to add?

21 A. (Conneely) No.

22 MS. GOLDWASSER: The witnesses are  
23 available for cross-examination.

24 CMSR. HARRINGTON: Ms. Hollenberg.

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Wells~Conneely]

1 MS. HOLLENBERG: Thank you. No  
2 questions. Thank you.

3 CMSR. HARRINGTON: Mr. Speidel.

4 MR. SPEIDEL: Thank you, Commissioners.

5 **CROSS-EXAMINATION**

6 BY MR. SPEIDEL:

7 Q. Mr. Conneely, approximately what percentage of the gas  
8 supplies in this forecast are hedged, pre-purchased, or  
9 otherwise tied to a predetermined fixed price?

10 A. (Conneely) I'll let Mr. Wells --

11 A. (Wells) I'd like to take that please. Approximately 70  
12 percent of Northern's supplies are hedged, either  
13 through physical storage or through the financial  
14 hedging program. This is consistent with the hedging  
15 program that has been previously approved by the  
16 Commission.

17 Q. Okay. Continuing on with you, Mr. Wells, did Northern  
18 experience any operational problems or supply  
19 disruptions during the last year?

20 A. (Wells) No.

21 Q. Did the Company experience any unexpected pricing  
22 issues regarding supply purchases last winter?

23 A. (Wells) There were no such issues.

24 Q. Could you briefly summarize any changes in the supply

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Wells~Conneely]

1 portfolio from what was in place last year?

2 A. (Wells) Certainly. In addition to the Tennessee Zone 6  
3 purchase that I had discussed in my direct testimony,  
4 there is, referring to Schedule 12, in my original  
5 prefiled testimony, starting the fifth line down,  
6 "Tennessee Niagara", the volume of this supply is  
7 reduced due to the expiration of one of the three  
8 Niagara transportation contracts that Northern had for  
9 last winter. So, this is actually provided in a little  
10 bit more detail, should be on Page 6 of this schedule.  
11 Basically, in the previous -- for this filing, Northern  
12 has two contracts that allow the Company transportation  
13 rights from Niagara, Contract ID Number 5292 and 39735.  
14 In last year's filing, there was an additional  
15 contract, but that contract has since expired.

16 Secondly, I would add that on --  
17 referring back to Page 1, two lines down from the  
18 "Tennessee Niagara", there is an "Algonquin Receipt  
19 Points" supply source. This transportation contract on  
20 Algonquin had previously been released under a  
21 long-term capacity release agreement. We have since --  
22 that capacity release has since ended, and we are now  
23 utilizing that capacity serving customers in the  
24 upcoming winter.

{DG 12-131 & DG 12-273} {10-25-12}



[WITNESS PANEL: Kahl~Wells~Conneely]

1                   Thirdly, I would just note that the  
2 peaking supply arrangements we had under one year  
3 contracts for last year, we have replaced those with  
4 contracts of similar provisions for the upcoming --  
5 upcoming winter period, just in volumes that are  
6 designed to fit our new design day scenarios.

7                   And, that would be pretty much an  
8 overview of the changes in the supply portfolio. I  
9 would add just one more. We actually also have a new  
10 LNG contract that just -- that is pretty much the same  
11 terms, only the demand rate is a little bit higher than  
12 it was previously. But, other than that, the core of  
13 the portfolio is basically the same.

14 Q. Thank you. Mr. Kahl, within Exhibit 3, on Bates  
15 Page 15, Lines 1 and 2 of your testimony, you reference  
16 "average projected daily use in July and August of  
17 2012". Is that July and August 2012 sales data  
18 available in this winter cost of gas filing?

19 A. (Kahl) It is not available in this initial filing. It  
20 was provided as a response to discovery. And, going  
21 forward, we will be providing that in the future cost  
22 of gas filings.

23 Q. Thank you very much. Back to Mr. Conneely.  
24 Mr. Conneely, within Exhibits 5 and 6, did the Company

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Wells~Conneely]

1 file updates to the LDAC tariff page included in the  
2 revised cost of gas filing?

3 A. (Conneely) Yes. The tariff page is labeled  
4 "Seventeenth Revised Page 56".

5 Q. Could you briefly summarize the updates that were  
6 included in the revised LDAC pages?

7 A. (Conneely) The Company has updated the RLIARA, the DSM,  
8 and ERC components of the LDAC in its revised filing to  
9 include actual data through September 2012.

10 Q. In general terms, how do the proposed LDAC rates  
11 compare to last year's?

12 A. (Conneely) The total proposed LDAC rates for  
13 residential customers will increase from the currently  
14 effective 0.0642 to 0.0720; the RLIARA component of the  
15 LDAC will increase to recover more costs, as well as a  
16 collection of the non-distribution component of the  
17 regulatory investment. The DSM rate will increase also  
18 to recover more costs. The ERC rate -- the ERC rate  
19 will decrease as remediation expenses have decreased.  
20 The C&I customers will see their overall LDAC rate  
21 remain the currently effective 0.0435. The RPC and the  
22 RCE will remain the same.

23 Q. Have all the manufactured gas sites in New Hampshire  
24 for which Northern might be responsible been cleaned

[WITNESS PANEL: Kahl~Wells~Conneely]

1 up?

2 A. (Conneely) Remediation is ongoing at the former Exeter  
3 Gas Works, the Rochester MPG, and Somersworth Gas Works  
4 sites.

5 Q. What type of environmental remediation expenses does  
6 Northern still incur?

7 A. (Conneely) Groundwater monitoring continues at all  
8 three sites. Other work on these sites is detailed in  
9 Schedule 4 of the ERC Report.

10 Q. How much did the Company spend on environmental  
11 remediation last year and what does it expect to spend  
12 next year?

13 A. (Conneely) The Company spent approximately 121,000 from  
14 July 2010 to June 2011. It expects to spend roughly  
15 the same amount next year as it did this year. Around  
16 160,000 to maintain the remediation at these sites.

17 Q. Has the Company provided the PUC Audit Staff with the  
18 supporting documentation for environmental remediation  
19 costs and litigation expenses?

20 A. (Conneely) Yes. The support and invoices for these  
21 costs are provided in the ERC Cost Report.

22 Q. Has the Audit Staff completed its audits of those  
23 environmental remediation and litigation costs and  
24 expenses?

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS PANEL: Kahl~Wells~Conneely]

1 A. (Conneely) Yes. Audit Staff has completed its audit.

2 MR. SPEIDEL: Thank you very much.

3 Staff has no further questions of these witnesses. Thank  
4 you.

5 CMSR. HARRINGTON: Any redirect?

6 MS. GOLDWASSER: No thank you.

7 CMSR. HARRINGTON: The witnesses are  
8 excused. Mr. Speidel, you have a witness?

9 MR. SPEIDEL: Yes, I do. I would like  
10 to call Robert Wyatt of the Gas Division to the stand  
11 please.

12 (Whereupon *Robert J. Wyatt* was duly  
13 sworn by the Court Reporter.)

14 **ROBERT J. WYATT, SWORN**

15 **DIRECT EXAMINATION**

16 BY MR. SPEIDEL:

17 Q. Mr. Wyatt, could you please state your full name and  
18 your place of business.

19 A. Robert J. Wyatt. I work as a Utility Analyst for the  
20 New Hampshire Public Utilities Commission.

21 Q. And, what are your responsibilities and title?

22 A. I work in the Gas and Water Division. My primary  
23 responsibility is to review cost of gas and cost of  
24 steam energy filings.

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS: Wyatt]

1 Q. Excellent. Thank you. Mr. Wyatt, you have filed  
2 testimony, correct?

3 A. Yes, I have.

4 Q. And, do you have a copy of it available to you? It has  
5 a cover letter dated October the 15th of 2012?

6 A. That's correct.

7 MR. SPEIDEL: I would like to request  
8 that this be included as hearing Exhibit Number 7.

9 CMSR. HARRINGTON: So marked.

10 (The document, as described, was  
11 herewith marked as **Exhibit 7** for  
12 identification.)

13 BY MR. SPEIDEL:

14 Q. Could you briefly summarize your testimony provided  
15 here, Mr. Wyatt.

16 A. Yes. My testimony discusses -- covers three issues.  
17 The first is a concern related to the winter baseload  
18 contract that Northern has contracted for additional  
19 capacity for this winter. The second is related to the  
20 inclusion of an adjustment of \$4.1 million in the cost  
21 of gas reconciliation related to the gas cost  
22 allocation correction. And, finally, I will just  
23 comment on the filing and the cost of gas rates that  
24 are proposed in this filing.

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS: Wyatt]

1 Q. Could you please explain Staff's concern expressed in  
2 your testimony related to the Company entering into a  
3 new winter baseload delivered supply contract?

4 A. Yes. First, I will point everyone's attention to  
5 Mr. Wells' testimony, Table 5, which is located on Page  
6 -- Bates Page 44. And, when I look at this table, I  
7 see a list of resources that Northern has under  
8 contract that aren't being utilized to anywhere near  
9 their full extent. For example, the "Niagara" supply,  
10 prior to Mr. Wells' correction in his testimony, his  
11 additional testimony here, if you look at Niagara  
12 volumes of "3,987", that's only about 1 percent of the  
13 total volume that the Company had available to it based  
14 on the schedules. If you look at Schedule 6A, on Bates  
15 Page 136, --

16 Q. And, this is in Exhibit 3, correct?

17 A. Oh. I'm in Exhibit 1 right now. But it will be -- it  
18 should be the -- oh, excuse me.

19 Q. It is Exhibit 3?

20 A. It is Exhibit 3.

21 Q. Okay. Thank you.

22 A. Bates Page 137, the Niagara volume, it shows, in  
23 November of 2012, a total volume being utilized of  
24 "3,987". Now, that was based on their contract in

[WITNESS: Wyatt]

1 Schedule 12, prior to Fran -- Mr. Wells' correction,  
2 the MDQ was noted to be "2,331" dekatherms per day.  
3 Even subtracting out the volumes that aren't there  
4 anymore, this contract is being under utilized  
5 considerably. Does that make up the difference in the  
6 baseload quantities that I'm concerned about? No.  
7 But, if you look at the "Chicago" pipeline supplies,  
8 there is an availability of "6,434" dekatherms per day.  
9 And, as it stands, in this first line, month-to-month,  
10 if you take the seasonal total -- well, let's just  
11 focus on the five months that the baseload contract is  
12 in play, that's November through March. In those five  
13 months, the Chicago contract is only being utilized at  
14 24 percent. And, if you turn back to Bates Page 44 in  
15 Mr. Wells' testimony, you can see that the Chicago  
16 delivered cost per therm is significantly less than the  
17 "Tennessee Zone 6" line.

18 And, I might also add that that  
19 "Tennessee Zone 6" line is a little bit misleading,  
20 because the delivered cost of "4.807" includes a large  
21 volume of spot market purchase in the month of April.  
22 If you take that out, the unit cost comes up to 5.327.  
23 And, that's what I'm looking at, the 5.327 versus the  
24 opportunity of supply at 3.506. And, that's where I

{DG 12-131 &amp; DG 12-273} {10-25-12}

[WITNESS: Wyatt]

1 have my concerns.

2 And, going down the line, you can look  
3 at just -- I'll just point out two other supplies that  
4 are being under utilized. The Algonquin Receipts are  
5 being used at 44 percent, and that price -- delivered  
6 price is 3.47. The Washington 10 Storage is being  
7 utilized at slightly under 50 percent. Again, it's a  
8 lower priced supply.

9 In my testimony, in my prefiled  
10 testimony, I suggest that it might be -- may have been  
11 a better fit to either increase some of the volumes in  
12 one of their peaking contracts or have a smaller  
13 baseload contract for a shorter period of time,  
14 perhaps. We've seen baseload contracts for December,  
15 January, February, 90-day contracts, instead of 151-day  
16 contracts.

17 Q. Now, Mr. Wyatt, would you say that the summary table on  
18 Bates Page 198 of Exhibit 3, which is Schedule 11C of  
19 the original cost of gas filing, that that provides a  
20 general overview of capacity utilization on these  
21 different supply contracts? And, I'll give you a  
22 chance to turn to that, Bates Page 198.

23 A. Yes.

24 Q. Okay. Thank you.



[WITNESS: Wyatt]

1 A. What was your question?

2 Q. I was just asking as to whether this provides a summary  
3 of what you were describing?

4 A. It does, except for the fact that I'm focusing  
5 primarily on the Tennessee baseload contract.

6 Q. Uh-huh.

7 A. Which is November through March. And, these volumes  
8 are November through April.

9 Q. Okay. So, there's a distinction there?

10 A. Yes.

11 Q. Well, Mr. Wyatt, what have you discovered about the  
12 Tennessee Gas Pipeline Zone 6 resource?

13 A. Well, I've learned that it's a 5,000 dekatherm per day  
14 contract. It's a baseload requirement, which means it  
15 has to be dispatched day in and day out from November 1  
16 through March 31. And, as a result, other contracts,  
17 in my opinion, are being displaced.

18 Q. Did Mr. Wells provide specifics on this contract in his  
19 testimony?

20 A. He did, and he added a little clarification today on  
21 some of the volumes that were misrepresented in here  
22 under the Niagara contract. That will close the gap a  
23 little bit, but I still think there's room to better  
24 utilize the existing resources. In the tech session,

{DG 12-131 & DG 12-273} {10-25-12}

[WITNESS: Wyatt]

1 he said the Company is always looking to optimize the  
2 portfolio, and excess capacity is mitigated in many  
3 cases through capacity release or off-system sales.

4 Q. Do you have further discussion of the Algonquin NW10 or  
5 Washington 10 storage resources?

6 A. Only that they are reasonably priced. The Company is  
7 paying for the capacity through demand charges.  
8 Northern's customers, ratepayers, are paying the  
9 capacity to move this supply, but, yet, the supply is  
10 not being utilized under the Company's current  
11 forecast, because of the large input of -- the large  
12 impact of this baseload supply from TGP delivered Zone  
13 6.

14 I might add just one other point on  
15 that, is, not only are Northern customers paying the  
16 demand charge on the capacity that's being under  
17 utilized, because the Tennessee Zone 6 delivered supply  
18 is priced at a premium, that premium is paying the  
19 supplier for the firm transportation rights that the  
20 supplier is using to move that supply to Northern's  
21 city-gates each and every day of the winter period.  
22 So, the customers are paying the demand charge on both  
23 sides of the equation.

24 Q. Do you have any miscellaneous points you would like to

[WITNESS: Wyatt]

1 make about these contracts in general terms, Mr. Wyatt?  
2 Anything that we haven't gone over?

3 A. Well, I think I'm going to sit back a little bit and  
4 review a little bit more what's going on with the  
5 Company's portfolio. I know we have an ongoing IRP  
6 docket that is still open. Some of these issues will  
7 certainly -- these issues will certainly be talked  
8 about in the IRP. Other than that, I also want to see  
9 how the Company does on its capacity mitigation and see  
10 if the costs can be offset through those means.

11 Q. So, you will continue to examine the Tennessee  
12 contract --

13 A. Oh, yes.

14 Q. -- over the coming months?

15 A. Absolutely.

16 Q. Mr. Wyatt, --

17 MR. SPEIDEL: And, if I may approach the  
18 Bench, just to give him the benefit of examining this  
19 document?

20 CMSR. HARRINGTON: Sure.

21 BY MR. SPEIDEL:

22 Q. In Exhibit 5, there's a matter discussed in Point 3.  
23 Could you read what's written there please?

24 CMSR. HARRINGTON: Excuse me. Could you

[WITNESS: Wyatt]

1 tell us what page of Exhibit 5 you're on?

2 MR. SPEIDEL: It doesn't have a Bates  
3 stamp. It would be --

4 WITNESS WYATT: It's right before Bates  
5 stamp -- revised Bates stamp 5.

6 MR. SPEIDEL: Or right after. Yes,  
7 revised Bates stamp --

8 WITNESS WYATT: Or, right after, excuse  
9 me.

10 MR. SPEIDEL: And, it has the legend  
11 "Northern Utilities, Inc. New Hampshire Division Updated  
12 2012-2013 Winter Period Cost of Gas Filing". And, then,  
13 there's a line in underline and bold that reads "Cost of  
14 Gas Factor Updates and Revisions to September 14th, 2012  
15 Initial Filing." So, it's a summary page prepared by  
16 Mr. Simmons.

17 BY MR. SPEIDEL:

18 Q. So, ultimately, in Point 3, could you just read that  
19 statement please.

20 A. "Revised Page 2 of Schedule 5B has been updated to  
21 reflect one capacity contract being reassigned from a  
22 storage resource to a pipeline resource. The impact of  
23 the change increases the amount of costs assigned to  
24 pipeline resources while reducing storage resource

[WITNESS: Wyatt]

1 costs by the same amount."

2 Q. So, Mr. Wyatt, was there any prefiled testimony that  
3 discussed this matter as part of the revised or the  
4 original cost of gas filing?

5 A. No, there was not.

6 Q. Do you think in the future it would helpful to have  
7 some testimony provided as part of this sort of  
8 update?

9 A. I think it's important that the Company explain this  
10 type of a decision, because, when you change, if you  
11 reclassify some of these capacity contracts, storage or  
12 pipeline, if you reclassify them from one side to the  
13 other, it not only impacts the calculation of the cost  
14 of gas in New Hampshire, but it does in Maine as well.  
15 It affects the allocation of costs between both states.  
16 And, apparently, this issue was discussed in some  
17 detail up in the Maine Division, or during the Maine  
18 cost of gas proceedings. But it was not discussed  
19 here. We didn't find out about it until we got the  
20 revised filing a few days before the hearing.

21 Q. Okay. Mr. Wyatt, shifting gears just a little bit. Do  
22 you know if the Audit Staff has completed its review of  
23 the cost of gas reconciliation from last winter?

24 A. Yes, I believe they just very recently completed their

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[WITNESS: Wyatt]

1 review. I haven't had a chance to see the Final Audit  
2 Report. But, as far as I understand, there were no  
3 issues, based on the draft.

4 Q. Thank you. In terms of the Settlement Agreement that  
5 has been reviewed as part of the companion docket, DG  
6 12-131, what do you have to say about the \$4.1 million  
7 adjustment to the reconciliation?

8 A. I support it. I think it's good to get this refund  
9 back into the New Hampshire ratepayers -- credit as  
10 soon as possible back to the New Hampshire ratepayers.

11 Q. Do you support the proposed rates in the cost of gas  
12 filing in general terms?

13 A. Yes, I do. I do have that one issue of concern. But,  
14 if anything comes from that further investigation, I  
15 will certainly inform the Commission on it.

16 MR. SPEIDEL: Thank you very much,  
17 Mr. Wyatt. I have no further questions.

18 CMSR. HARRINGTON: Mr. Epler? Oh, I'm  
19 sorry. Ms. Goldwasser.

20 (Atty. Goldwasser, Atty. Epler and  
21 Company representatives conferring.)

22 CMSR. HARRINGTON: Do you want to go off  
23 the record for a couple of minutes?

24 MR. EPLER: Yes, if we could, is that --

[WITNESS: Wyatt]

1 CMSR. HARRINGTON: Okay.

2 MR. EPLER: Thank you.

3 (Off the record.)

4 CMSR. HARRINGTON: Let's go back on the  
5 record then.

6 MS. GOLDWASSER: We have no questions.  
7 Thank you.

8 CMSR. HARRINGTON: No questions. Okay.

9 MS. GOLDWASSER: We will -- we will be  
10 asking for permission to offer some redirect, however.

11 CMSR. HARRINGTON: Offer redirect.  
12 Okay. OCA?

13 MS. HOLLENBERG: No questions. Thank  
14 you.

15 CMSR. HARRINGTON: And, any redirect by  
16 Staff? Kind of hard when you have no questions.

17 MR. SPEIDEL: Well, let me just think a  
18 second here. Mr. Wyatt, I think, in general terms, we've  
19 had everything -- yes, everything has been addressed by  
20 Staff. Thank you.

21 CMSR. HARRINGTON: Commissioner?

22 CMSR. SCOTT: Thank you.

23 BY CMSR. SCOTT:

24 Q. Mr. Wyatt, and this is more on the category of

[WITNESS: Wyatt]

1 educating one of the commissioners.

2 A. Okay.

3 Q. Is it, in your experience, is it common, regarding the  
4 portfolio we've been discussing, including the  
5 Tennessee Gas Pipeline spot, is it common for a company  
6 to include spot purchases on their portfolio? Is that  
7 a common practice?

8 A. It's fairly common. More so in the shoulder months, I  
9 think, than in the dead of winter. In the coldest  
10 months of the winter, December, January, February, in  
11 particular, companies like to have their supplies  
12 pretty well firmed up.

13 Q. And, is it a safe assumption that, obviously, companies  
14 need to look at price, but they also try to diversify a  
15 little bit to be a hedge against price changes, is that  
16 true?

17 A. Correct.

18 Q. Okay. And, what's your understanding of the companies,  
19 not just this company, but, in general, ability to sell  
20 off excess supply that they haven't used themselves?

21 A. They do have off-system sales credits in these cost of  
22 gas filings. And, also, just one other, jumping back  
23 to your first question, on the spot. There are spot  
24 purchases of delivered supply and there are also spot

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[WITNESS: Wyatt]

1 purchases of supply that you can move on firm capacity.  
2 And, they're somewhat different in that spot or  
3 non-longer term contracted supply purchases on the spot  
4 market, in supply production areas, if you have the  
5 firm capacity to move it up the pipeline to city-gates,  
6 that's a lot less risky than the spot purchases of  
7 delivered supply to the winter city-gates -- to your  
8 city-gates in the winter period.

9 Q. So, working off that comment, and, again, maybe I  
10 should ask Mr. Wells, but, on the Table 5 of his  
11 testimony, we have "Tennessee Zone 4 Spot", "Tennessee  
12 Gas Pipeline Zone 6 Spot". How do you characterize  
13 those in the -- how do you relate those to the  
14 statement you just made?

15 A. The "Zone 4 Spot", that's in a -- what is becoming a  
16 very liquid supply point, because of the Marcellus  
17 shale development, and also because of the large market  
18 area storage fields, storage caverns in that area. So,  
19 I am not at all concerned about the reference to "spot"  
20 for there. And, for the "TGP Zone 6 Spot", if I could  
21 refer you back to Schedule 6A, on Bates Page 137, --

22 Q. Uh-huh. I'm there.

23 A. -- of Exhibit 3, I believe it is, the original filing.  
24 And, if you look at just above "W10", in the first

[WITNESS: Wyatt]

1           third of the schedule, the "TGP Zone 6 Spot", do you  
2           see that line item?

3   Q.    Yes, I do.

4   A.    They're only relying on a little bit in November, it's  
5           like maybe it might even just be one day.  So, it's not  
6           a heavy reliance there.  The Company is buying  
7           additional spot in the "TGP Zone 6" line, as I pointed  
8           out earlier, November through March, on that line, are  
9           the baseload contract that I have the concern about.  
10          But the volumes in April are, in fact, spot purchases,  
11          but it's in April.

12   Q.    Uh-huh.

13   A.    So, again, the Company is not relying -- in my opinion,  
14          they're not relying on risky supply purchases in the  
15          winter.

16                                    CMSR. SCOTT:  Thank you.

17                                    CMSR. HARRINGTON:  Just a couple of  
18          quick questions.

19   BY CMSR. HARRINGTON:

20   Q.    In Page 3 of your testimony, it asked "Do you believe  
21           the Company will have the opportunities to utilize the  
22           TGP Zone 6 supply on a least cost basis?"  You state,  
23           "That remains to be seen and is dependent on market  
24           conditions throughout the winter."  And, later on, it

[WITNESS: Wyatt]

1 says "If...we experience a colder than normal [winter],  
2 or if the system demand is otherwise higher than  
3 forecast, this supply may prove to be more beneficial  
4 than it appears." What if we have a warmer than normal  
5 winter? Should we assume the opposite, that it will be  
6 less beneficial than it appears?

7 A. I think that's a safe assumption, for a couple of  
8 reasons. One, obviously, they're not going to need the  
9 supply, as much supply. And, the other reason is,  
10 everybody else isn't going to be needing as much either  
11 in the markets, with the exception of maybe power  
12 generators, but the price is going to be driven down  
13 because of the lower demand overall.

14 Q. And, your concerns that you've raised on this, and you  
15 put it as "may not" or "does not reflect least cost  
16 planning with regard to one winter period delivered  
17 supply resource." That you would address during the  
18 reconciliation of these funds or the charges after the  
19 winter period, when you get to the actuals?

20 A. I'll take a look at that. And, we will also have  
21 discussions in the Integrated Resource Plan docket  
22 that's currently open.

23 Q. But, to be clear, you do recommend approval of this as  
24 presented?

[WITNESS: Wyatt]

1 A. I do.

2 Q. And, on the very end of your testimony, you talk about  
3 the "compressed schedule", the "filing date" and so  
4 forth, "the process is not as polished as we would  
5 like." Do you know if, I realize that I think everyone  
6 is familiar we have a whole bunch of these coming up at  
7 the same time, and it puts, you know, it really --  
8 there's a lot to get done in a short period of time.  
9 Do you have any suggestions for how that could be  
10 improved or is it simply the way we define things?

11 A. These, especially the winter period cost of gas, plus  
12 the cost of steam energy filings, they're like  
13 mini-marathons for me, because there's a lot of ground  
14 to cover. Just between Northern and EnergyNorth,  
15 there's almost a thousand pages of testimony and  
16 schedules that you have to go through, and I do go  
17 through them.

18 The only suggestion or the only thought  
19 that I have would be possibly annual filings, where we  
20 have monthly adjustments anyway. Maybe, and Northern  
21 would do their filing in a synchronized fashion with  
22 the Maine Division, whether it be spring or fall, and  
23 EnergyNorth/Liberty Utilities perhaps would do their  
24 annual filing in the opposite, six months earlier or

[WITNESS: Wyatt]

1 after. The other filings are relatively smaller. So,  
2 wherever they fit in, not as big of a deal. But,  
3 Northern and EnergyNorth, they do require a lot of work  
4 to really thoroughly look at these filings.

5 CMSR. HARRINGTON: Okay. Thank you.  
6 And, I just would comment, if the Company has any thoughts  
7 as far as that goes, I mean, not necessarily to bring  
8 forward today. But, please, if you have a way of  
9 improving this process, or you think annual filings are a  
10 good or bad idea, please let Staff know, so we can follow  
11 up on that.

12 Now, Mr. Speidel, I guess I should have  
13 given you a chance for cross-examination after the  
14 questions were asked, so --

15 MR. SPEIDEL: Cross-examination of my  
16 own witness or redirect?

17 CMSR. HARRINGTON: I mean "redirect",  
18 I'm sorry. I'll get it right eventually.

19 MR. SPEIDEL: Well, as a matter of fact,  
20 Commissioners, I think Mr. Wyatt received a question about  
21 the issue of how to improve future filings. And, so, I  
22 think that was really our primary matter to consider. So,  
23 I have no redirect.

24 CMSR. HARRINGTON: Okay. Thank you.

[WITNESS: Wells]

1 The witness is excused.

2 MS. GOLDWASSER: We'd like to recall  
3 Mr. Wells please.

4 CMSR. HARRINGTON: We'll allow the  
5 witness to take the stand again.

6 MS. GOLDWASSER: Thank you. We just  
7 would like to explore some testimony that was provided  
8 that wasn't explicit in the testimony that was filed.

9 CMSR. HARRINGTON: And, you're still  
10 under oath, of course.

11 WITNESS WELLS: Yes. Thank you.

12 (Whereupon *Francis X. Wells* was recalled  
13 to the stand, having previously been  
14 sworn.)

15 **REBUTTAL DIRECT EXAMINATION**

16 **FRANCIS X. WELLS, PREVIOUSLY SWORN**

17 BY MS. GOLDWASSER:

18 Q. Mr. Wells, with respect to Mr. Wyatt's concerns  
19 regarding the TGP Zone 6 contract, would you like to  
20 further explain the Company's perspective on that  
21 contract?

22 A. Yes. I would. I would agree with Mr. Wyatt, in that,  
23 when you review particularly my schedule -- my  
24 Schedule 6A, which shows the dispatch of the system, in

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[WITNESS: Wells]

1 our computer model that we use as the basis for  
2 estimating the cost of gas, that the estimated volumes  
3 for the pipeline supplies are displaced in the computer  
4 model for the -- in part, due to the incremental  
5 purchase of the Tennessee Zone 6 supply that we've been  
6 discussing so much this afternoon. But I want to -- I  
7 just want to take this opportunity to point out that  
8 the Company should really be judged on the actual  
9 dispatch of the system and our actual supply decisions.  
10 So, you know, I want to make sure that that point comes  
11 across, is that the Company is committed to utilizing  
12 the assets of the portfolio, optimizing the dispatch of  
13 the system in real -- in real-time. And, we plan to do  
14 that regardless of, you know, what this -- what  
15 schedules I provided in this testimony for the purpose  
16 of estimating our cost of gas.

17 Secondly, I would -- I would like to  
18 point out, you know, there were points in Mr. Wyatt's  
19 testimony today where he expressed some -- he found  
20 some tables that I had presented to be misleading.  
21 And, I would like to just state that I, you know, I try  
22 very hard to be as up front and transparent in my  
23 testimony as possible. I just want to point out for  
24 the Commission, and for all interested parties, I

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[WITNESS: Wells]

1 provide monthly prices and monthly average prices in my  
2 Schedule 6A, on Page 3 of that, that's Bates stamp Page  
3 138, in order to provide all the parties with as much  
4 detailed information as possible. And, some of the  
5 schedules that were referred to were more summary  
6 schedules. I also provide, you know, right down to the  
7 -- you can go through all of the calculations down to  
8 every transportation charge we expect to incur in  
9 Schedule 6B. So, I just, you know, it's really  
10 important to me that, you know, we've worked really  
11 hard to make this as transparent a filing as we can.  
12 And, I know that, you know, sometimes you need to rely  
13 on summary schedules, and sometimes they can provide  
14 information, that you need to dig down into the monthly  
15 to really interpret correctly. But it was never, you  
16 know, my personal intention to offer misleading  
17 testimony. And, you know, it's just -- I realize I'm  
18 probably belaboring this point, but it's really  
19 important to me that I just get that across.

20 Q. Mr. Wells, has the allocation factor for capacity costs  
21 changed? That was another issue that was raised by  
22 Mr. Wyatt.

23 A. Yes, that's correct. Referring to the original  
24 Schedule 21, it was actually on -- in Exhibit 3. On



[WITNESS: Wells]

1 Bates stamp 259 of 282, the actual allocator for the  
2 New Hampshire Division that will be applied to all of  
3 our actual costs is found on Line 90 of that, of  
4 Page 3. And, this "46.4 percent" in the original  
5 filing, referring to the same page in the revised  
6 filing, it is still "46.4 percent". I understand that  
7 some of the -- you know, the model goes through and  
8 allocates pipeline resources and storage resources and  
9 capacity release and asset management individually.  
10 But the only capacity allocation factor that is applied  
11 to actual expenses are those that are found on Line 90  
12 for the New Hampshire Division, and then,  
13 correspondingly, Line 81 for the Maine Division. So, I  
14 just want to provide that clarification to the  
15 Commission and the parties that, although the contract  
16 in question was moved from pipeline to storage -- or,  
17 excuse me, from storage to pipeline, on net, that has  
18 no impact on the allocation factor that will be  
19 utilized for demand costs for the upcoming period,  
20 because we apply one demand allocator to all demand  
21 expenses, regardless of whether they are classified as  
22 "pipeline storage" or "peaking" in these schedules.  
23 Q. Finally, one last question, Mr. Wells. I'm going to  
24 direct you back to Page 14 of your testimony, it's

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[WITNESS: Wells]

1 Bates Page 44. And, Mr. Wyatt provided some testimony  
2 regarding the reasoning behind the fact that you  
3 entered into the TGP Zone 6 contract. And, I just was  
4 hoping that you could enunciate your reasoning for that  
5 contract and the reason that that contract makes sense?  
6 A. Yes. As I had stated earlier this afternoon, you know,  
7 we are really concerned, the Company is really  
8 concerned about the liquidity of gas supply in the New  
9 England market for the upcoming winter. You know,  
10 we've been talking to suppliers that normally import or  
11 normally import LNG into the United States, we've, you  
12 know, been talking with the pipelines on, you know, how  
13 frequently there are curtailments going into New  
14 England for non-primary or non-firm or not the highest  
15 level of priority in-path service nominations, and are  
16 just really concerned that, on a physical level, the  
17 New England market could become even more constrained  
18 than it already is this winter. You know, we had -- we  
19 came out of a winter last year that was, you know,  
20 unusually warm weather, and we still had, you know, we  
21 still were seeing there were -- there were days when we  
22 could have used incremental supply. And, so, you know,  
23 we decided that the safest thing for our customers was  
24 to buy this additional supply to protect against

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1 possible price spikes in the upcoming winter period.

2 Now, since that time, we've, you know,  
3 recently taken, you know, we take some interest in  
4 what, you know, what the ongoing prices are for a  
5 similar product. You know, to -- you know, just to  
6 state very simply, to buy this product now, in today's  
7 market conditions, we would be paying substantially  
8 more than what we paid when we purchased the contract.

9 Also, you know, we looked at, you know,  
10 or we look at "well, should we have bought, you know, a  
11 shorter term baseload contract covering just the  
12 December, January, February?" You know, when we looked  
13 out for offers on the broker screens, we didn't find  
14 any December gas offered. January gas was offered at  
15 \$5.00 over NYMEX. And, February gas was offered at  
16 over 4.50 over NYMEX. So, our feeling is that, you  
17 know, the marketplace really feels like our decision  
18 was the right one, because the value of gas in the  
19 Tennessee Zone market has gone up. And, I realize that  
20 it doesn't necessarily reflect well when we run it  
21 through our computer model, which is very constrained,  
22 and it's static and not dynamic. But we really felt  
23 that it was in the best interest to customers in order  
24 to take that decision to purchase that gas.

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[WITNESS: Wells]

1 MS. GOLDWASSER: Thank you.

2 CMSR. HARRINGTON: Ms. Hollenberg, any  
3 questions?

4 MS. HOLLENBERG: No thank you.

5 CMSR. HARRINGTON: Mr. Speidel?

6 MR. SPEIDEL: No questions at the  
7 present time. Thank you.

8 CMSR. HARRINGTON: Mr. Scott,  
9 Commissioner?

10 CMSR. SCOTT: Real quick. I'll ask you  
11 the same question that I asked Mr. Wyatt.

12 BY CMSR. SCOTT:

13 Q. So, your experience of being able to sell the excess,  
14 has that been pretty successful or --

15 A. Yes. We have successfully sold off system in order to  
16 take advantage of incremental supplies that we, when we  
17 have length, we have the ability to sell that in the  
18 market.

19 CMSR. SCOTT: Thank you.

20 BY CMSR. HARRINGTON:

21 Q. Just, maybe not a question, more of a comment here  
22 about how the market could be more constrained. I  
23 mean, obviously, that can happen because of increased  
24 usage or decrease in supply. So, is it which one or a

[WITNESS: Wells]

1 combination thereof? Could you comment on that please.  
2 A. Yes. That's a good question. One thing, you know, to  
3 put this purchase in context, you know, we're under --  
4 you know, natural gas utilities have this opportunity,  
5 you know, of growth, that probably, you know, hasn't  
6 happened in my -- you know, I've been in the business  
7 now for about 15 years, and I haven't seen a market  
8 that is more supportive of natural gas utility  
9 expansion than this current market.

10 But, also, you know, I talked a lot  
11 about the supply constraints. And, I think there's  
12 real risk out there for, you know, parties that are  
13 potentially short in Tennessee Zone 6. So, while we  
14 have some peaking supplies that are, you know, spot  
15 price indexed, we don't really know what those spot  
16 prices are going to be the day we might need that gas.  
17 So, our buys was to try to -- to have those supplies,  
18 because we want to be able to have a firm call on  
19 volume on days when we need it, because we have,  
20 obviously, an obligation to serve our customers in a  
21 reliable and prudent manner. But we also feel that,  
22 whereas we don't know what those prices might be on the  
23 day that we need to call on those supplies. So, we'd  
24 rather have the systems, you know, built in such a way,

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1 going into this winter in particular, that protects  
2 against actually -- that maybe provides a little extra  
3 protection against needing to use those daily indexed  
4 based supplies, because the daily index is going to be  
5 where the most volatility is, when you start getting  
6 into scarce supply situations.

7 Q. But you feel as though -- I guess, as far as your  
8 peaking, is mostly then LNG?

9 A. We have both LNG, provides about 10,000 dekatherms out  
10 of our approximately 116,000 dekatherms of supply. So,  
11 we have, behind our LNG, is a first-of-month -- a  
12 Tennessee Zone 6 first-of-month indexed based contract.  
13 So, I think the advantage of that contract is that we  
14 know, when we buy that gas, what the price will be.

15 Q. Uh-huh.

16 A. But the majority of our peaking supplies, probably  
17 about 30,000 dekatherms or so, are based on daily  
18 index, they're off-system peaking supplies that are --  
19 that we have contracts with suppliers to purchase,  
20 basically, the deliver point is either the inlet to the  
21 Granite pipeline or the inlet to Northern directly.  
22 And, those supplies are based on daily prices. And,  
23 part of that is to manage the amount of fixed costs  
24 that we incur in order to be able to provide that

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1 deliverability, but also just to make sure that we have  
2 supply at any price on days that we really -- that we  
3 really need it. And, those are really for more design  
4 cold scenarios. Whereas, this filing focuses mostly on  
5 what we would expect under normal weather  
6 circumstances.

7 Q. But just going to that extreme cold day scenario, would  
8 a disruption in the supply from Distrigas cause a major  
9 problem to your supply?

10 A. I think that we have diversified ourselves from that  
11 LNG plant. So, we have -- we have storage in that LNG  
12 plant that can meet -- we have about -- we have at  
13 least one day of storage. You know, so, the MDQ of the  
14 plant is about 10,000. We have about 12,000 dekatherms  
15 of storage there. So, if we were in a situation of a  
16 supply disruption, obviously, we would try to, you  
17 know, not use all of it in one day.

18 But, beyond that, we've secured enough,  
19 you know, additional supplies so that we're not  
20 concerned about, you know, being able to meet a  
21 short-term outage of -- you know, or a short-term  
22 unavailability from Distrigas.

23 Q. So, for example, if something happened like this past  
24 summer with the pipeline terrorism in Yemen, where they

[WITNESS: Wells]

1 had a potential to not being able to meet the demand?

2 A. So, in that circumstance, I mean, you know, while we  
3 have diversified from Distrigas, or from any, you know,  
4 single supplier, you know, I feel as though, you know,  
5 any prolonged outage of that type of event or *force*  
6 *majeure* of that type presents challenges. You know,  
7 it's going to spike prices. But that, from just a  
8 service reliability standpoint, I think we were well  
9 positioned.

10 Q. And, just out of curiosity, do you get any from the  
11 Canaport facility at all?

12 A. We have nothing right now that is sourced from the  
13 Canaport facility.

14 CMSR. HARRINGTON: Okay. Thank you.  
15 That's all the questions I had. Anything on redirect?

16 MS. GOLDWASSER: No thank you.

17 CMSR. HARRINGTON: The witness is  
18 excused.

19 WITNESS WELLS: Thank you.

20 CMSR. HARRINGTON: I think we're  
21 approaching the end. I guess we'll go to closing  
22 arguments then. Unutil would like no closing argument  
23 or --

24 MS. GOLDWASSER: Good afternoon.



1 Northern would respectfully request that the Commission  
2 approve the Settlement Agreement submitted in DG 12-131.  
3 And, furthermore, would respectfully ask that the  
4 Commission put into place the rates that the Company has  
5 requested for the Winter COG filing, as revised on October  
6 12th, as Staff has recommended and as the Company has  
7 testified to today. Thank you.

8 CMSR. HARRINGTON: Thank you.  
9 Ms. Hollenberg.

10 MS. HOLLENBERG: Thank you. The Office  
11 of Consumer Advocate supports the Settlement Agreement  
12 that it and Staff reached with the Company in DG 12-131.  
13 And, we have no objection to the Company's proposed cost  
14 of gas adjustment.

15 CMSR. HARRINGTON: Mr. Speidel.

16 MR. SPEIDEL: Mine won't be quite as  
17 brief, and brevity being wit. In any event, Staff does  
18 support the updated Northern proposed 2012-2013 peak  
19 period cost of gas rates as filed and updated. And, the  
20 Commission Audit Staff has reviewed the 2012-2013 -- I'm  
21 sorry, the 2011-2012 peak period cost of gas  
22 reconciliation and found no exceptions. The sales  
23 forecasts for the 2012-2013 peak period cost of gas is  
24 consistent with past experience.

1                   And, though Staff, as testified to by  
2                   Mr. Wyatt, will be examining a matter related to the  
3                   Company's dispatch on an ongoing basis over the coming  
4                   year, in general terms, the Company's supply plan is based  
5                   on the principles of least cost planning, and the direct  
6                   gas costs are based on actual or hedged prices and  
7                   projected pricing that reflect market expectation. So, we  
8                   do acknowledge that.

9                   We also acknowledge that there will be a  
10                  reconciliation of forecasted and actual gas costs for the  
11                  2012-2013 peak period that will be filed prior to next  
12                  winter's cost of gas proceeding. And, any concerns that  
13                  may arise related to the 2012-2013 gas planning and  
14                  dispatch may be raised and addressed next year in the  
15                  2013-2014 peak period cost of gas.

16                  The Local Delivery Adjustment Charge is  
17                  comprised of a number of surcharges, all of which have  
18                  been established in other proceedings, and the actual rate  
19                  determined in the winter cost of gas and effective for one  
20                  year.

21                  Audit Staff has completed its review of  
22                  environmental remediation costs, and we acknowledge the  
23                  Company making adjustments to those costs through this  
24                  year.

1           Staff has reviewed the proposed supply  
2 balancing charges, the company gas allowance factor, and  
3 the capacity allocator percentages for this year on an  
4 interstate level for reasonableness and accuracy, and  
5 recommends Commission approval for these charges.

6           As part of this review, the Staff has  
7 engaged in considerable discovery and collaborative  
8 efforts with the Office of the Consumer Advocate and the  
9 Company to come to a settlement in the interstate  
10 allocation matter, and we support the Settlement Agreement  
11 reached as part of that docket. And, we do thank the  
12 Company and the Office of the Consumer Advocate for their  
13 collaboration through that process. It has taken a  
14 considerable amount of time and technical review by  
15 Mr. Wyatt and Mr. Frink of the Staff, and also the other  
16 parties' expert personnel. And, we are very pleased that  
17 the ratepayers of the State of New Hampshire are receiving  
18 compensation as part of this agreement.

19           The Staff would welcome consideration by  
20 the Commission of possible annual filings for the cost of  
21 gas and staggering the filings for the state's largest gas  
22 utilities. That may have to be accomplished through a  
23 separate generic docket, but at least the seed has been  
24 planted today for considering that. Given that I believe

1 that for all of the parties involved, there is a very  
2 telescoped time frame for review of these matters, and  
3 sometimes a little bit more time would be of help and  
4 assistance, and giving everyone a chance to prepare things  
5 and to review things and to give their expert opinion on  
6 it.

7 I thank the Commission for its  
8 consideration. Thank you.

9 CMSR. HARRINGTON: Thank you. If  
10 there's no objection, we'll strike the identifications and  
11 marking the exhibits as full exhibits?

12 MS. HOLLENBERG: No objection.

13 MR. EPLER: No objection.

14 CMSR. HARRINGTON: Okay. That will be  
15 done. And, we'll take this under consideration. I think  
16 we realize that there has to be a ruling to support the  
17 November 1st date, and we will do our best to make sure  
18 that the order is out in time. Thank you very much. This  
19 concludes this.

20 **(Whereupon the hearing ended at 3:48**

21 **p.m.)**