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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 15, 2010 - 10:14 a.m.  
Concord, New Hampshire

NHPUC JAN28'11 PM 2:16

RE: DE 10-028  
UNITIL ENERGY SYSTEMS, INC.:  
Default Services for Large Customers  
for the Period February 1, 2011  
through April 30, 2011.

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

APPEARANCES: Reptg. Unitil Energy Systems, Inc.:  
Susan S. Geiger, Esq. (Orr & Reno)  
  
Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Grant Siwinski, Electric Division

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

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## I N D E X

PAGE NO.

WITNESS PANEL:            ROBERT S. FURINO  
                                 LINDA S. McNAMARA

Direct examination by Ms. Geiger      5  
Cross-examination by Ms. Amidon      7  
Interrogatories by Chrmn. Getz      11

\*   \*   \*

## E X H I B I T S

EXHIBIT NO.                    D E S C R I P T I O N                    PAGE NO.

12            12            Petition for Approval of Default            4  
                                 Service Solicitation and Proposed  
                                 Default Service Tariffs (12-10-10)  
15            13            Document entitled "Tab A            4  
                                 Confidential Attachment" (12-10-10)  
                                 {CONFIDENTIAL & PROPRIETARY}

\*   \*   \*

CLOSING STATEMENTS BY:                    PAGE NO.

Ms. Amidon                    15  
Ms. Geiger                    15

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P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning. We'll open the hearing in Docket DE 10-028. On December 10, 2010, Unitil filed a petition for approval of Default Service solicitation and proposed Default Service rates for the three month period beginning February 1, 2011 for 100 percent of its Default Service for large commercial and industrial customers. A secretarial letter was issued on December 10 setting the hearing for this morning.

Can we take appearances please.

MS. GEIGER: Yes. Good morning, Mr. Chairman, Commissioner Below, and Commissioner Ignatius. I'm Susan Geiger, from the law firm of Orr & Reno, representing Unitil Energy Systems, Inc.

CHAIRMAN GETZ: Good morning.

MS. AMIDON: Good morning. Suzanne Amidon, for Commission Staff. With me today is Grant Siwinski, who is an Analyst in the Electric Division.

CHAIRMAN GETZ: Good morning. Are you ready to proceed, Ms. Geiger?

MS. GEIGER: Yes, I am. Thank you, Mr. Chairman. The witnesses have been impaneled and I would just ask that they be sworn.

[WITNESS PANEL: Furino-McNamara]

1 (Whereupon *Robert S. Furino* and  
2 *Linda S. McNamara* was duly sworn and  
3 cautioned by the Court Reporter.)

4 MS. GEIGER: Thank you. As a  
5 preliminary matter, Mr. Chairman, I've asked the Clerk --  
6 I've given her copies of two documents, and I would ask  
7 that we premark them for identification as "Exhibits 12"  
8 and "13" respectively. Exhibit 12 would be the filing  
9 made by Unitil Energy Systems, Inc., on December 10th.  
10 And, it's comprised of prefiled testimony, a petition,  
11 confidentiality motion, and several schedules. And, then,  
12 the other document that I would ask be marked for  
13 identification is confidential information that is labeled  
14 "Tab A Confidential Attachment", and the file date is  
15 December 10th, 2010.

16 CHAIRMAN GETZ: Okay. They will be  
17 marked as "Exhibits 12" and "13".

18 (The documents, as described, were  
19 herewith marked as **Exhibit 12** and  
20 **Exhibit 13**, respectively, for  
21 identification.)

22 MS. GEIGER: Thank you.

23 **ROBERT S. FURINO, SWORN**

24 **LINDA S. McNAMARA, SWORN**

{DE 10-028} {12-15-10}

## 1 DIRECT EXAMINATION

2 BY MS. GEIGER:

3 Q. We'll start with Mr. Furino. Could you please state  
4 your name for the record.

5 A. (Furino) Yes. Robert Furino.

6 Q. And, where are you employed?

7 A. (Furino) I am employed with Unutil Service Corp.

8 Q. And, what is your position there?

9 A. (Furino) I'm the Director of Energy Contracts for the  
10 Unutil Companies.11 Q. And, Mr. Furino, turning to the material that's been  
12 premarked for identification as "Exhibits 12" and "13",  
13 were those documents, which have been -- let's start  
14 with Exhibit 12 first, tabbed with the label "RSF-1"  
15 and the schedules that follow, as well as the material  
16 that's been marked as "Exhibit 13", exclusive of the  
17 last page of that document, prepared by you or under  
18 your direction or supervision?

19 A. (Furino) Yes, they were.

20 Q. And, do you have any changes or updates or corrections  
21 to that information?

22 A. (Furino) No, I do not.

23 Q. And, if I were to ask you the same questions today  
24 under oath as those that are contained in your prefiled

[WITNESS PANEL: Furino-McNamara]

1 testimony, would your answers be the same as what has  
2 been given in your prefiled?

3 A. (Furino) Yes, they would be.

4 Q. Thank you. And, Ms. McNamara, please state your name  
5 for the record.

6 A. (McNamara) Linda McNamara.

7 Q. And, where are you employed?

8 A. (McNamara) Unitil Service Corp.

9 Q. And, what is your position there?

10 A. (McNamara) I'm a Senior Regulatory Analyst.

11 Q. And, Ms. McNamara, turning your attention to what has  
12 been marked as "Exhibit 12", with the -- starting with  
13 the tab that is "LSM-1", and the schedules thereafter,  
14 was that information in those documents prepared by you  
15 or under your direction or supervision?

16 A. (McNamara) They were.

17 Q. And, with respect to what's been marked for  
18 identification as "Exhibit 13", turning to the last  
19 page of that exhibit, which is labeled "Schedule LSM-2,  
20 Page 2 of 2", was that document prepared by you or  
21 under your direction or supervision?

22 A. (McNamara) It was.

23 Q. And, do you have any changes to make to any of the  
24 documents that you've just indicated were prepared by

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[WITNESS PANEL: Furino~McNamara]

1 you?

2 A. (McNamara) No, I don't.

3 Q. Okay. Thank you. And, if I were to ask you the same  
4 questions that are contained in your prefiled testimony  
5 today under oath, would your answers be the same?

6 A. (McNamara) Yes.

7 MS. GEIGER: Thank you. Mr. Chairman, I  
8 don't have any further questions and the witnesses are  
9 available for cross.

10 CHAIRMAN GETZ: Thank you. Ms. Amidon.

11 MS. AMIDON: Thank you. Good morning.

12 **CROSS-EXAMINATION**

13 BY MS. AMIDON:

14 Q. Mr. Furino, I wanted to ask you some questions about  
15 the calculation of the RPS adder. If we turn to  
16 Exhibit 12, and look at your testimony, Page 12 of your  
17 testimony, which is also Bates stamp 012, the first  
18 question, beginning at Line 2, you describe the  
19 estimates of the RPS compliance costs. Have you  
20 purchased all of the necessary REC requirements for  
21 compliance with calendar year 2010?

22 A. (Furino) No, we have not.

23 Q. But you have gone out to bid for 50 percent of that  
24 supply, is that correct?

{DE 10-028} {12-15-10}

[WITNESS PANEL: Furino-McNamara]

1 A. (Furino) Yes, that's correct.

2 Q. When do you intend to go out to bid for the remaining  
3 requirements for 2010?

4 A. (Furino) I don't have the specific date before me. But  
5 I believe later in the first quarter of 2011.

6 Q. Okay. Right. I just wanted to get that information in  
7 the record. So, at Line 6 through 8 in your testimony,  
8 you say that the Company "cost estimates are based on  
9 current market prices", as well as "recent purchases".  
10 Are those recent purchases reflected in Exhibit 13?

11 A. (Furino) Yes, they are.

12 Q. And, if I'm right, it's at Bates stamp 011?

13 A. (Furino) Yes, that's correct.

14 Q. Okay. And, these prices, obviously, are confidential.  
15 But these reflect the costs that the Company has  
16 incurred with respect to the 2010 RPS requirements, is  
17 that correct?

18 A. (Furino) Yes, these are 2010 costs.

19 Q. And, could you explain for us the difference between or  
20 what other matters you take into account that result in  
21 the different price assumptions that appear on Page 77,  
22 Bates stamp 077 of your testimony. It's "Schedule  
23 RSF-4 Page 1". And, I'm looking at the market price  
24 assumptions for the four classes of RECs.

{DE 10-028} {12-15-10}

[WITNESS PANEL: Furino~McNamara]

1 A. (Furino) Yes. So, we go out and obtain broker sheets  
2 from multiple brokers and assess those in light of our  
3 experience with those brokers and how liquid their  
4 activity seems to be in these markets. And, we also,  
5 obviously, have had recent experience purchasing 2010  
6 requirements for these renewable energy credits. We do  
7 consider the degree to which the annual requirement  
8 increases. And, so, that's also a part of our review.  
9 So, if, in 2010, the Class I requirement may have been  
10 for 1 percent of sales, and, in 2011, we can clearly  
11 see on Schedule 4 that it's 2 percent, we recognize  
12 that there's an increase in demand, and we try to  
13 factor in all that information in establishing what we  
14 should be seeking for a RPS adder from customers during  
15 this rate period we're looking at here, February  
16 through April 2011.

17 Q. Thank you. And, when do you -- when does the Company  
18 present its reconciliation of its RPS costs, whether  
19 over-collection or under-collection, to the Commission?

20 A. (McNamara) The Company will file a reconciliation with  
21 its next Default Service filing, which is I believe  
22 March 11th of 2011, or thereabouts.

23 Q. Okay. Thank you. Mr. Furino, Schedule RSF-3 of your  
24 testimony, Page 1 of -- I'm looking at Page 1 of 2, and

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[WITNESS PANEL: Furino-McNamara]

1 I just want to make sure I understand this exhibit.

2 This exhibit, if I'm correct, and please tell me if I'm  
3 wrong, presents customer migration by class, is that  
4 correct?

5 A. (Furino) Yes, by customer rate class.

6 Q. Okay. Where on this exhibit would I find the total  
7 amount of supply or -- that has migrated to competitive  
8 supply? In other words, I'm trying to figure out if  
9 it's the bottom of this, it's the third table, if you  
10 will, in this page where it says "Retail Sales Customer  
11 Class" -- "(kilowatt-hours) by Customer Class". And,  
12 I'm trying to understand where I can find that?

13 A. (Furino) Yes. So, that is the section, and if you look  
14 at the little sublabel there, it reads "Competitive  
15 Generation Sales as a Percentage of Total Sales". And,  
16 it will show us on, you know, if you were looking at a  
17 large customer, large general customers, we can see  
18 that during the past 12 months over 80 percent of sales  
19 have been supplied by competitive marketers, retail  
20 marketers. And that, on a company total basis, roughly  
21 a third, 30 percent, most recently 35 percent for the  
22 month of October 2010, were supplied by retail  
23 marketers.

24 Q. Okay. Thank you. Ms. McNamara, I looked at the

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[WITNESS PANEL: Furino~McNamara]

1 resulting rates of the energy service component of the  
2 rate for the customer costs. Am I correct that the  
3 energy service component, including the RPS adder, will  
4 be under 7 cents per kilowatt-hour for the three month  
5 period, February through April?

6 A. (McNamara) Yes.

7 MS. AMIDON: Okay. Thank you. One  
8 moment please.

9 (Atty. Amidon conferring with Mr.  
10 Siwinski.)

11 MS. AMIDON: Thank you. We have no  
12 further questions.

13 CHAIRMAN GETZ: Thank you. Commissioner  
14 Below?

15 CMSR. BELOW: No questions.

16 CHAIRMAN GETZ: Commissioner Ignatius?

17 CMSR. IGNATIUS: I have none.

18 BY CHAIRMAN GETZ:

19 Q. I have just a very general question, Mr. Furino.  
20 Looking at your RSF-3 in Exhibit 12, the Migration  
21 Reports, and then just focusing on the bottom, the  
22 "Competitive Generation Sales as a Percentage of Total  
23 Sales". And, well, I guess two questions. The first  
24 is, it looks like the total has gone up from a year ago

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[WITNESS PANEL: Furino-McNamara]

1 it was 30 percent and it's 35 percent now. That's from  
2 competitive generation sales. So, Default Service is  
3 supplying roughly two-thirds --

4 A. (Furino) Correct.

5 Q. -- of the sales. Do you have any reason to think that  
6 that's going to grow at some steady rate or any  
7 expectation that the suppliers will conclude that or we  
8 may see some changes in pricing over time as that  
9 grows? So, that's maybe three questions in that one  
10 part.

11 A. (Furino) Right. So, it's difficult to predict what  
12 retail supplier activity is going to be. If we look at  
13 the Large General Group, you know, we're now at  
14 85 percent virtually of Large General sales being  
15 provided by retail marketers. So, you know, the  
16 potential for additional retail marketer activity from  
17 that group is limited. You can only go to 100 percent.  
18 The Regular General and Outdoor Lighting Groups appear  
19 to have had the biggest increase over those 12 months.  
20 The Regular General being our small commercial  
21 customers. We were looking at 16 to 17 percent a year  
22 ago, and are up over 25 percent now. So, that's a fair  
23 amount of growth. And, similarly, the Outdoor Lighting  
24 was in the upper teens, it is now pushing 30 percent.

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[WITNESS PANEL: Furino~McNamara]

1 So, you know, the potential for additional activity  
2 there, you know, may be there. But it's a question of  
3 whether the retail marketers find themselves -- how far  
4 they can delve into those customer groups.

5 Q. Well, and I guess that's kind of what -- another part  
6 of what I was wondering. And, you can see in  
7 "Domestic", as you call it, it's gone from 0.2 to 0.6,  
8 I mean, it's still a small percentage, but it's  
9 tripled. But have you observed greater efforts by  
10 competitive suppliers to move into these other  
11 categories, in terms of marketing, or is that something  
12 you wouldn't be able to observe?

13 A. (Furino) Right. We typically just see transactions  
14 come in, and don't have a, you know, a very strong  
15 connection to the marketers, sort of on a, you know,  
16 one-to-one basis, where they're talking about, you  
17 know, their strategies, their plans, customers that  
18 they're seeking, that kind of thing. We do see when  
19 they come and seek customer data. So, you know, that  
20 can be an indication. But I can't say that I have any  
21 ideas on or any direct feedback from the marketers in  
22 our service territory about their goals for, you know,  
23 the coming year.

24 CHAIRMAN GETZ: All right. Thank you.

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[WITNESS PANEL: Furino~McNamara]

1 Anything further, Ms. Geiger?

2 MS. GEIGER: No thank you, Mr. Chairman.

3 CHAIRMAN GETZ: Then, the witnesses are  
4 excused. Thank you.

5 Is there any objection to striking the  
6 identifications and admitting the exhibits into evidence?

7 (No verbal response)

8 CHAIRMAN GETZ: Hearing no objection,  
9 they will be admitted into evidence. Is there anything we  
10 need to address before providing an opportunity for  
11 closings?

12 MS. GEIGER: Yes, Mr. Chairman. We have  
13 an outstanding Motion for Confidentiality for the  
14 information contained in Exhibit 13. And, I believe, as  
15 has been the past practice in these similar dockets or  
16 similar -- the earlier hearings in this particular docket,  
17 that those motions have been granted. And, I think the  
18 arguments for protecting the confidentiality of that  
19 information have been well laid out in the past, both in  
20 motions filed by Attorney Epler, as well as in Commission  
21 orders. So, I would simply draw the Commission's  
22 attention to the fact that we do have an outstanding  
23 Motion for Confidential Treatment. And, the other thing,  
24 too, that I noted in the filing, that there has been a

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1 request made in the Company's petition for an order by  
2 December 17th.

3 So, those are the only two things.  
4 Thank you.

5 CHAIRMAN GETZ: Thank you. Ms. Amidon,  
6 do you have any position on the Motion for  
7 Confidentiality?

8 MS. AMIDON: I believe that Attorney  
9 Geiger represented correctly that, similar to the motions  
10 that we've seen in the past, and, you know, subject to one  
11 area where the FERC releases information at a period in  
12 time, the Commission has granted those motions for  
13 confidential treatment as Attorney Geiger said.

14 CHAIRMAN GETZ: Closing?

15 MS. AMIDON: Closing. Staff has  
16 reviewed the filing, and we believe that the Company  
17 followed the solicitation and bid evaluation process that  
18 the Commission approved in Order Number 24,511, in docket  
19 DE 05-064, which established the process by which Unitil  
20 would seek Default Service supply for its customers. And,  
21 we recommend that the Commission approve the filing.

22 CHAIRMAN GETZ: Thank you. Ms. Geiger.

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

24 Unitil would simply request that the Commission make the

1 findings that have been outlined in the second to last  
2 page of the Company's petition, as it has in similar cases  
3 in the past. Thank you.

4 CHAIRMAN GETZ: Thank you. Then, we'll  
5 close the hearing and take this matter under advisement.

6 (Whereupon the hearing ended at 10:31  
7 a.m.)  
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