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STATE OF NEW HAMPSHIRE

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PUBLIC UTILITIES COMMISSION

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4

April 15, 2009 - 10:05 a.m.  
Concord, New Hampshire

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RE: DG 09-052  
NORTHERN UTILITIES, INC.:  
Proposed Cost of Gas Adjustment for  
the Summer Period May 2009 through  
October 2009.

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

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Connie Fillion, Clerk

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

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

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Reptg. PUC Staff:  
Matthew J. Fossum, Esq., Esq.  
Edward N. Damon, Esq.

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

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## I N D E X

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WITNESS: JAMES D. SIMPSON

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## E X H I B I T S

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EXHIBIT NO.

D E S C R I P T I O N

PAGE NO.

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Northern Utilities, Inc. NH  
 Division 2009 Summer Period  
 Proposed Cost of Gas Adjustment  
 filing to be effective May 1, 2009  
 (03-13-09)

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Northern Utilities Update to the  
 Proposed Cost of Gas Adjustment for  
 the Summer Period May 2009 through  
 October 31, 2009 (04-13-09)

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Revised versions of 42 Revised  
 Page 38, including revised redlined  
 copy, revised clean copy, plus  
 Revised Page 1 Attachment NUI-JDS-9  
 and revised version of 37th Revised  
 Page 94

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Replacement Page 1 of 1 of  
 Attachment NUI-FXW-1

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Direct Testimony of Robert J. Wyatt  
 (04-09-09)

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

2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in docket DG 09-052. On  
4 March 13, 2009, Northern Utilities filed its cost of gas  
5 rates for the period May 1, 2009 through October 31, 2009.  
6 The proposed residential cost of gas rate is 80.2 cents  
7 per therm, a 31.62 cents per therm decrease from last  
8 summer. The estimated impact on a typical residential  
9 summer bill is a decrease of approximately \$98, or  
10 18 percent. The Company proposes comparable rates for its  
11 low winter -- commercial/industrial high use and low use  
12 customers. Order of notice was issued on March 20 setting  
13 the hearing for this morning. We have notice filed on  
14 March 26 that the Consumer Advocate would be  
15 participating. And, the affidavit of publication was  
16 filed on April 3rd.

17 Let's take appearances please.

18 MS. GEIGER: Good morning, Mr. Chairman,  
19 Commissioner Morrison, Commissioner Below. Susan Geiger,  
20 from the law firm of Orr & Reno, and I represent Northern  
21 Utilities.

22 CHAIRMAN GETZ: Good morning.

23 CMSR. MORRISON: Good morning.

24 CMSR. BELOW: Good morning.

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

5 CHAIRMAN GETZ: Good morning.

6 CMSR. MORRISON: Good morning.

7 CMSR. BELOW: Good morning.

8 MR. FOSSUM: Good morning,  
9 Commissioners. Excuse me. Matthew Fossum, along with  
10 Edward Damon, Robert Wyatt, and Stephen Frink, on behalf  
11 of Staff.

12 CMSR. BELOW: Good morning.

13 CMSR. MORRISON: Good morning.

14 CHAIRMAN GETZ: Good morning.

15 Ms. Geiger, shall we proceed.

16 MS. GEIGER: Yes. Thank you, Mr.  
17 Chairman. Northern would like to begin this morning by  
18 calling Mr. James Simpson as its first witness.

19 (Whereupon James D. Simpson was duly  
20 sworn and cautioned by the Court  
21 Reporter.)

22 JAMES D. SIMPSON, SWORN

23 DIRECT EXAMINATION

24 BY MS. GEIGER:

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[WITNESS: Simpson]

1 Q. Mr. Simpson, could us please state your name for the  
2 record.

3 A. My name is James D. Simpson.

4 Q. And, where are you employed and what position do you  
5 hold?

6 A. I am a Vice President at Concentric Energy Advisors.

7 Q. And, what types of services does Concentric provide?

8 A. Concentric is a management consulting firm, focused on  
9 the Northern American energy industry. And, we  
10 specialize in regulatory support, transaction-related  
11 financial advisory services, and capital market  
12 analysis.

13 Q. And, could you please describe quickly for the  
14 Commission your work experience.

15 A. From 1982 to 1996, I was responsible for the areas of  
16 rates and regulatory affairs for Northern Utilities and  
17 Bay State Gas Company. And, from 1996 to 2000, I held  
18 senior executive positions at Bay State Gas Company.  
19 And, I left Bay State in 2000. I have been employed at  
20 Concentric for the past four years. I have presented  
21 testimony at this Commission on numerous occasions on  
22 behalf of Northern Utilities, mostly on rates and  
23 economic and other regulatory related matters. And, at  
24 the beginning of my career, I held staff positions at

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[WITNESS: Simpson]

1 the Wisconsin Public Service Commission and the  
2 Department of Public Utilities.

3 Q. And, in which state, Department of Public Utilities?

4 A. Massachusetts.

5 Q. Okay. Could you please explain briefly the role that  
6 Concentric played in developing Northern's Summer 2009  
7 COG filing.

8 A. Unitil requested Concentric's assistance with several  
9 tasks related to cost of gas factors for Northern  
10 Utilities' Maine and New Hampshire Divisions. As part  
11 of the overall efforts to integrate Northern Utilities  
12 into Unitil, after the acquisition of Northern in  
13 December of 2008, Unitil requested that Concentric  
14 first review the Northern Utilities' winter period and  
15 summer period cost of gas files that NiSource provided  
16 to Unitil. Unitil also requested that, if necessary,  
17 we revise the files to make the cost of gas  
18 calculations more efficient, transparent and  
19 reviewable. Unitil also requested that I testify on  
20 Northern's behalf at the summer period cost of gas  
21 proceedings. And, finally, that we provide training to  
22 Unitil staff people on the cost of gas calculations.

23 Q. Now, Mr. Simpson, I'd like to show you a document  
24 that's entitled "Northern Utilities Inc. New Hampshire

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[WITNESS: Simpson]

1 Division 2009 Summer Period Proposed Cost of Gas  
2 Adjustment to be Effective May 1, 2009." Do you  
3 recognize this document?

4 A. Yes, I do.

5 Q. Could you please identify it for the record.

6 A. It is Northern Utilities' original cost of gas filing  
7 that was made March 13th, 2009.

8 MS. GEIGER: Mr. Chairman, I'd like to  
9 have this document marked for identification as "Exhibit  
10 1".

11 CHAIRMAN GETZ: So marked.

12 (The document, as described, was  
13 herewith marked as Exhibit 1 for  
14 identification.)

15 MS. GEIGER: And, I've provided a copy  
16 to the Clerk. And, just want to make sure that everyone  
17 else who needs a copy has one? Thank you.

18 BY MS. GEIGER:

19 Q. Now, Mr. Simpson, I'd like to show you another document  
20 that's dated April 13th. And, it's entitled Northern  
21 Utilities Docket Number DG 09-052 Update to the  
22 Proposed Cost of Gas Adjustment for the Summer Period  
23 May 2009 to October 2009". Could you please identify  
24 this document for the record.

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[WITNESS: Simpson]

1 A. This is a revised cost of gas filing, which we prepared  
2 to reflect updated market cost of gas supplies, based  
3 on NYMEX Henry Hubb natural gas futures contract  
4 settled prices as of April 8th, 2009. The April 13th  
5 filing also corrects a small error that was made in the  
6 March 13th filing, which the Commission Staff brought  
7 to our attention, concerning the level of miscellaneous  
8 overhead expenses to be recovered in the Summer 2009  
9 cost of gas period.

10 MS. GEIGER: Mr. Chairman, I'd like to  
11 have that document marked for identification as "Exhibit  
12 2".

13 CHAIRMAN GETZ: So marked.

14 (The document, as described, was  
15 herewith marked as Exhibit 2 for  
16 identification.)

17 MS. GEIGER: And, again, I've given the  
18 Clerk a copy of that document for marking.

19 BY MS. GEIGER:

20 Q. Mr. Simpson, are you familiar with the contents of both  
21 of the documents that have been marked for  
22 identification as "Exhibits 1" and "2"?

23 A. I am.

24 Q. Okay. Could you please identify the documents in

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[WITNESS: Simpson]

1 Exhibits 1 and 2 that were prepared by you or under  
2 your supervision?

3 A. Certainly. Starting first with Exhibit 1, I was  
4 responsible for the preparation of the tariff pages,  
5 that is Tariff Pages 42nd Revised Pages 38 and 39, and  
6 37th Revised Pages 94, 95, and 96. I was also  
7 responsible for the preparation of the Prefiled  
8 Testimony of James D. Simpson. And, finally, I was  
9 responsible for the preparation of each of the  
10 Attachments NUI-JDS-1 through NUI-JDS-12.

11 In Exhibit 2, I was responsible for the  
12 preparation of Tariff Pages 42nd Revised Pages 38 and  
13 39 and 37th Revised Pages 94, 95, 96. And, I was also  
14 responsible in Exhibit 2 for the preparation of  
15 Attachments NUI-JDS-3, 5, 6, 7, 9, 10, 11, and 12.

16 Q. Mr. Simpson, do you have any further updates or  
17 revisions to the tariff pages that were filed as part  
18 of the revised COG filing that has been marked for  
19 identification as "Exhibit 2"?

20 A. Yes, I do. We prepared three revised versions of 42nd  
21 Revised Page 38. In the April 13th filing that we  
22 made, we inadvertently provided the March 13th version  
23 of 42nd Revised Page 38. The three revised versions  
24 are, first, a revised redlined copy; second, a revised

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[WITNESS: Simpson]

1 clean copy; and, third, a Revised Page 1 to Attachment  
2 NUI-JDS-9. We've also prepared a revised version of  
3 37th Revised Page 94 to correct a small typographical  
4 error.

5 MS. GEIGER: And, Mr. Chairman, I have  
6 copies of all of the documents that Mr. Simpson has just  
7 referenced. I've given a copy of those four documents to  
8 the Clerk. And, I'd like to approach and provide you with  
9 copies for the Bench and ask that those documents either  
10 be marked as "Exhibit 3" as a group, or, if the Chair  
11 prefers, they can be unbundled and marked separately.

12 CHAIRMAN GETZ: Well, let's mark the  
13 four pages as Exhibit 3.

14 (The document, as described, was  
15 herewith marked as Exhibit 3 for  
16 identification.)

17 MS. GEIGER: Thank you.

18 BY MS. GEIGER:

19 Q. Mr. Simpson, do you have any updates or corrections to  
20 your prefiled testimony?

21 A. Yes, I do. I have one minor correction, and a couple  
22 updates to my testimony, which is included in  
23 Exhibit 1. First of all, in the Prefiled Testimony of  
24 James D. Simpson, on Page 9, Line 17, the fifth word,

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[WITNESS: Simpson]

1 the first word of the first -- the sentence that starts  
2 on that line is "Maine", and, of course, that should be  
3 "New Hampshire", and I apologize for that. And, then,  
4 on Page 13, I would like to update the rates and  
5 numbers reflected on Pages 13 and 14, to reflect the  
6 update that is contained in Exhibit 2. So, the first  
7 changes I would like to make are on Line 15 of Page 13.  
8 And, in place of the rate "0.8020 per therm", I would  
9 like to update that to read "0.7385 per therm". And,  
10 then, also on that same line, in place of "0.3386 per  
11 therm", I would like to update that to read "0.0494 per  
12 therm". On Line 18 of the same page, I would like to  
13 update "0.3918" to read --

14 CMSR. BELOW: That last one, if I may  
15 interrupt, doesn't quite make sense. You said "0.0494".

16 WITNESS SIMPSON: I'm sorry.

17 CMSR. BELOW: Do you mean "0.49"?

18 WITNESS SIMPSON: 0.4094?

19 CMSR. BELOW: No, wait. "0.49"? Go  
20 ahead and say what it is.

21 WITNESS SIMPSON: The number, instead of  
22 being about 34 cents, should be about 41 cents.

23 CMSR. BELOW: Okay.

24 WITNESS SIMPSON: 0.4094. All set?

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[WITNESS: Simpson]

1 CMSR. BELOW: Well, I think you still  
2 said "0.04", and I think you mean to say "0.4", if it's 49  
3 -- 41 cents or 40.9 cents --

4 WITNESS SIMPSON: 0.4094.

5 CMSR. BELOW: Oh. Okay, maybe I just  
6 wasn't hearing it right. "0.4094"?

7 WITNESS SIMPSON: Yes.

8 CMSR. BELOW: Okay. Now, I got it.

9 Thank you.

10 WITNESS SIMPSON: Okay. Thank you.

11 BY THE WITNESS:

12 A. Line 18, instead of "0.3918", I would like to update  
13 that number to be "0.4550". And, on Line 20, we  
14 changed the basis on which we were calculating the  
15 typical customer bill effects. So, rather than "153",  
16 "153 therms", it should read "318 therms", which will  
17 be, instead of "246.27", it should read "423.06".  
18 Then, continuing on to the next page, Page 14 of 14,  
19 the decrease that this represents, compared to the 2008  
20 Summer cost of gas, is, rather than "\$51.41", should be  
21 "\$118.81", or "21.93 percent", rather than  
22 "17.27 percent". And, those are all the revisions I  
23 have.

24 BY MS. GEIGER:

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[WITNESS: Simpson]

1 Q. Okay. Thank you. If you were asked the same questions  
2 that appear in your prefiled testimony today under  
3 oath, would your answers, given the corrections that  
4 you've just made, be the same?

5 A. They would, yes.

6 Q. Okay. Could you please briefly summarize for the  
7 Commission your prefiled testimony as it relates to the  
8 calculations of the Summer 2009 cost of gas rates?

9 A. I'd be happy to. And, to go through this exercise, I  
10 will be referring from time to time to attachments in  
11 Exhibit 1, Exhibit 2, and Exhibit 3, and I will try  
12 always, before I start talking, to tell you which one  
13 I'm on. But, if I miss, please stop me. I'm going to  
14 start by walking through, at a high summary level, the  
15 tariff sheets themselves, then I'm going to get into a  
16 little bit of detail on the underlying calculations and  
17 support that we have provided in this filing.

18 So, I would like to start with the  
19 Exhibit 3, the version of 42nd Revised Page 38 that was  
20 passed out this morning. And, I'm looking at the clean  
21 copy, but it really doesn't matter for this purpose.  
22 This 42nd Revised Page 38 shows the direct gas costs  
23 that Northern is projecting that it will incur to  
24 provide gas supply service to its firm sales service

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[WITNESS: Simpson]

1 customers during the Summer 2009 period. Those are the  
2 six months from May through October. And, so, on this  
3 first page is summarized the projected commodity costs,  
4 demand costs, pipeline costs, storage and peaking  
5 demand costs that Northern Utilities is projecting.  
6 Referring then to Exhibit 2, the 42nd Revised Page 39,  
7 this provides additional detailed calculations for the  
8 indirect costs. Starting at the top is provided the  
9 calculation for the working capital, and then further  
10 down the page is the bad debt calculation. And, then,  
11 finally, in the bottom portion of the page, before the  
12 boxes, is summarized the working capital allowance, the  
13 bad debt allowance. And, then, to that is added the  
14 miscellaneous overhead expense, the prior period  
15 undercollection of \$502,551, the interest on the  
16 monthly deferred balance calculation. And, finally,  
17 unit costs, based on these sum totals, are presented at  
18 the bottom of the page in a box for residential and for  
19 the two commercial and industrial groups, the low  
20 winter use group and high winter use group. And, at  
21 the very bottom of that boxed region is shown the  
22 maximum and the minimum rates that Northern can adjust  
23 the rates to, in order to attempt to achieve -- to  
24 minimize the end of period undercollection or

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[WITNESS: Simpson]

1 overcollection.

2 I wanted to spend just a couple minutes  
3 talking about the undercollection balance that I  
4 referred to on this page. It is supported -- It is  
5 supported by Attachment NUI-JDS-8 in Exhibit 1. And,  
6 I'm not going to spend a lot of time on this, but I do  
7 want to refer you to -- it's the summary schedule in  
8 the 2008 Summer Period Reconciliation filing, about the  
9 third page in -- excuse me, the fourth page in of  
10 NUI-JDS-8 is a summary document that shows the summer  
11 period ending balance is \$494,006, that is through  
12 October of 2008. And, the \$502,551 that I referred to  
13 on Page 39 is that same \$494,000, with further accrued  
14 interest from October 2008 through April of 2009.

15 So, to explain the reasons for the  
16 undercollection that, as of the end of October 2008, as  
17 of the end of the 2008 period reached 494,000, you may  
18 recall that, during the Summer of 2008, gas prices were  
19 extremely volatile. They went up, they went down.  
20 And, this was -- the volatility in prices I think is  
21 generally accepted to be part of the price spikes that  
22 occurred in the spring and early summer of last year.  
23 Remember, oil prices were \$150 a gallon [barrel?] and  
24 gas prices were over -- gasoline prices were over \$4.00

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[WITNESS: Simpson]

1 a gallon, \$150 per barrel. And, then, as summer wore  
2 on and the economy started to disintegrate, then gas  
3 prices followed that. So, Northern Utilities had three  
4 prices that they charged during the summer period,  
5 always trying to keep up with the current projections  
6 of what the market prices were going to be. They had  
7 the updated rate that was effective May 1 of 2008.  
8 And, then, as early as June 1st of 2008, they changed  
9 the cost of gas rate by 19.16 cents per therm to  
10 reflect the spike in the gas market prices. And, then  
11 again, as the gas prices dropped precipitously towards  
12 the end, they decreased the cost of gas rate effective  
13 November -- I'm sorry, effective September 1st, 2008,  
14 they decreased the cost of gas rate by 27.45 cents.  
15 So, they -- Northern Utilities was certainly trying to  
16 maintain a small under or overcollection balance, and  
17 the volatility of the market just got beyond their  
18 ability to revise the rates.

19 Continuing on now with my explanation  
20 for the cost of gas filing that we have prepared, I'm  
21 again going to refer to the April 13th filing, that's  
22 Exhibit 2, and I'm going to -- Oh. And, I'm also going  
23 to refer to 37th Revised Page 94, which was submitted  
24 today as part of Exhibit 3. And, these pages, Page 94

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[WITNESS: Simpson]

1 from Exhibit 3, plus Page 95 and 96 from Exhibit 2,  
2 show the total rates for all sales and transportation  
3 customers that reflect the cost of gas rate that we are  
4 proposing to charge effective May 1, 2009.

5 Still on Exhibit 2, the April 13th  
6 filing, I want to refer to Attachment NUI-JDS-10, and  
7 specifically Page 1, which shows the breakdown, the  
8 summaries of the unit cost rates that Northern  
9 Utilities will be charging its residential, small  
10 winter use, and high winter use classes. And, it shows  
11 the unit cost by both direct gas costs and indirect gas  
12 costs. And, Page 2 of this same attachment shows the  
13 calculations that the Company made to reflect that,  
14 according to the Company's cost of gas clause,  
15 residential customers are charged the system average  
16 cost of gas, and that the low winter use and high  
17 winter use commercial and industrial customers are then  
18 assigned additional dollars to -- so that the total  
19 amount of projected gas costs are recovered from  
20 Northern Utilities' customers in total. And, the final  
21 pages of Attachment NUI-JDS-10 show detailed gas cost  
22 data that was provided to me by Mr. Wells, and  
23 calculations of the projected monthly deferred gas cost  
24 balances through October 2009.

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[WITNESS: Simpson]

1 Q. Mr. Simpson, could you please highlight for the  
2 Commission any differences between the manner in which  
3 you calculated this summer's COG rates and the manner  
4 in which those rates have been calculated in the past  
5 by Northern?

6 A. Concentric reviewed, in fine detail, the files that  
7 NiSource had developed to prepare the cost of gas  
8 calculations. And, although the files -- the model  
9 provided appropriate cost of gas calculations, we did  
10 find several ways to improve the files, so that they  
11 would be -- they would better allow for quality  
12 control, checking for errors, and also to maintain  
13 control of revisions and updates as we make them  
14 through the period.

15 And, in addition, we also -- those were  
16 just sort of structural changes to the filings, but we  
17 also made some changes to the way that the cost of gas  
18 rates were actually calculated. And, the most  
19 significant of those changes is that we revised the  
20 formulas, we revised the spreadsheet, so that the cost  
21 of gas calculations are based on data that's specific  
22 to Northern Utilities' firm sales customers. You may  
23 recall that in the past Northern had calculated cost of  
24 gas rates reflecting projected sales volumes and

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[WITNESS: Simpson]

1 projected gas supplies to both sales customers, and  
2 then they added in phantom gas supplies for the  
3 transportation customers. That was just the convention  
4 that they used. And, we felt that it would make it  
5 easier to review, make it easier to understand all the  
6 numbers, if both actual and projected numbers related  
7 to the sales customers, because, after all, those are  
8 the customers, and only the customers, for which the  
9 Company will be procuring gas supplies. And, that is  
10 the major changes that we made.

11 Q. Okay. Mr. Simpson, could you please describe the  
12 impacts on residential heating customers' bills that  
13 would result from the proposed Summer 2009 COG rates?

14 A. Certainly. For that purpose, I prepared, in the  
15 Exhibit 2, I prepared Attachment NUI-JDS-12. And, on  
16 Page 1 of 3, this shows the calculation by month of the  
17 customer's bills for a typical residential heating  
18 customer that uses 318 therms during the summer period.  
19 The total summer bill would be -- is projected to be  
20 \$423.06, then, on Page 2, is the comparative  
21 calculation of how much this same customer paid for  
22 total sales service during the Summer of 2008, and that  
23 number is \$541.87. So, the current filing represents a  
24 decrease to this typical customer -- customer's annual

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[WITNESS: Simpson]

1 bills over the entire summer period of \$118.81, which  
2 is 21.93 percent reduction.

3 Q. Thank you, Mr. Simpson. Do you have anything further  
4 to add to your testimony?

5 A. I do not.

6 MS. GEIGER: Thank you, Mr. Chairman.

7 The witness is available for cross-examination.

8 CHAIRMAN GETZ: Thank you.

9 Ms. Hatfield.

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

11 Good morning, Mr. Simpson.

12 WITNESS SIMPSON: Good morning.

13 CROSS-EXAMINATION

14 BY MS. HATFIELD:

15 Q. You described in your overview of the review that you  
16 did, you performed of the NiSource cost of gas files,  
17 do you recall that?

18 A. I do.

19 Q. And, on Pages 3 and 4 you discuss that review, is that  
20 correct?

21 A. I'm sorry, are you referring to my testimony?

22 Q. Yes, I am. Thank you. That's in Exhibit 1.

23 A. Sure.

24 Q. I'm wondering, you talk about the fact that it was

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[WITNESS: Simpson]

1       difficult to maintain control of revisions to the cost  
2       of gas filings, and I think you touched on some  
3       improvements that you have made. Can you just talk a  
4       little bit more about those?

5     A.   Sure. The Excel spreadsheets that NiSource had  
6       developed were separated into two pieces. There was  
7       one piece that was, generally speaking, dealing with  
8       gas costs at the total Northern Utilities level, and  
9       that spreadsheet also calculated the allocations  
10      between Maine and New Hampshire. Then, the results of  
11      that file were then transmitted to another file, in  
12      this case it would be for Northern Utilities' New  
13      Hampshire Division, in which the final detailed cost of  
14      gas calculations were made. And, we just saw that it  
15      was very difficult to keep the Northern Utilities total  
16      file synched up with the Northern Utilities' New  
17      Hampshire Division or the Northern Utilities' Maine  
18      Division cost of gas files. And, it wasn't as though  
19      these files were so huge that we couldn't have one  
20      file. So, we just eliminated the separate files.

21    Q.   So, is it your view that that change will result in a  
22       more accurate cost of gas calculation for New Hampshire  
23       customers?

24    A.   As I said, we couldn't identify any instance in which

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[WITNESS: Simpson]

1 the files that had been prepared by NiSource led to  
2 inaccurate calculations. But, as I said, it was clear  
3 that it was more difficult for them to maintain version  
4 control, for them to update the master file and have  
5 all those updates flow correctly to the Maine file and  
6 the New Hampshire file, that that seems to be extra  
7 effort, extra struggles that they went through in order  
8 to maintain the calculations.

9 Q. Thank you. On Page 7 of your testimony, on Lines 9 and  
10 10, you refer to "asset management fees". Do you see  
11 that?

12 A. I do.

13 Q. And, I wanted to ask you a question about asset  
14 management agreements. But, before I do, I'm not sure  
15 that you are the right witness. I'm thinking Mr. Wells  
16 might be more appropriate, is that correct?

17 A. Me, too. Yes, he is.

18 Q. Thank you. On Page 13 of your testimony, you  
19 previously walked us through some updates to the  
20 numbers that are contained there.

21 A. I did.

22 Q. And, on the last line of that page, Line 20, you  
23 changed the number from "153" to "318 therms". Can you  
24 talk about why you made that change?

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[WITNESS: Simpson]

1 A. By past history, the number that has been used was 318.  
2 And, so, the Staff requested that we revert to the old  
3 numbers, just so that there would be sort of a  
4 continuity and an easier basis of comparison. The 153  
5 therms is simply another representative level of gas  
6 usage for a typical residential heating customer.

7 Q. But how would both of those numbers be representative  
8 of a typical customer?

9 A. I believe that the 318 therms is probably more  
10 representative of a residential heating customer from  
11 several years ago. And, perhaps the 153 therms  
12 represents usage patterns that are more typically seen  
13 in 2009.

14 MS. HATFIELD: Thank you. Those are all  
15 of my questions for this witness. Thank you.

16 CHAIRMAN GETZ: Thank you. Mr. Fossum.

17 MR. FOSSUM: Thank you. Just one  
18 moment.

19 BY MR. FOSSUM:

20 Q. You had mentioned back at the start of your testimony  
21 about some training that you're doing for Unitil on the  
22 cost of gas filings. Could you just explain what that  
23 training is and how that will impact their filings?

24 A. It hasn't occurred yet. It will occur. The intention

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[WITNESS: Simpson]

1 all along was that this project is not a long-term  
2 project for Concentric Energy Advisors, this  
3 calculation of the cost of gas factors. And,  
4 testifying to them rightfully belongs with Unitil  
5 employees. And, it was just a matter of timing that it  
6 was more appropriate for me to do the testimony at this  
7 time, given that we were going through the model we  
8 had. We had, believe me, a very intimate understanding  
9 of how the cost of gas files worked. And, so, it was  
10 very straightforward for us to use that knowledge in  
11 order to prepare the 2009 Summer Cost of Gas filing and  
12 to testify to it. And, certainly, to a limited extent,  
13 I personally represent some institutional memory with  
14 respect to Northern Utilities matters.

15 Q. Now, I guess a more general question. You don't need  
16 to turn to it, but you had referenced on your 42nd  
17 Revised Page 39, in Exhibit 2, the maximum and minimums  
18 under the current methodology that you have for  
19 adjusting the rate. I assume you're aware of Staff's  
20 proposal in regard to that, I guess, bandwidth  
21 adjustment?

22 A. I am.

23 Q. And, basically, what -- do you have an opinion on that  
24 proposal?

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[WITNESS: Simpson]

1 A. I have reviewed it. Unitil has reviewed it. And, we  
2 support and accept the Staff's suggestions and  
3 recommendations.

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

6 CHAIRMAN GETZ: Anything further,  
7 Ms. Geiger?

8 MS. GEIGER: Nothing further, Mr.  
9 Chairman. Thank you.

10 CHAIRMAN GETZ: Then, the witness is  
11 excused. Thank you.

12 MS. GEIGER: Northern would also like to  
13 call at this time Mr. Francis Wells.

14 (Whereupon Francis X. Wells was duly  
15 sworn and cautioned by the Court  
16 Reporter.)

17 FRANCIS X. WELLS, SWORN

18 DIRECT EXAMINATION

19 BY MS. GEIGER:

20 Q. Could us please state your name for the record.

21 A. My name is Francis X. Wells.

22 Q. Mr. Wells, where are you employed and what position do  
23 you hold?

24 A. I'm a Senior Energy Trader for Unitil Service Corp.

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[WITNESS: Wells]

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

2 A. Yes, I did.

3 Q. Is that prefiled testimony contained in the tab  
4 entitled "Francis X. Wells" in the document that has  
5 been marked for identification as "Exhibit 1"?

6 A. Yes.

7 Q. Do you have any corrections or updates to your prefiled  
8 testimony?

9 A. I do. Beginning on Page 7 of my prefiled testimony, I  
10 have made several corrections to the table labeled  
11 "Summary of Estimated Gas Supply Costs".

12 MS. GEIGER: And, Mr. Chairman,  
13 Mr. Wells has prepared replacement pages, if that would be  
14 of assistance to the Commission?

15 CHAIRMAN GETZ: Surely.

16 MS. GEIGER: I've given the page that  
17 he's talking about now to the Clerk. And, if the  
18 Commission would like, it could be marked for  
19 identification as the next exhibit.

20 CHAIRMAN GETZ: Yes. Let's mark this  
21 for identification as "Exhibit Number 4".

22 (The document, as described, was  
23 herewith marked as Exhibit 4 for  
24 identification.)

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[WITNESS: Wells]

1 MS. GEIGER: Thank you.

2 BY MS. GEIGER:

3 Q. Mr. Wells, you could proceed in describing for the  
4 Commission the changes that you've made on that page.

5 A. Thank you. Beginning on Line 4 of the table, the  
6 reference has been changed to read "Sum Lines 1 through  
7 3", rather than "Sum Lines 1 through 4". Continuing on  
8 Line 12 of the table, the reference is changed from  
9 "Lines 6 through 8" to -- isn't that peculiar, it still  
10 reads "Line 6 through 8".

11 [Laughter]

12 WITNESS WELLS: Best laid plans of mice  
13 and men.

14 BY THE WITNESS:

15 A. It should read "Lines 8 through 11". I apologize for  
16 that. And, on Line 13, it should read "Sum of Lines 7  
17 and 12", rather than "10 and 15".

18 BY MS. GEIGER:

19 Q. Do you have any further changes?

20 A. I do. On Page 8 of 13, on Line 7, should read  
21 "allocated to the New Hampshire Division", rather than  
22 the "Maine Division". And, I apologize for that error.

23 MS. GEIGER: And, Mr. Chairman,

24 Mr. Wells brought with him this morning a replacement page

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[WITNESS: Wells]

1 for that testimony. But, since it's such a  
2 straightforward change, I'm not certain that the  
3 Commission wants another piece of paper to deal with that?

4 CHAIRMAN GETZ: No, I don't think we  
5 need another exhibit there. Though, I'm wondering what to  
6 do with Exhibit 4, if we -- you only made three changes  
7 then to your Original Page 7 in the Exhibit 1 of your  
8 testimony?

9 WITNESS WELLS: That is correct.

10 CHAIRMAN GETZ: Let's just record those  
11 changes to the Original Page 7 and get rid of Exhibit 4.

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

13 (Whereupon the marking of the  
14 Replacement Page 7 of 13 as Exhibit 4  
15 was herewith unmarked as an exhibit.)

16 BY MS. GEIGER:

17 Q. And, Mr. Wells, with the corrections and updates that  
18 you just provided on the stand, if you were asked the  
19 same questions today under oath --

20 A. I have two more changes to my attachments. Did we want  
21 to --

22 Q. I was just going to ask you about your prefiled  
23 testimony.

24 A. I apologize.

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[WITNESS: Wells]

1 Q. But, if you would like to make those changes now,  
2 that's fine, too.

3 A. No, go on.

4 Q. Okay. Well, as I was going to ask you, with the  
5 corrections that you made to your prefiled testimony,  
6 as opposed to your attachments, which we're going to  
7 talk about in a minute, if I were to ask you the same  
8 questions with those corrections under oath this  
9 morning, would your answers be the same?

10 A. With the exception that the commodity costs on Table 7  
11 have not been updated for the changes in the underlying  
12 NYMEX commodity rates that were part of the updated  
13 filing that was made on April 13th and marked as  
14 Exhibit 2, my responses would all be the same.

15 Q. Okay. Mr. Wells, now do you have any changes that you  
16 would like to discuss with respect to any of the  
17 attachments to your prefiled testimony?

18 A. Yes. I have prepared a Replacement Page 1 of 1 of  
19 Attachment NUI-FXW-1.

20 MS. GEIGER: And, Mr. Chairman, I would  
21 like to have that marked as the next exhibit, which I  
22 guess is going to be 4. I've given a copy of that to the  
23 Clerk. And, I will check with the Clerk after the  
24 hearing, just to make sure that we've appropriately marked

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[WITNESS: Wells]

1 everything.

2 CHAIRMAN GETZ: Okay. We'll mark for  
3 identification as "Exhibit Number 4" the single-page  
4 document that's "Attachment NUI-FXW-1 Replacement Page 1  
5 of 1".

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

9 MS. GEIGER: Thank you.

10 BY THE WITNESS:

11 A. I've also prepared a Replacement Page 1 of 3 of  
12 Attachment NUI-FXW-2.

13 MS. GEIGER: And, Mr. Chairman, we'd  
14 like to have that page marked for identification as  
15 "Exhibit 5", I believe.

16 CHAIRMAN GETZ: So marked.

17 (The document, as described, was  
18 herewith marked as Exhibit 5 for  
19 identification.)

20 BY MS. GEIGER:

21 Q. And, Mr. Wells, now could you please very briefly  
22 describe the topics covered in your prefiled testimony.

23 A. Yes. My testimony discusses the demand forecast and  
24 the Company's methodology for calculating the demand

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[WITNESS: Wells]

1 forecast. I then overview the commodity and gas supply  
2 costs in order to serve the forecasted demand.  
3 Finally, I overviewed the Company's hedging program and  
4 provide an estimate of the impact of the hedging  
5 program on the cost of gas that we present today, and  
6 also present a plan for subsequent cost of gas periods.

7 MS. GEIGER: And, Mr. Chairman, unless  
8 the Commission would like to have an oral summary of  
9 Mr. Wells' prefiled testimony, I could make him available  
10 for cross-examination?

11 CHAIRMAN GETZ: I think we can move onto  
12 cross-examination. We've had opportunity to look at the  
13 testimony.

14 MS. GEIGER: Great. Thank you very  
15 much.

16 CHAIRMAN GETZ: Ms. Hatfield.

17 MS. HATFIELD: Thank you, Mr. Chairman.  
18 Good morning, Mr. Wells.

19 WITNESS WELLS: Good morning.

20 CROSS-EXAMINATION

21 BY MS. HATFIELD:

22 Q. On Page 7 of your testimony, on Line 6 it refers to  
23 "Asset Management". Do you see that?

24 A. Yes, I do.

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[WITNESS: Wells]

1 Q. Is it true that Unitil is entering into asset  
2 management agreements?

3 A. Yes, that is true.

4 Q. Could you give us just a brief explanation of why the  
5 Company is using them, how long they last, and what you  
6 think the benefits of them are?

7 A. Generally speaking, an asset management transaction is  
8 nothing more than a capacity release of either pipeline  
9 or storage assets that is bundled with a supply  
10 transaction. Northern has a history of using asset  
11 management transactions in order to procure its supply  
12 requirements. These supply transactions/asset  
13 management deals have the benefit of realizing some  
14 value of unutilized capacity on days that the utility's  
15 demand does not warrant full use of the capacity. The  
16 marketer, that is the supplier under an asset  
17 management transaction, can use the excess capacity in  
18 order to do other economic transactions. In return,  
19 the Company gets a payment that is used to offset  
20 demand costs of the underlying assets.

21 Q. Thank you. On Page 8 of your testimony, beginning on  
22 Line 9, you discuss the "PNGTS meter error" and the  
23 "in-kind payback", do you see that?

24 A. Yes, I do.

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[WITNESS: Wells]

1 Q. And, I believe you testified that PNGTS began paying  
2 back the volume on November 1st, 2008, is that correct?

3 A. Yes, that is correct.

4 Q. And, when will that be finished, so that all of those  
5 volumes are paid back to customers?

6 A. It was my recollection, when I was looking at this,  
7 that it would be no later than January 2010, but there  
8 is some flexibility that the payback could occur  
9 earlier. As long as the parties, that being PNGTS and  
10 Northern, agree to an acceleration of the in-kind  
11 payback.

12 Q. Thank you very much. Mr. Wells, you might recall that,  
13 during the technical session that we had a few weeks  
14 ago, the OCA inquired about whether the Company  
15 recovers the cost of company use for things like  
16 heating its offices through the cost of gas adjustment.  
17 Do you recall that?

18 A. I do recall that.

19 Q. And, is it true that today transportation customers do  
20 not have to contribute to paying for company use?

21 A. I believe that is true, yes.

22 Q. And, would the Company be willing, in the future cost  
23 of gas cases, to discuss a more equitable way to  
24 recover those costs through perhaps another charge?

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[WITNESS: Wells]

1 A. I am not the right witness to answer that question, I  
2 apologize.

3 MS. HATFIELD: Thank you. No further  
4 questions.

5 CHAIRMAN GETZ: Mr. Fossum.

6 MR. FOSSUM: Thank you.

7 BY MR. FOSSUM:

8 Q. You had just recently answered a few questions in  
9 regards to the "PNGTS meter error". And, specifically  
10 drawing your attention to your testimony at Page 8 of  
11 13, Footnote 4, it lists the transportation cost of  
12 "0.0017 per dekatherm". And, on Page -- on, I'm sorry,  
13 yes, on Attachment NUI-FXW-3, Page 3, the same number  
14 appears. Is that indeed the same charge in both  
15 instances?

16 A. Yes, it is.

17 Q. Now, was that charge also included on any Granite State  
18 pipeline invoices for volumes billed before the error  
19 was discovered?

20 A. Not having reviewed those invoices personally, I can't  
21 be sure. But it would be my expectation that it would  
22 have been charged.

23 Q. And, if, in fact, it was, has Granite issued -- do you  
24 know of Granite having issued any credit or other

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[WITNESS: Wells]

1 offset for that?

2 A. I would have to research that. I don't know the answer  
3 to that question.

4 Q. Okay.

5 A. I will say that it was my assumption, in preparing the  
6 budget, that such a credit would have occurred.

7 Q. You said you cover also the hedging program for  
8 Northern/Unitil. And, I'm sorry to fumble a little bit  
9 here. On Page 10, Line 5, of your testimony, you state  
10 that the losses that are detailed over on Attachment  
11 FXW-1, Page 1, which I realize has been amended, does  
12 that -- oh, I'm sorry. Is that reference supposed to  
13 be to "FXW-3"?

14 A. Yes, that is.

15 Q. Staying on Page 10, and moving down to Line 13 of your  
16 testimony, there's a reference there to "NUI-FXW-6",  
17 and it references "Line 7", as well as "Lines 11  
18 through 32" on that page -- I'm sorry, on Page 2 of  
19 that attachment. And, do you have that attachment in  
20 front of you?

21 A. Yes, I do.

22 Q. Those lines don't appear to be on that page. Is there  
23 some other reference that that's actually meant to go  
24 to?

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[WITNESS: Wells]

1 A. First, let me make a correction. Line 13 of Page 10 of  
2 my prefiled testimony reads "Page 2, Line 7".

3 Q. Yes.

4 A. It should be "Page 1". And, realizing now that the  
5 line numbers were not -- were inadvertently excluded  
6 from the attachment, on Page 1 of FXW-6, where it reads  
7 "Firm Sendout Requirement", that is the figure to which  
8 -- which shows the projected sendout accounting for  
9 retail migration. And, then, moving onto Line 14,  
10 anticipating that I also reference lines that aren't  
11 existent in the attachment, beginning where it says, in  
12 the middle of the page, "calculation of non-pipeline  
13 supplies", I present the non-pipeline supplies that are  
14 available to the Company, and concluding with the line  
15 labeled "Total Non-Pipeline Supplies". Should I  
16 continue onto the next page where I continue to refer  
17 to line numbers that --

18 Q. Sure, just for the sake of clarifying everything, yes,  
19 why don't you.

20 A. Okay. Page 11 of 13 refers to "Line 36 showing the  
21 calculation of Pipeline Requirement for the season",  
22 that is under the heading "Analysis of Hedging Plans",  
23 on the bottom third of Page 1 of Attachment NUI-FXW-6.  
24 The line item reads "Pipeline Requirement", and then

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[WITNESS: Wells]

1       parenthetically "Firm sendout requirement less  
2       non-pipeline supplies". And, then, the "triggered and  
3       price triggered" -- excuse me. The "Time Triggered"  
4       and "Price-Triggered" portions are shown on the lines  
5       that are labeled "Time Triggered" and  
6       "Price-Triggered", rather than on the Lines 37 and 38.  
7       And, then, I believe "Line 40", rather than "Line 40",  
8       the "actual contracts", which is the second to bottom  
9       row on the table, and the "planned contracts" is the  
10      line above that. I apologize for not including the  
11      line references in the filed table.

12    Q.   Thank you. Now, coming out of this most recent winter  
13       period, about, I guess approximately, what underground  
14       storage capacity does Unitil or Northern have  
15       remaining?

16    A.   Northern projects, and this is a rough estimate, I  
17       don't have the exact figures in front of me today, but  
18       approximately 500,000 dekatherms of underground storage  
19       is still held by the Company, out of approximately  
20       3.7 million dekatherms of underground storage to begin  
21       the heating season.

22    Q.   And, how does that compare with prior years?

23    A.   I can't answer that question, only because our  
24       institutional knowledge of Northern's underground

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[WITNESS: Wells]

1 storage holdings is probably better answered by, you  
2 know, NiSource employees.

3 Q. Well, then, instead of looking back, looking forward,  
4 is there a strategy for refilling that storage?

5 A. Yes. We are in the process of finalizing storage  
6 injection contracts for our largest storage asset,  
7 which is Washington 10. My understanding of our plan  
8 will be that it will be refilled ratably over the  
9 summer period, beginning May 1st, through October 1st,  
10 "ratably" meaning in six equal injection amounts. It  
11 is my understanding that we will not be refilling the  
12 entire 3.4 million of capacity that that contract is  
13 capable of, based on our experience through this winter  
14 of having so much remaining in storage, it would be our  
15 plan not to fill it to its maximum amount, and then  
16 find a way to optimize the remaining balance of that  
17 capacity.

18 Q. Now, you're -- I'll ask this first. Are you aware of  
19 the recent outage, fairly short outage at the Sable  
20 Island facility?

21 A. I am. I am aware of it, yes.

22 Q. And, also that there's an expected outage at that same  
23 facility for most of August?

24 A. I was not aware of the extent of the expected outage.

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[WITNESS: Wells]

- 1 Q. Well, assuming that to be true, do you have any  
2 projections on how that might impact sort of the  
3 natural gas market more generally and Northern more  
4 specifically?
- 5 A. In general, I would not characterize the Sable Island  
6 production has having, in the off-peak season, a major  
7 impact on overall prices. Even with the disruption of  
8 that resource, which is important locally, on a general  
9 level, I wouldn't say that it would have a significant  
10 impact on overall prices. There's still plenty of  
11 natural gas supply in the United States, which has  
12 been, you know, one of the largest factors on the  
13 recent decline in natural gas prices. The impact on  
14 Northern, in general, it does impact Northern on an  
15 operational basis, insofar as really our supply from  
16 the south, Tennessee, relies on gas coming in at  
17 Dracut, which is where, just stepping back a bit, Sable  
18 Island gas would enter the United States or enter the  
19 Tennessee Gas Pipeline system at Dracut, Massachusetts.  
20 And, that -- that supply ends up increasing pressures  
21 on the Tennessee end, that could have an operational  
22 impact on, you know, basically getting supply from the  
23 south end of the Northern system, up to the north end.  
24 But, from a -- from a cost standpoint, I wouldn't

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[WITNESS: Wells]

1 expect it to have a significant impact.

2 Q. Okay. And, now, just a couple last ones. Sort of on  
3 the filing itself. I understand that the Company has  
4 made some modifications to its filing after inheriting  
5 it from NiSource. How often through the period does  
6 Northern intend to update its cost of gas, based on  
7 fluctuations in the NYMEX? And, is there an intent and  
8 --

9 A. It's our intent to -- we do review our balances each  
10 month. And, we would, at that point, I believe that  
11 our systems are set up so that we can evaluate, based  
12 on a change in NYMEX prices, what, if any, action would  
13 be necessary to modify the cost of gas rate. It being  
14 the off-peak season, and the bulk of the -- you know,  
15 you bulk of May and October requirement being covered  
16 under hedging program purchases, I would not expect,  
17 all things being equal, for there to be major changes,  
18 at least in those two months. But, certainly, you  
19 know, the June, July, August, September portion of the  
20 requirement, there could be significant variances. We  
21 would have to evaluate what changes -- what, if any,  
22 changes in NYMEX prices would have on our projected  
23 costs.

24 Q. And, very generally, has the Company -- is it the

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[WITNESS: Wells]

1 Company's intent to work with the Staff to continue  
2 improving these filings as they come in under  
3 Northern's management?

4 A. Absolutely.

5 MR. FOSSUM: Thank you. That's all I  
6 have.

7 CHAIRMAN GETZ: Anything further for  
8 this witness?

9 (No verbal response)

10 CHAIRMAN GETZ: Hearing nothing, then  
11 you're excused. Thank you. Mr. Fossum, is Mr. Wyatt  
12 available?

13 MR. FOSSUM: Call Bob Wyatt.

14 (Whereupon Robert J. Wyatt was duly  
15 sworn and cautioned by the Court  
16 Reporter.)

17 ROBERT J. WYATT, SWORN

18 DIRECT EXAMINATION

19 BY MR. FOSSUM:

20 Q. Good morning.

21 A. Good morning.

22 Q. Could you just state your name and occupation and  
23 business address for the record please.

24 A. My name is Robert J. Wyatt. I'm a Utility Analyst for

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[WITNESS: Wyatt]

1 the New Hampshire Public Utilities Commission, 21 South  
2 Fruit Street, Concord, New Hampshire.

3 Q. And, you've testified previously before the Commission?

4 A. Yes, I have.

5 Q. Now, you filed prefiled testimony in this matter?

6 A. Yes, I did.

7 Q. Do you have at this time any corrections, additions,  
8 modifications to that testimony?

9 A. No, I do not.

10 MR. FOSSUM: I'd like to submit this  
11 testimony as the next exhibit.

12 CHAIRMAN GETZ: We'll mark for  
13 identification as "Exhibit Number 6" Mr. Wyatt's testimony  
14 filed on April 9th.

15 MR. FOSSUM: Thank you.

16 (The document, as described, was  
17 herewith marked as Exhibit 6 for  
18 identification.)

19 BY MR. FOSSUM:

20 Q. Now, would you just briefly summarize your testimony  
21 for the Commission.

22 A. Yes. My testimony covers two topics. First, the  
23 Staff's recommendation to modify the monthly over/under  
24 cost of gas rate adjustment policy, and, second, to

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[WITNESS: Wyatt]

1 comment on Northern's 2009 Summer Period Cost of Gas.

2 Q. All right. Taking those more or less in the order you  
3 presented, could you explain the Staff recommendation  
4 in regard to the over/under policy?

5 A. Yes. The primary objective of the over/under policy is  
6 to reduce the over and undercollections, thus  
7 attempting to more closely match the gas costs with gas  
8 costs revenues within each cost of gas period. Staff  
9 initially made a proposal last winter during the cost  
10 of gas proceedings. That proposal was subsequently  
11 tabled for further study. Staff has since had further  
12 discussions with the parties and modified the proposal,  
13 which is spelled out in greater detail in my written  
14 testimony. Currently, both the upper and the lower  
15 bandwidth limits for the cost of gas adjustment are set  
16 at 20 percent of the initially approved rate. What  
17 we're now asking for is the Commission to approve an  
18 increase to the upper bandwidth adjustment limit to  
19 25 percent; at the same time, we're asking that the  
20 lower bandwidth limit to be removed altogether.

21 Q. And, what do you expect will be the impact of these  
22 changes?

23 A. I expect these changes will enable the Company to more  
24 efficiently react to gas price volatility in the same

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[WITNESS: Wyatt]

1 period in which it occurs, and thus reducing  
2 end-of-period revenue imbalances and associated  
3 carrying costs that are passed forward to future cost  
4 of gas periods. As gas costs increase, the extra  
5 5 percent will allow for additional adjustment room  
6 when tracking upward price movements in the markets,  
7 providing the Company with additional capacity to  
8 reduce projected undercollections. At the same time,  
9 eliminating the lower bandwidth will allow the Company  
10 to lower its cost of gas rates to track downward  
11 movement in gas markets, thus reducing projected  
12 overcollections for the period.

13 Q. Now, do you foresee any benefit to the Company or the  
14 Commission in making these changes?

15 A. Yes, I do. The modified policy should help create  
16 administrative efficiencies, reducing or eliminating  
17 revised cost of gas filings, the mid-period revisions.  
18 And, at the same time, the use of Company, Commission,  
19 and other parties' resources such filings demand.

20 Q. Now, when Mr. Simpson was on the stand, he was asked a  
21 question regarding a typical residential heating  
22 customer. Do you recall that?

23 A. Yes.

24 Q. Would you elaborate on what is a typical residential

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[WITNESS: Wyatt]

1 heating customer?

2 A. For these schedules, the typical residential heating  
3 customer is defined as a "stand-alone residential home,  
4 with gas heat, gas hot water, cooking, and a gas  
5 dryer". And, the typical usage that was set for that,  
6 amongst agreement of the different companies and the  
7 parties in the past was 1,250 therms. And, that's an  
8 annual usage. The summer usage of which was 318  
9 therms. And, we like the consistency between the  
10 companies, and it's also being used in Massachusetts  
11 last we knew, and in the State of Maine. The  
12 advantages are, we can compare the rate impact for  
13 different -- from company-to-company and  
14 state-to-state.

15 Q. Now, in Mr. Simpson's testimony, he referred to the  
16 "153 cubic feet". Do you -- where do you believe that  
17 number originated?

18 A. Correct. In the original filing, for these schedules,  
19 they did use "153 therms". And, we discussed it with  
20 the Company and determined that the Company used an  
21 average residential rate, just taking total residential  
22 throughput or sales and revenues, and do the math, and  
23 that was the average.

24 Q. And, do you foresee any real difference between this

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[WITNESS: Wyatt]

1 average rate and the typical heating customer?

2 A. I don't see any major difference. It's mainly for  
3 comparative purposes. We want to be consistent using  
4 the 1,250. You could use the average rate. It's going  
5 to incorporate, you know, condominium developments,  
6 smaller homes, apartments. That's why we chose to use  
7 the stand-alone, with a predefined number of gas supply  
8 uses.

9 Q. Now, has Staff otherwise completed its review of both  
10 the initial and the revised filings?

11 A. Yes, we have. First of all, we'd like to thank the  
12 Company for working with Staff. We encourage them to  
13 continue looking for ways to refine and improve the  
14 filing. And, this is their first pass on their own,  
15 and we like what we see. They have also taken some of  
16 Staff's suggested suggestions and incorporated them  
17 into the filing. After further -- After a thorough  
18 review of Northern's Summer Cost of Gas filing, and the  
19 revised schedules and support documentation, Staff  
20 recommends approval of the rates as revised and  
21 corrected. Actual costs will continue to be fully  
22 reconciled at the end of each cost of gas period.

23 MR. FOSSUM: Thank you. I have nothing  
24 further.

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[WITNESS: Wyatt]

1 CHAIRMAN GETZ: Ms. Hatfield?

2 MS. HATFIELD: The OCA has no questions  
3 for this witness. Thank you.

4 CHAIRMAN GETZ: Ms. Geiger?

5 MS. GEIGER: No questions, Mr. Chairman.

6 CMSR. BELOW: I have a question.

7 BY CMSR. BELOW:

8 Q. Mr. Wyatt, on Page 4 of your testimony, in your answer  
9 to the question at Line 3, you make several references  
10 to "maximum monthly rate adjustment" in your  
11 recommendation that it be changed from 20 percent to  
12 25 percent. In a sense, that's about the maximum  
13 monthly rate adjustment that they could increase it in  
14 one month, but it would also be for the entire season,  
15 is that correct?

16 A. That is correct. From the 25 percent above the  
17 initially approved rate would be the maximum; not  
18 25 percent on top of 25 percent each month.

19 CMSR. BELOW: Right. I just wanted to  
20 clarify that. Thanks.

21 WITNESS WYATT: Thanks.

22 CHAIRMAN GETZ: Is there anything  
23 further for this witness?

24 (No verbal response)

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1                   CHAIRMAN GETZ: Hearing nothing, then  
2     you're excused. Thank you. Is there any objection to  
3     striking the identifications and admitting the exhibits  
4     into evidence?

5                   (No verbal response)

6                   CHAIRMAN GETZ: Hearing no objection,  
7     they will be admitted into evidence. Is there anything  
8     else to address before we have the opportunity for  
9     closings?

10                  MS. GEIGER: Mr. Chairman, we were  
11     wondering if we could take perhaps a five minute recess to  
12     confer with Staff and OCA, before giving a closing? We  
13     can do it right here.

14                  CHAIRMAN GETZ: Sure. Okay. We'll take  
15     a brief recess.

16                  (Whereupon a recess was taken at 11:26  
17     a.m. and the hearing reconvened at 11:29  
18     a.m.)

19                  CHAIRMAN GETZ: Ms. Geiger, do we have  
20     something to report or should we just turn to closings?

21                  MS. GEIGER: I think just closings, Mr.  
22     Chairman.

23                  CHAIRMAN GETZ: Okay. Ms. Hatfield.

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

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1     The OCA has no objection to the Company's filing. And, as  
2     I'm sure many parties are, we're very pleased that rates  
3     are going down for customers. We particularly want to  
4     thank Staff for their work on revising their proposal with  
5     respect to changing the bandwidth. We appreciate their  
6     working with the OCA. We do support the proposed new  
7     upper limit of 25 percent, and we take no position on the  
8     proposal for the lower limit. I think the Commission is  
9     aware of our comments in National Grid's cost of gas case,  
10    where the OCA had raised concerns with Staff about what  
11    RSA 378, Sections 3, 5, and 7 required in terms of notice  
12    to customers. But we're confident that the Commission  
13    will balance those notice requirements with the desire to  
14    be administratively efficient and will come to the right  
15    conclusion. Thank you very much.

16                   CHAIRMAN GETZ: Thank you. Mr. Fossum.

17                   MR. FOSSUM: Thank you. Staff supports  
18    the Company's filing in this matter, and is looking  
19    forward to working with the Company in the future to help  
20    change and refine their future filings. Just wanted to  
21    state that, as OCA has, that you're aware of our position  
22    on the issue of notice, and our belief that RSA 378:3  
23    gives the Commission the ability to order the bandwidth  
24    change that has been suggested by Staff and supported by

1 the Company.

2 Other than that, we thank the Company  
3 for their time and their efforts in getting this first  
4 cost of gas filing under their belt. And, we look forward  
5 to working with them in the future.

6 CHAIRMAN GETZ: Ms. Geiger.

7 MS. GEIGER: Yes. Thank you, Mr.  
8 Chairman. Northern would respectfully ask that the  
9 Commission approve the COG filing and the amendments as  
10 indicated in the exhibits that we've filed today. We  
11 would also like to address the issue raised during  
12 questioning by Attorney Hatfield regarding the issue of  
13 the proper allocation of company used gas. And, the  
14 Company, during the break, discussed with the OCA and  
15 Staff its willingness to work with them to continue  
16 discussions to further explore whether adjustments to  
17 those allocations need to be made.

18 And, lastly, we'd like to thank very  
19 much Commission Staff for all of its efforts in assisting  
20 Northern in this first COG filing made under ownership by  
21 Unitil. Staff had some very helpful suggestions that I  
22 think enhanced the Company's filing, and we will continue  
23 to work with Staff to hopefully improve future filings, so  
24 that they are easier for the Staff to review and

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1 ultimately for the Commission to examine as well. Thank  
2 you.

3 CHAIRMAN GETZ: All right. Then, thank  
4 you. And, we will close the hearing and take the matter  
5 under advisement.

6 (Whereupon the hearing ended at 11:33  
7 a.m.)

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