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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 22, 2008 - 1:52 p.m.
Concord, New Hampshire

RE: DE 08-040
UNITIL ENERGY SYSTEMS, INC.:
Annual Reconciliation and Rate Filing.

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

Connie Fillion, Clerk

APPEARANCES: Reptg. Unitil Energy Systems, Inc.:
Meabh Purcell, Esq. (Dewey & LeBoeuf)

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

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.

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

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WITNESS PANEL: KAREN M. ASBURY
FRANCIS X. WELLS

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{DE 08-040} (04-22-08)

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

2 CHAIRMAN GETZ: Okay. Good afternoon,
3 everyone. We'll open the hearing in DE 08-040. Apologize
4 for the delay. On March 14, 2008, Unitil Energy Systems
5 filed with the Commission its annual reconciliation of
6 several adjustable rate mechanisms that were approved in
7 docket DE 01-247. The Company proposes the rate change to
8 take effect on May 1 on a service rendered basis. And, it
9 notes that, if the filing is approved, the total average
10 class bill impact for customers taking Default Service
11 will increase 8.2 percent for residential, 8.3 for Regular
12 General Service, 12.8 for Large General Service, and
13 4.9 percent for Outdoor Lighting.

14 The order of notice was issued on March
15 27 setting the hearing for today. And, I'll note that the
16 affidavit of publication was filed on April 11th.

17 Can we take appearances please.

18 MS. PURCELL: Good afternoon,
19 Commissioners. Meabh Purcell, from Dewey & LeBoeuf, in
20 Boston, representing Unitil.

21 CHAIRMAN GETZ: Good afternoon.

22 CMSR. MORRISON: Good afternoon.

23 CMSR. BELOW: Good afternoon.

24 MR. TRAUM: Good afternoon, Mr. Chairman

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1 and Commissioners. Representing the Office of Consumer
2 Advocate, Kenneth Traum, and with me today is Stephen
3 Eckberg.

4 CHAIRMAN GETZ: Good afternoon.

5 CMSR. MORRISON: Good afternoon.

6 CMSR. BELOW: Good afternoon.

7 MS. AMIDON: Good afternoon. Suzanne
8 Amidon, for Commission Staff. And, with me today is Henry
9 Bergeron, who is an analyst in the Electric Division.

10 CMSR. MORRISON: Good afternoon.

11 CMSR. BELOW: Good afternoon.

12 CHAIRMAN GETZ: Good afternoon. Is
13 there anything to address before we hear from the
14 Company's witnesses?

15 MS. PURCELL: No. Thanks. I'd like to
16 just introduce the panel, Ms. Asbury and Mr. Wells, and
17 ask that they be sworn.

18 (Whereupon Karen M. Asbury and Francis
19 X. Wells was duly sworn and cautioned by
20 the Court Reporter.)

21 MS. PURCELL: Thank you.

22 KAREN M. ASBURY, SWORN

23 FRANCIS X. WELLS, SWORN

24 DIRECT EXAMINATION

{DE 08-040} (04-22-08)

[WITNESS PANEL: Asbury|Wells]

1 BY MS. PURCELL:

2 Q. I'd like to start with Ms. Asbury. And, I'd ask you to
3 state your full name and your title and your business
4 address for the record.

5 A. (Asbury) Yes. My name is Karen M. Asbury. I'm
6 Director of Regulatory Services for Unitil Service
7 Corp., 6 Liberty Lane West, Hampton, New Hampshire.

8 MS. PURCELL: Thank you. And, I'd like
9 to mark for identification purposes the primary document
10 that I'm going to be using in the examination of
11 Ms. Asbury and next Mr. Wells. And, that is the red
12 binder, which is the filing that the Company made on March
13 14th, 2008, entitled "Annual Reconciliation and Rate
14 Filing". And, this has been provided to the Commission
15 and the parties. But, if anyone needs an extra copy, I
16 have an unbound copy.

17 I'd like to ask that this be marked as
18 "Company Exhibit 1".

19 CHAIRMAN GETZ: So marked.

20 (The document, as described, was
21 herewith marked as Exhibit 1 for
22 identification.)

23 MS. PURCELL: Thank you.

24 BY MS. PURCELL:

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[WITNESS PANEL: Asbury|Wells]

1 Q. Ms. Asbury, referring you to Exhibit 1, can you tell me
2 where we can find your prefiled testimony and your
3 accompanying schedules?

4 A. (Asbury) Yes. My testimony and schedules are behind
5 the tab marked "Exhibit KMA-1", which is my testimony.
6 Schedule KMA-1 is the calculation of the Stranded Cost
7 Charge. Schedule KMA-2 is the calculation of the
8 External Delivery Charge. Schedule KMA-3 are the
9 redline tariffs, which contain the proposed rates.
10 And, Schedule KMA-4 provide bill impacts.

11 Q. Okay. Thank you. Excuse me. Were these -- Were your
12 testimony and the schedules prepared by you or under
13 your direction and supervision?

14 A. (Asbury) Yes, they were.

15 Q. And, do you have any revisions to your testimony or to
16 your schedules?

17 A. (Asbury) I do have one revision, on Schedule KMA-2,
18 Page 1 of 6. At the bottom of the schedule, there is a
19 line labeled "April 2008 through May 2009 billed
20 kilowatt-hours". That should read "May 2008 through
21 April 2009". However, the kilowatt-hours are correct.
22 It was just a labeling correction.

23 Q. Okay. Thank you. Could you please summarize the
24 purpose of your testimony in this case.

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[WITNESS PANEL: Asbury|Wells]

- 1 A. (Asbury) Yes. The purpose of my testimony is to
2 present and explain the proposed changes to UES's
3 Stranded Cost Charge and External Delivery Charge
4 effective May 1st, 2008. My testimony also supports
5 the reconciliation amounts for the Transition Service
6 Balance Charge and rate case surcharge.
- 7 Q. Thank you. And, would you please briefly summarize the
8 bill impacts that are set forth in Schedule KMA-4.
- 9 A. (Asbury) Yes. Pages 1 through 3 of Schedule KMA-4
10 provide typical bill impacts for each class. These
11 pages show the impact associated with each rate
12 component, including the Default Service rate changes
13 effective May 1st, 2008. Page 4 provides an average
14 class bill impact, including -- this page shows the
15 impact of the rates proposed in this filing, as well as
16 the Default Service charges effective May 1st, 2008.
17 As shown in Column (L), as a result of changes in the
18 Stranded Cost Charge and External Delivery Charge, the
19 residential class will see an increase of 3.1 percent.
20 The regular General Service class will also see an
21 increase of 3.1 percent. The Large General Service
22 class will see an increase of 4.1 percent. And,
23 Outdoor Lighting will see an increase of 1.8 percent.
24 And, the remaining pages, Pages 5 through 11, provide

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[WITNESS PANEL: Asbury|Wells]

1 total bill impacts, including all rate changes on May
2 1st, for various usage levels.

3 Q. Thank you. Does that conclude your testimony?

4 A. (Asbury) Yes, it does.

5 Q. Thank you. I'd then like to turn to Mr. Wells. Mr.
6 Wells, could you please state your full name and your
7 title and your business address for the record.

8 A. (Wells) Yes. My name is Francis Wells. I am a Senior
9 Energy Trader. My business address is 6 Liberty Lane
10 West, Hampton, New Hampshire.

11 Q. Thank you. And, referring to what we have marked
12 already as "Company Exhibit Number 1", can you point to
13 where we can find your prefiled testimony and your
14 schedules in this case?

15 A. (Wells) Yes. My prefiled testimony is "Exhibit FXW-1",
16 beginning on Page 48, and then following thereafter are
17 my schedules, FXW-1 through FXW-5.

18 Q. Thank you. And, were your testimony and the attached
19 schedules prepared by you or under your direct
20 supervision?

21 A. (Wells) They were.

22 Q. Thank you. And, do you have any revisions to either
23 your testimony or your schedules today?

24 A. (Wells) No, I do not.

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[WITNESS PANEL: Asbury|Wells]

1 Q. And, would you please briefly summarize the purpose of
2 your testimony.

3 A. (Wells) The purpose of my testimony is to present and
4 explain cost data related to the Stranded Cost Charge
5 and the External Delivery Charge. I also provide a
6 background on Unitil's agreement with Mirant for the
7 divestiture of Unitil's power supply portfolio. I will
8 also provide -- I also provide an update on Unitil
9 Power's effort to mitigate the cost of its Hydro-Quebec
10 obligations, and provide an overview of Unitil's
11 transmission cost arrangements.

12 Q. Thank you. And, does that conclude your testimony?

13 A. (Wells) Yes, it does.

14 MS. PURCELL: Thank you. I have nothing
15 further for direct exam. The witnesses are available for
16 examination.

17 CHAIRMAN GETZ: Thank you. Mr. Traum.

18 MR. TRAUM: Thank you. Good afternoon.

19 I have a few questions that are basically in the mode of
20 clarifications, and I'll just ask the panel, and whoever
21 feels most comfortable answering, please do.

22 CROSS-EXAMINATION

23 BY MR. TRAUM:

24 Q. Starting with the, I guess, the actual Tariff Page 67,

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[WITNESS PANEL: Asbury|Wells]

1 the estimated calendar month deliveries in
2 kilowatt-hours for the year May '08 through April '09
3 is just under 1.3 billion kilowatt-hours. And, I'm
4 wondering if you could explain how that forecast was
5 made and how it compares to last year?

6 A. (Asbury) Sure. The sales forecast is based upon
7 historical data. It's calculated -- the data is
8 calculated in an Excel model. Primarily, it looks at
9 the last five years of historical data. And, there are
10 three, you know, major factors that are looked at in
11 developing the forecast; meter counts, the degree days,
12 as well as usage per meter. And, these historic trends
13 are reviewed in order to develop the sales forecast.
14 And, I think you had a second part to your question,
15 which was?

16 Q. How did it compare to last year's forecast?

17 A. (Asbury) Compared to last year's forecast, for the
18 period May '07 through April 2008, it's actually a
19 0.7 percent decrease from the sales forecast that was
20 used in the Company's last filing. Versus actual data,
21 however, for that same period, with actual data through
22 January 2008, the forecast shows a 3.1 percent increase
23 in sales over last year.

24 Q. And, would that increase be due primarily to weather?

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[WITNESS PANEL: Asbury|Wells]

1 A. (Asbury) No, the sales forecast is weather-normalized.

2 So, it's not weather-based.

3 Q. Okay. You're going to have to help me then. If this

4 forecast is showing a reduction from last year, but

5 actual sales forecasts are increasing, what am I

6 missing?

7 A. (Asbury) It's a reduction from last year's forecast,

8 because that forecast proved to be too high.

9 Q. Okay. Then, you mentioned the 3 percent sales

10 increase, and how does that fit in? That's what I'm

11 missing, I guess.

12 A. (Wells) Ken, I would say that the sales for the prior

13 year would have been low because of mild weather. So,

14 when you weather-normalize that, if you have a

15 relatively mild weather year, and then next year you're

16 going to see a higher percentage increase because

17 you're looking at a weather normal -- if you're not --

18 I guess, if the weather is more mild than normal, and

19 you're coming off of a year with mild weather -- maybe

20 I'm saying this wrong. Let me try this over again. I

21 wasn't prepared to testify to our sales forecast, I

22 apologize.

23 If you're in an event where you have a

24 mild winter as your jumping off point for the sales

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[WITNESS PANEL: Asbury|Wells]

1 forecast, and you're using a weather-normalized sales
2 forecast, then, all things being equal, what it's just
3 saying is, if there had been normal weather the year
4 prior, the sales would have been higher. So, the fact
5 that there were low sales for the year prior was driven
6 by weather, at least in part. And, then, when you
7 adjust for that, you end up with the sales forecast
8 that we have, which is showing a year-over-year
9 increase, but it's actually a decrease from prior
10 forecasts.

11 Q. And, is there any recognition of the current economic
12 downturn?

13 A. (Asbury) This sales forecast was prepared I want to say
14 it was probably about August 2007, about that time
15 frame when this sales forecast was prepared. And, it
16 was right about that time, or just after that, where we
17 started to see usage per meter declining. So, that --
18 those actuals have now since come in and we're seeing
19 that trend. So, that's not yet reflected in this
20 forecast. Like I said, we do look at a five-year --
21 primarily rely upon a five-year period. And, so, at
22 the time this forecast was prepared, we probably had
23 actual data through about June 2007.

24 And, just to add, if we were to, you

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[WITNESS PANEL: Asbury|Wells]

1 know, we do the forecast today, I would expect that it
2 probably would be a little bit lower. I don't know how
3 much, but I would expect, because of the more recent
4 trends that we're seeing, that, you know, we'd see the
5 sales forecast a little bit lower.

6 Q. Moving onto the composition of the stranded costs or
7 the residual contract obligations, and I'm looking at
8 Page 55 of the filing that's marked on the bottom
9 right. Starting with the Mirant Portfolio Sales
10 Charge, am I correct that that ends in October of 2010?

11 A. (Wells) Yes, that's correct.

12 Q. And, that's about \$400,000 a month?

13 A. (Wells) Yes.

14 Q. And, that's basically -- that's a fixed charge?

15 A. (Wells) Yes.

16 Q. And, then, I guess the next largest component of that
17 charge would be Indeck, which ends in September of '09?

18 A. (Wells) Correct.

19 Q. And, that's about 520,000 a month?

20 A. (Wells) Yes.

21 Q. And, that's again a fixed charge?

22 A. (Wells) Yes.

23 Q. And, then, there's a Bay State charge that ends this
24 December?

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[WITNESS PANEL: Asbury|Wells]

- 1 A. (Wells) Correct.
- 2 Q. And, that's roughly 12,500 a month?
- 3 A. (Wells) Correct.
- 4 Q. So, looking at these three, next year the Stranded Cost
- 5 Charge will go down a little bit, and the year after
- 6 that it will go down considerably?
- 7 A. (Wells) Yes.
- 8 Q. And, the final item in the Stranded Cost Charge relates
- 9 to Hydro-Quebec?
- 10 A. (Wells) That's correct.
- 11 Q. And, that's currently returning about \$200,000 a year?
- 12 A. (Wells) Yes, that can vary, based on the cost of
- 13 service that those facilities actually incur, and in
- 14 the value of the revenue offset that we're able to get
- 15 through transmission and capacity sales or resale of
- 16 the Hydro-Quebec interconnection capability credits.
- 17 But, in general, I think 200,000 would be a reasonable
- 18 estimate for the net impact of HQ.
- 19 Q. Okay. And, that is a longer term commitment?
- 20 A. (Wells) The commitment is through October 2020, if I'm
- 21 not mistaken.
- 22 Q. If you would turn please to Page 59 of the filing.
- 23 There's a table there of the different external
- 24 delivery costs. And, first, I guess I just wanted to

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[WITNESS PANEL: Asbury|Wells]

1 get an understanding of which of these costs are ones
2 that UES is basically just a price taker for?
3 A. (Wells) Sure. I'll just start from, you know, run down
4 the list. The "Third Party Transmission Parties", the
5 "NU Network Service", Unitil is a price taker of that
6 service. That's based on their FERC rate, which is
7 actually part of the ISO tariff. The same would be
8 said of "Regional Transmission and Operating Entities",
9 we're a price taker of that. Again, it's based on the
10 cost of service of the transmission owners in New
11 England for the regional facilities that are included
12 in the ISO's transmission rate base. "Third Party
13 Transmission Providers, NU Wholesale Distribution",
14 again, these are facilities that are -- that
15 interconnect Unitil to the transmission system, and
16 they're owned by PSNH. So, we really are paying their
17 cost of service of providing that. "Transmission-based
18 Assessments and Fees" are FERC charges. "Load
19 Estimation and Reporting System Costs", Unitil
20 contracts with an outside vendor, LOGICA, to basically
21 allocate wholesale load responsibility between Unitil's
22 Default Service obligations and retail suppliers. And,
23 Unitil has control over whether it were to use LOGICA
24 to control the vendor, so to speak, but the service is

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[WITNESS PANEL: Asbury|Wells]

1 a necessary one for implementing the Retail Choice
2 Program. "Data and Information Services", in order to
3 process the departments or, excuse me, the Energy
4 Contracts Department's ISO data for Unitil Energy
5 Systems and for Unitil Power Corp., including bill
6 transmission determinants, you know, being able to
7 allocate charges and account for it, we have contracted
8 with Connecticut Municipal Electric Energy Cooperative
9 for a Web-based system that handles the voluminous
10 amounts of data that the ISO puts out. So, this is a
11 charge that is within Unitil's control. However, I
12 would say that it's actually a really good value for
13 what it's able to do.

14 The "Legal Charges", again, I would say
15 are within Unitil's control, but I would add that
16 Unitil incurs external legal charges as it needs that
17 expertise in order to get through a number of
18 particularly federal and, to a lesser degree, state
19 requirements, so we just have the expertise to get
20 through the various orders and compliance matters. I
21 would say the same thing for the "Consulting."
22 "Administrative Service Charges" are actually incurred
23 under the Unitil Power Corp. Amended System Agreement.
24 And, it's just certain charges that are not deemed to

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[WITNESS PANEL: Asbury|Wells]

1 be contract release payments. So, that's actually not
2 an avoidable charge for Unitil Energy Systems.

3 Q. On that last one, the "Administrative Service Charges",
4 there's a Footnote 1, but I don't see where that
5 footnote is, but is it basically what you just said?

6 A. (Wells) Actually, in my preparation of this table, I
7 probably grabbed it from the spreadsheet that actually
8 lists out these. The footnote is probably in one of
9 the exhibits that shows the external delivery costs,
10 and I just inadvertently did not delete that
11 parenthetical there. And, I believe it's FXW-3 -- no,
12 that's the Contract Release. Excuse me. It's FXW-2,
13 pardon me, should have the footnote there.

14 Q. The footnote being the "Costs of Administrative Service
15 Charges billed to the Company by UPC under the
16 FERC-approved Amended Unitil Service Agreement"?

17 A. (Wells) Actually, on Page 75, I found where the
18 footnote comes from. It's Page 75 of the filing. It
19 just says the "Breakdown of costs included in ASC are
20 presented in Schedule FXW-3." When I was preparing
21 that table, I probably just copied and pasted this row
22 into another spreadsheet and forgot to delete the fact
23 that there was a footnote. So, I didn't intend to
24 actually put a footnote there.

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[WITNESS PANEL: Asbury|Wells]

1 Q. Going back to the Table 1, there's a column heading
2 "Estimated" and another column heading -- headed
3 "Projected". Could you just explain what the
4 difference is? I would have expected "Actual" --
5 "Estimated" and "Actual".

6 A. (Wells) Yes. Okay. "Estimated" costs were what was
7 filed in last year's reconciliation filing.
8 "Projected" includes actual data through January of
9 2008, and then recast data for February, March and
10 April. So, rather than saying "Estimate" -- or saying
11 "Actual", I used "Projected".

12 Q. Now, you had mentioned in a number of, particularly,
13 the earlier (b) and (c) lines, that Unitil, in effect,
14 is a price taker. But what steps is Unitil taking in
15 terms of getting involved with the ISO and FERC to
16 endeavor to keep the rates your customers are paying
17 down?

18 A. (Wells) I guess I would characterize it more as keeping
19 the rates to be consistent with, you know, certainly,
20 when you're talking about, and I guess the overall
21 general point I would make, is, in order to maintain,
22 you know, part of the reason for the increases that
23 we've seen in transmission rates is the amount of
24 construction that is needed to take place in order to

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[WITNESS PANEL: Asbury|Wells]

1 maintain system reliability. So, anything I say I want
2 to make sure that I put it in the context of sometimes
3 a rate increase is good, in order to maintain system
4 reliability. We, certainly, you know, but, at the same
5 time, recognizing the need to keep costs at a
6 reasonable level and understanding the impacts there.

7 I would say that Unitil has been, you
8 know, very involved in the planning process. We are a
9 member of the ISO's Reliability Committee, and members
10 of our Engineering Department do regularly, you know,
11 participate in that discussion. And, you know, our
12 particular focus being on New Hampshire facilities as
13 they impact us, but we do stay apprised as to what is
14 going on as far from a regional plan.

15 Also, and particularly in the local, as
16 far as managing the local costs, we do work with PSNH,
17 our engineering folks do, you know, communicate
18 regularly with PSNH, and there is a back-and-forth as
19 to, you know, what projects are, you know, best meet
20 the needs of all of New Hampshire, including Unitil
21 Energy Systems. So, you know, it's really through
22 participation and understanding what facilities are
23 required and making sure that, you know, we understand
24 what -- that we understand the benefits of the

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[WITNESS PANEL: Asbury|Wells]

1 construction, particularly in the local area where we
2 have more control. You know, I'll admit that, you
3 know, in the regional system plan, when there is an
4 issue in Connecticut that needs to be dealt with, you
5 know, we really don't have the resources to be able to,
6 you know, make substantial contribution to what the
7 result ought to be there. And, a lot of times, you
8 know, these increases in transmission rates that we're
9 seeing are really part of a regional plan to address
10 load pockets in southwest Connecticut, load pockets in
11 Boston and NEMA or Northeast Massachusetts load zone.
12 So, some of these things are outside of our, although
13 they're part of our, you know, they end up comprising
14 part of our bill, they're not really part of -- they're
15 not facilities that are interconnected with us. So,
16 you know, our cost monitoring, if you will, is more on
17 a monitoring level, rather than a direct intervention
18 level.

19 So, those are the types of activities
20 that we really undergo to try to keep these costs -- to
21 have a positive impact on the outcome, which is the
22 right level of investment.

23 Q. And, for instance, would Unitil have gotten involved in
24 the issue of whether there should be an incentive on

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[WITNESS PANEL: Asbury|Wells]

1 the ROE for transmission? If you know?

2 A. (Wells) Okay. If I remember correctly, part of the --
3 part of the challenge for Unitil, as far as getting
4 directly involved in arguing about the ROE, in part,
5 there's a bit of a conflict of interest, as Fitchburg
6 Gas & Electric Light Company does own transmission
7 facilities. And, I know we had spoken earlier, and I
8 didn't mean to mislead you in my response there, I
9 really didn't see that coming. But, I think, in part,
10 because of, you know -- So, no, we didn't, we weren't
11 directly involved in litigating what the ROE ought to
12 be. I think our participation in that process was more
13 in a compliance mode, and making sure that whatever it
14 was that we -- that whatever it was that came down we
15 were in compliance with.

16 Q. And, just to put on the record what you had told me
17 before, that "Unitil Systems in New Hampshire does not
18 own any transmission"?

19 A. (Wells) That's correct.

20 MR. TRAUM: Okay. I think I'll stop
21 there. Thank you.

22 CHAIRMAN GETZ: Ms. Amidon.

23 MS. AMIDON: Thank you. Good afternoon.

24 BY MS. AMIDON:

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[WITNESS PANEL: Asbury|Wells]

1 Q. This is for you, Mr. Wells. On Page 60 of your
2 testimony, you refer to some increased costs in the
3 delivery -- Distribution Delivery Service rates as a
4 result of a filing with FERC by NU Wholesale
5 Distribution, or I guess it's by NU. Was there
6 anything else besides a new rate that was approved in
7 this filing? Did it encompass anything besides a rate
8 increase?

9 A. (Wells) No.

10 Q. Okay. I have kind of a random question I want to ask
11 you about, it's actually a statement from the cover
12 letter. And, that refers to the fact that no customers
13 of UES are participating in the ISO's Load Response
14 Program, is that correct? At least no one in New
15 Hampshire? Is that correct?

16 A. (Asbury) That is correct.

17 Q. That is correct. And, it says "and therefore no
18 initial program setup fees or ongoing monthly
19 administrative costs are being incurred". But the
20 letter goes on to say "Note, however, that UES incurs
21 charges that are reflected in this filing. These
22 charges are billed by ISO New England and under the ISO
23 tariff for general costs related to load response."
24 Could you please explain?

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[WITNESS PANEL: Asbury|Wells]

1 A. (Wells) Yes, there's a -- When a load response customer
2 is asked to respond, typically, there's a payment made
3 or there is a payment made by the ISO to the load
4 response customer. There is also payments to load
5 response customers for, you know, fixed payments for
6 capacity payments, sometimes for operating reserve
7 benefits that the load response customer provides.
8 And, those costs are, at least in part, allocated to
9 transmission customers, regional transmission
10 customers, such as Unitil Energy Systems. So, although
11 we are not incurring costs in signing up customers,
12 installing equipment, we do get charged by the ISO for
13 costs related to the services that they provide,
14 ultimately, the benefit of their being -- their ability
15 to respond.

16 Q. So, if ISO calls for someone to curtail usage, and that
17 user receives some kind of dollar value for that
18 reduction, this is something where Unitil's customers
19 would be paying for that reduction, is that correct, or
20 paying towards the general bucket of money that goes to
21 those types of payments?

22 A. (Wells) Yes.

23 Q. Okay. Do you know why you don't have any customers in
24 the Load Response Program?

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[WITNESS PANEL: Asbury|Wells]

1 A. (Wells) Well, I guess I would actually only say that
2 there are other avenues that our customers can get into
3 the Load Response Program, other than through us.
4 There actually are some participants in the Load
5 Response Program, but they're actually using, you know,
6 third party vendors in order to set that up. And, I
7 believe that, you know, in general, customers have
8 found that, you know, the flexibility that they can get
9 from the competitive market is probably just been a
10 more efficient way for them to get to load response
11 than through Unitil.

12 A. (Asbury) There are also cost considerations for a
13 customer to do that directly. Under our tariff, there
14 are costs that they have to pay to get set up.
15 Whereas, if they participate with a third party, those
16 third parties may be able to give them free setup, in
17 exchange for a percentage of the payment that the
18 customer gets when they actually do get called to
19 respond.

20 Q. That's helpful. Thank you. Ms. Asbury, why is the
21 Company proposing to roll in the Transition Service
22 Charges into the Stranded Cost Charge?

23 A. (Asbury) Initially, when the Stranded Cost Charge
24 tariff was set up, it was intended that, when

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1 Transition Service ended, that the balance was going to
2 be rolled into the Stranded Cost Charge. And, the
3 Stranded Cost Charge is a uniform charge for all
4 customers. However, I think it was back in our March
5 2006 filing, we had estimated our transition service
6 balances. For Non-G1, it was a 2.5 million
7 overcollection, and, for the G1 class, it was a \$76,000
8 overcollection. And, UES agreed at that time, at the
9 request of the parties, that it would separately
10 reconcile those between the Non-G1 and the G1 class,
11 instead of simply taking the two balances, adding them
12 together, and then rolling them back to all customers.
13 And, in particular, at the time the OCA was concerned
14 about the 2.5 million overcollection for the Non-G1
15 class and having that credited against all classes,
16 where the residential customers would then not get as
17 large of a share.

18 Then, in our next filing, which was in
19 March 2006, we looked at those balances again. And, at
20 that time, we actually had an undercollection for the
21 Non-G1 class of about \$126,000 and an overcollection
22 for the G1 class of about \$446,000. So, in that
23 filing, we proposed to continue to maintain the
24 separate reconciliations between the two classes.

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1 At this time, and in this filing, the
2 balances are now much lower. For the Non-G1 class,
3 it's an undercollection of about 54,000, and an
4 overcollection for the G1 class of about 234,000. And,
5 given that the balances are now lower, we're proposing
6 to finalize this reconciliation, roll the balances into
7 the Stranded Cost Charge, and calculate the uniform
8 rate. And, then, we'd be finished with the Transition
9 Service Charge balance.

10 Q. What difference does this make to the customer, say, a
11 residential customer or a large commercial and
12 industrial customer? And by "what does this", I mean
13 the rolling in the Transition Service Charge
14 overrecoveries into the Stranded Cost Charge?

15 A. (Asbury) Yes, we did a calculation in response to a
16 discovery request, to calculate what the difference
17 would be if we, as in our filing, proposed to roll the
18 balances in, versus maintaining separate balances.
19 And, for the regular General Service classes, under a
20 separate reconciliation, it would be an increase of
21 \$0.00020 per kilowatt-hour from that that the Company
22 proposed. And, for the G1 class, it would be a
23 decrease of \$0.00046 per kilowatt-hour from that
24 proposed.

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[WITNESS PANEL: Asbury|Wells]

- 1 Q. And, is that just the stranded cost component or --
- 2 A. (Asbury) That's the net.
- 3 Q. The net.
- 4 A. (Asbury) The net impact.
- 5 Q. And, so, how do you explain the, I guess, net benefit
- 6 to the customers by rolling in these overcollections?
- 7 A. (Asbury) Well, it would actually be a -- it would be a
- 8 net benefit for Non-G1 customers, but not a benefit for
- 9 G1 customers. G1 customers would actually see more of
- 10 the decrease if we maintained separate balances.
- 11 Q. Okay. How will this affect the accounting of the
- 12 Transition Service amounts that remain out there? Are
- 13 you still going to account for them separately on the
- 14 books, and then roll them into the Stranded Cost
- 15 Charge? And, the reason I ask that relates to the
- 16 December 2005 transaction, which we discussed in the
- 17 Default Service rate, where there was \$190,000 charged
- 18 to the G1 customers through the Transition Service
- 19 rate, which Unitil maintained should have been charged
- 20 through the Default Service rates. So, I want to
- 21 understand if you're going to continue to be able to
- 22 uncover those types of errors in this combined roll-in?
- 23 A. (Asbury) Typically, when we, you know, complete a
- 24 reconciliation and roll a balance in to another model

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1 so that it can be completed, typically, at that time,
2 you know, it would be expected that there's not going
3 to be much more activity. However, things that do
4 happen would be we might have a billing adjustment.
5 And, so, you might have somebody that had a portion of
6 their Transition Service balance charge for when they
7 were paying that separate rate component. So, what we
8 would do is we would point that revenue, if you will,
9 directly to the Stranded Cost Charge model. So, it
10 would get rolled into there, but that wouldn't prevent
11 us from, if we had a problem with an invoice,
12 uncovering those types of things in the example that
13 you just mentioned.

14 Q. So, if the Commission Staff were to audit what was
15 rolled into, from the Transition Service charge into
16 the Stranded Cost Charge, there would be evidence, the
17 worksheets that would support that kind of thing?

18 A. (Asbury) Yes.

19 Q. Okay. I have some questions on the External Delivery
20 Charge. And, I noted, and this might help the
21 Commission as well, that in, Mr. Wells, in your
22 Schedule FXW-2, Page 1 of 4, you actually have a
23 description of the various components that we talked
24 about that were in the table on Page 59 of your

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1 testimony. So, we can go, you know, on the left-hand
2 side, for example, at (a), it says "Third Party
3 Transmission Providers", and then, in the right-hand
4 column, it has a description of what those providers
5 are. So, I thought this was very helpful. But I
6 notice that the legal charges are related to the
7 "Company's transmission and energy obligations and
8 responsibilities". And, when I look at the following
9 page, Page 2 of 4 of FXW-2, looks like you have, from
10 May '06 to April '07, actual legal costs of "\$83,711".
11 Do you see where I am?

12 A. (Wells) Yes.

13 Q. Do you know why there was a spike in December '06,
14 where "\$23,659" of legal costs were incurred?

15 A. (Wells) I do not.

16 Q. Do you know if this relates to the procurement of
17 Default Service?

18 A. (Wells) I'm sure it does not. We account, we record
19 Default Service charges separately, so that they would
20 not reconcile through this mechanism.

21 Q. Okay. Thank you. But, if you look at the following
22 page, it has the same statistics from May '07 to April
23 '08, and I believe February, March and April '08 are
24 all estimates. And, again, there was kind of a spike

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[WITNESS PANEL: Asbury|Wells]

1 in May '07 and in December '07. Do you know what those
2 spikes are related to?

3 A. (Wells) I can tell you what the December '07 spike was.
4 It actually relates to a question that Stu Hodgdon had
5 posed for the audit. December '07 related to work
6 performed for the preparation of a filing, which Unitil
7 Corporation requests that it be granted exemption from
8 periodically filing a market power analysis with the
9 FERC, basically in support of its market-based
10 ratemaking authority, ratemaking tariff. We need that
11 tariff in order to resell power output from qualifying
12 facilities to the ISO. You have to have a market-based
13 tariff in order to, basically, for us to be able to
14 fulfill our obligations under Schedule QF of the Unitil
15 Energy Systems tariff.

16 Q. Okay.

17 A. (Wells) So, the work was related to the preparation of
18 that filing.

19 MS. AMIDON: Well, and this is not
20 urgent, but perhaps we could have Exhibit 2 identified for
21 a data request response to my question regarding the
22 expense in December '06 and the expense in May '07? Thank
23 you.

24 CHAIRMAN GETZ: We will reserve

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[WITNESS PANEL: Asbury|Wells]

1 Exhibit 2 for that response.

2 (Exhibit 2 reserved)

3 BY MS. AMIDON:

4 Q. And, generally, and when I look at your estimates for
5 May '08 to April '09, you've estimated \$6,000 per
6 month, which comes out higher than the previous year.
7 And, I was wondering if that's an increase in the cost
8 of the legal services or increased use of legal
9 services?

10 A. (Wells) It would be an increased use of legal services.
11 You know, I would add that in forecasting, you know,
12 our need for legal services, it really -- it really
13 depends on the amount of regulatory activity, which is
14 very difficult to predict. You know, I can say that,
15 in my testimony, I do describe the types of cases that
16 we are assuming that we'll have ongoing involvement in.

17 Q. Yes. Yes, I recall that. I just wanted -- I'm just
18 trying to figure out if, in other words, if you
19 anticipate a need to maintain a significant legal
20 presence with respect to these various dockets? And,
21 it sounds like, from your testimony, that you do?

22 A. (Wells) Yes.

23 Q. But I have a question, when we look at the next
24 schedule, FXW-3, Page 3 of 4. Apparently, these

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1 Administrative Service Charges also include legal
2 costs. Do you know how those legal costs relate to the
3 legal costs that are separately identified in FXW-2?

4 A. (Wells) Yes. The legal costs for Unitil Power Corp.
5 would be specific to legal costs that are related to
6 maintenance of Unitil Power Corp.'s power supply
7 obligations, such as any dealings that we would need to
8 make with Mirant or with the HQICC or the HQICC, if we
9 were to, you know, the HQICC filing, if we had to make
10 something like that, it would be really -- it would be
11 targeted towards Unitil Power Corp.'s business,
12 including -- I believe including some contribution to
13 the market-based rate tariff filing that we discussed
14 previously.

15 Q. And, I'm almost done here. As we saw when you looked
16 at Page 59, where you showed what the estimated versus
17 projected costs were, there were some areas where there
18 were significant differences between the estimated and
19 the actual. Does the Company have a better way of or
20 does the Company intend to try to improve its
21 estimates, so that there is not these carrying costs
22 associated with the undercollections that will be paid
23 by the customers?

24 A. (Wells) We continually review our estimation process,

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1 because we do take, you know, we do try very diligently
2 to have, you know, accurate forecasts. You know, in
3 this year, we had a number of, you know, a number of
4 major cost increases that were not accounted for in the
5 original filing. So, to the extent that things happen
6 that are unknown or unknowable, prior to the, you know,
7 prior to our preparation of this filing, it is
8 difficult to always have it exactly right. But, you
9 know, we spend a lot of time in understanding the
10 relationship between, you know, the transmission
11 investment and what that will mean for a rate impact.
12 But, at the same time, you know, through processes like
13 this, you know, not only do we -- not only are we
14 trying to answer your questions, but we're also trying
15 to, you know, it does usually yield some useful
16 information that we try to apply for future cost
17 estimates. So, we do take into account the information
18 that we know at the time when we estimate costs.

19 Q. With respect to -- so, pardon me if this is repetitive,
20 but in your VAR estimates, the VAR estimates are higher
21 than what you previously paid. Is that due to the
22 Forward Capacity Market costs?

23 A. (Wells) No. VAR charges are separate from forward
24 capacity.

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[WITNESS PANEL: Asbury|Wells]

1 Q. Okay.

2 A. (Wells) There was an increase in the fixed component of
3 the VAR charges.

4 Q. Okay.

5 A. (Wells) Which were discussed in a data response, it was
6 in Set 2.

7 Q. Yes.

8 A. (Wells) I believe it was number 3.

9 Q. So, it was the fixed component, and not the forward
10 capacity costs, --

11 A. (Wells) That's correct.

12 Q. -- that impacted the VAR?

13 A. (Wells) That's correct.

14 MS. AMIDON: Okay. I have nothing
15 further. Thank you.

16 CHAIRMAN GETZ: Any redirect,
17 Ms. Purcell?

18 MS. PURCELL: I don't think so, but
19 could I have a quick, just a quick, one second.

20 (Atty. Purcell conferring with the
21 witnesses.)

22 MS. PURCELL: I have no direct. Thank
23 you. Redirect.

24 CHAIRMAN GETZ: Okay. Then, the

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1 witnesses are excused. Is there any objection to striking
2 identifications and admitting the exhibits into evidence?

3 MR. TRAUM: No objection.

4 MS. PURCELL: No.

5 CHAIRMAN GETZ: Then, they will be
6 admitted into evidence. Is there anything else we need to
7 address, before providing the opportunity for closings?

8 (No verbal response)

9 CHAIRMAN GETZ: Hearing nothing, then
10 we'll begin with Mr. Traum.

11 MR. TRAUM: Thank you, sir. The OCA
12 does not object to the filing as the request was made by
13 the Company. We would suggest that, for future filings
14 and with regards to the forecasted kilowatt-hour sales,
15 the Company just look to see if there's any reasons, such
16 as economic conditions, that may warrant an updated
17 forecast. That's all. Thank you.

18 CHAIRMAN GETZ: Thank you. Ms. Amidon.

19 MS. AMIDON: The Staff has reviewed the
20 filing. We actually conducted discovery, two sets of
21 discovery on the filing. And, we have no objection to the
22 Petition as filed.

23 CHAIRMAN GETZ: Okay. Thank you.
24 Ms. Purcell.

1 MS. PURCELL: Thank you, Mr. Chairman.
2 The Company appreciates the support by the Office of
3 Consumer Advocate and by the Commission Staff. And, the
4 Company just simply requests approval in this case of the
5 two charges, the Stranded Cost Charge and the External
6 Delivery Charge, effective May 1. Through the testimony
7 of Ms. Asbury and Mr. Wells and their schedules, the
8 Company has provided support for the proposed charges and
9 has demonstrated that they're reasonable. And, we would
10 request approval. Thank you.

11 CHAIRMAN GETZ: All right. Thank you.
12 Then, we will close the hearing and take the matter under
13 advisement.

14 (Hearing ended at 2:45 p.m.)
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