

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DE 10-055

Unitil Energy Systems, Inc.
Petition for Approval of Base Rate Increase

SUPPLEMENTAL TESTIMONY

OF

STEVEN E. MULLEN

November 19, 2010

LIST OF ATTACHMENTS

REVISED Attachment SEM-1:

Computation of Revenue Requirement

Unitil Energy Systems, Inc.
DE 10-055

1 **Q. Please state your name, position and business address.**

2 A. My name is Steven E. Mullen. I am employed by the New Hampshire Public Utilities
3 Commission as the Assistant Director of the Electric Division. My business address is 21
4 South Fruit Street, Suite 10, Concord, New Hampshire.

5 **Q. Did you previously submit testimony in this proceeding?**

6 A. Yes. On November 5, 2010, I submitted testimony on behalf of the Staff of the New
7 Hampshire Public Utilities Commission that included recommendations and supporting
8 schedules regarding Unitil Energy Systems, Inc.'s (UES) distribution revenue
9 requirement. In that testimony, I recommended an increase to distribution revenues of
10 \$5,102,378, or 14.44% above test year operating revenues.

11 **Q. Subsequent to filing that testimony, did you become aware of any corrections that
12 need to be made to your testimony?**

13 A. Yes. Specifically, two items require correction. The first item involves a \$24,852
14 reduction to rate base that was associated with a corresponding increase to property tax
15 expense. Both adjustments were required to correct for property taxes that were
16 inappropriately capitalized. In my November 5th testimony, I recognized the increase to
17 property tax expense¹ but did not include the related reduction to utility plant.

18

19 The second item pertains to my recommended level of cost recovery for the costs UES
20 incurred in repairing its electric system and restoring service as a result of the December
21 2008 ice storm. On page 49 of my November 5th testimony (Attachment SEM-1,

¹ November 5, 2010 testimony of Steven E. Mullen, page 47, Attachment SEM-1, Schedule 3A (page 2 of 2), adjustment #24.

1 Schedule 3C), I calculated an annual recovery amount of \$422,538 and included that
2 amount as an increase to UES' test year distribution expenses. However, in making the
3 adjustment, I should have adjusted only for the amount of the difference between my
4 recommended expense level and the amount requested by UES. In its rate case filing,
5 UES requested an annual recovery amount for its December 2008 ice storm costs of
6 \$553,243. Therefore, my net adjustment should have been a reduction of \$130,705 to
7 UES' distribution expenses rather than an increase of \$422,538.

8 **Q. Have you now revised your schedules to include those adjustments?**

9 A. Yes. I have attached revised schedules (see REVISED Attachment SEM-1) incorporating
10 those adjustments and recalculating Staff's recommended distribution revenue
11 requirement for UES. The \$24,852 reduction to utility plant in service appears on
12 Schedule 2A and is identified as supplemental adjustment S-1. That adjustment carries to
13 the calculation of rate base on Schedule 2. The correction related to the December 2008
14 ice storm recovery appears on Schedule 3C and carries to Schedule 3A and then to the
15 income statement, Schedule 3.

16 **Q. As a result of those adjustments, do a number of other calculations change?**

17 A. Yes. The changes to utility plant and distribution expenses result in revised calculations
18 of cash working capital, income taxes and, ultimately, Staff's recommended increase to
19 distribution revenues.

20 **Q. What is Staff's revised recommended increase to UES' distribution service
21 revenues?**

22 A. As shown on REVISED Attachment SEM-1, Schedule 1, line 7, Staff
23 recommends a permanent increase to distribution revenues of \$4,539,400 as
24 compared to the \$5,102,378 included in my original testimony. The resulting

1 percentage increase over test year operating revenues is now 12.84% rather than
2 the 14.44% stated in my original testimony.

3 **Q. What are your final comments?**

4 A. Considering that the above adjustments resulted in a number of changed calculations
5 throughout my schedules, I have attached the entire REVISED Attachment SEM-1 and
6 have highlighted all of the changed amounts in bold font. In addition, there are some
7 minor editorial items highlighted.²

8 **Q. Does this conclude your supplemental testimony?**

9 A. Yes, it does.

² On Schedule 3, the identifying adjustment numbers from Schedule 3A are now displayed. On Schedule 3A, the text for what originally was described as adjustment #8 (for which there was no adjustment) has now been blacklined.