1		STATE OF NEW HAMPSHIRE
2		PUBLIC UTILITIES COMMISSION
3		
4	July 6, 2010	
5	Concord, New	_
6		NHPUC JUL 28'10 PM 2:52
7	RE:	DE 10-172 UNITIL ENERGY SYSTEMS, INC.:
8		Annual Stranded Cost Recovery and External Delivery Charge Reconciliation
9		and Rate Filing.
10		
11		
12	PRESENT:	Chairman Thomas B. Getz, Presiding Commissioner Clifton C. Below
13		Commissioner Amy L. Ignatius
14		Sandy Deno, Clerk
15		bandy beno, elem
16	APPEARANCES:	Ponta Unitil Enorgy Cystoms Ins.
676 144	APPEARANCES:	Reptg. Unitil Energy Systems, Inc.: Gary M. Epler, Esq.
17		
18		Reptg. PUC Staff: Suzanne G. Amidon, Esq.
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20		
21	*	
22		
23	Cou	art Reporter: Steven E. Patnaude, LCR No. 52
24		

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14	EXHIBIT NO. DESCRIPTION	PAGE NO.
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16	2 Revised schedules to the Testimony	5
17	of Linda McNamara (18 pages)	5
18	Revised schedules to the Testimony of Francis X. Wells (5 pages)	6
19	or francis A. Werrs (5 pages)	•
20	* * *	
21	CLOSING STATEMENTS BY:	PAGE NO.
22	Ms. Amidon	22
23	Mr. Epler	23
24		

PROCEEDING

CHAIRMAN GETZ: Okay. Good morning,
everyone. We'll open the hearing in Docket DE 10-172. On
June 18, 2010, Unitil Energy Systems filed its annual
reconciliation of its Stranded Cost Charge and External
Delivery Charges for effect for service rendered on and
after August 1. If approved, the effect of the changes
would be a decrease in the average class bill of
1.1 percent for Residential customers, 1.1 percent for G2
customers, and 1.4 percent for Large General Service, or
G1 customers. Order of notice was issued on June 22nd
setting the hearing for today. I'll note for the record
that the affidavit of publication has been filed.

Can we take appearances please.

MR. EPLER: Yes. Good morning, Mr. Chairman, Commissioners. Gary Epler, on behalf of Unitil Energy Systems, Inc. Thank you.

CHAIRMAN GETZ: Good morning.

MS. AMIDON: Good morning. Suzanne
Amidon, for Commission Staff, and with me today is Al-Azad
Iqbal, an Analyst with the Electric Division.

CHAIRMAN GETZ: Good morning. Are you ready to proceed, Mr. Epler?

MR. EPLER: Yes, I am, Mr. Chairman.

Т	Thank you. We have two witnesses this morning, karen
2	Asbury and Fran Wells. Could I have the witnesses sworn.
3	(Whereupon <i>Karen M. Asbury</i> and
4	Francis X. Wells were duly sworn and
5	cautioned by the Court Reporter.)
6	MR. EPLER: Okay. Mr. Chairman, before
7	I proceed to the cross-examination of the witnesses, there
8	are several documents, and I believe we've put copies in
9	front of the Commission, if we can just have these
LO	premarked for identification. The first is the original
11	filing, that's in a blue binder. And, those consist
12	that consists of a cover letter, petition, proposed
13	tariffs, and the testimony and exhibits of the two
14	witnesses. I'd also note for the record, and I know I'll
15	walk this through with the witness, that the original
L6	witness that the Company proposed to appear this morning,
17	Linda McNamara, is unavailable. Her direct supervisor,
L8	Karen Asbury, is here and will be adopting the testimony.
L9	CHAIRMAN GETZ: All right. We'll mark
20	for identification as "Exhibit Number 1" then the filing
21	originally submitted to the Commission on June 17.
22	(The document, as described, was
23	herewith marked as Exhibit 1 for
24	identification.)

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[WITNESS PANEL: Asbury~Wells]

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Thank you. And, then, there
 1
                         MR. EPLER:
 2
       are two sets of additional documents. The first is,
 3
       consists of 18 pages, and there are -- those are revised
       schedule sheets, and, again, I'll go into more detail,
 4
 5
       revised schedule sheets relating to the Testimony of Linda
 6
       McNamara. So, if I can have this, these 18 pages,
 7
       premarked as "Unitil Exhibit 2".
                         CHAIRMAN GETZ: And, these are -- is
 8
 9
       this the package that says "Calculation of the External
10
       Delivery Charge" on them?
11
                         MR. EPLER: Yes, that is.
12
                         CHAIRMAN GETZ: All right. So marked.
13
                         MR. EPLER: In landscape format.
14
                         (The document, as described, was
15
                         herewith marked as Exhibit 2 for
16
                         identification.)
17
                         MR. EPLER: And, then, there is a second
18
       packet of five pages, with a table at the front
       "Comparison of Revised Estimated Cost to Original Filed
19
20
       Estimated Cost". And, those are revised pages to the
21
       Testimony of Fran Wells.
22
                         CHAIRMAN GETZ:
                                         Okay.
                                                 That will be
23
       marked for identification as "Exhibit Number 3".
24
                         (The document, as described, was
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6

[WITNESS PANEL: Asbury~Wells]

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herewith marked as Exhibit 3 for
 1
 2
                          identification.)
 3
                          MR. EPLER: Okay.
                                             Thank you.
 4
                         KAREN M. ASBURY, SWORN
 5
                        FRANCIS X. WELLS, SWORN
 6
                          DIRECT EXAMINATION
 7
     BY MR. EPLER:
 8
          Ms. Asbury, could you please state your position with
 9
          Unitil.
10
     Α.
          (Asbury) Yes. My name is Karen M. Asbury. And, I'm
          Director of Regulatory Services for Unitil Service
11
12
          Corp.
13
          Ms. Asbury, could you turn to what's been premarked as
     Q.
14
          "Exhibit Number 1". And, in there, there are a number
15
          of tabs labeled "Exhibit LSM-1", and then Schedules
16
          "LSM-1" through "LSM-4". And, then, what has been --
17
          the 18 pages that's been premarked as "Unitil
18
          Exhibit 2", this material, particularly the material
19
          that's in Unitil Exhibit Number 1, that was originally
20
          prepared by Unitil employee Linda McNamara, is that
21
          correct?
22
     Α.
          (Asbury) Yes, that's correct.
23
          And, are you familiar with this material?
     Q.
24
     Α.
          (Asbury) Yes, I am.
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- Q. In both exhibits?
- 2 Α. (Asbury) Uh-huh.

1

- 3 Q. And, do you adopt the testimony in Exhibit Number 1 and 4 the schedules that appear in Exhibit Number 1 and
- 5 Exhibit Number 2 as your own?
- Α. (Asbury) I do. 6
- Thank you. Mr. Wells, could you please turn to what's 7 Ο. been premarked as "Exhibit Number 1". 8
- (Wells) Yes. 9 Α.
- 10 Q. And, also what's been premarked, the five pages that 11 were premarked as "Exhibit Number 3". And, turn to the 12 tabs in Exhibit Number 1 that are marked "Exhibit FXW-1" and then "Schedules FXW-1" through "5". And, 13 14 were these all prepared by you or under your direction?
- 15 (Wells) Yes. Α.

20

21

23

- 16 Mr. Wells, I'd like to have you walk through the five Q. 17 pages that have been premarked as "Unitil Exhibit 18 Number 3" and explain the reason that these revised 19 pages were filed and what they purport to show.
- Α. (Wells) Certainly. Beginning on Page 1 of Exhibit 3, I provide a comparison of the revised estimated cost to 22 the original filed estimated cost for the line item in the filing in the estimated cost for the EDC cost projection. For the line item "Third Party

Transmission Providers", I also refer to that in my 1 2 testimony as "Northeast Utilities Network Integration 3 Transmission Service", or "NU Network Service". in this table, I provide a revised estimate that was 4 5 based upon billing information that was provided by 6 Northeast Utilities after we had filed the original 7 budget. And, then, a comparison of that to what we 8 originally filed, and then a variance, indicating that, 9 over the period May 2010 through July 2011, an approximate increase in the cost estimate of \$700,000. 10 11

- Q. Okay. And, this information was provided to you by Northeast Utilities on this past Friday, is that correct?
- 14 A. (Wells) That's correct.

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- Q. And, did they provide any explanation for the change or do you have any understanding of the reason for the change?
 - A. (Wells) Yes. The increase beginning in 2011 is reflective of the expected transmission investment that will increase the amount that Northeast Utilities will recover through their NU Network Service effective January 1st, 2011. This is just reflective of transmission investment that Northeast Utilities has been making for several years now, and is just a

continuation of that trend.

- Q. And, can you then turn to the next sheet and explain what that shows?
- A. (Wells) Yes. The next sheet is a Revised Table 2, which appears in Exhibit FXW-1, my testimony. And, this provides projected costs for the August 2009 through July 2010, what I refer to as the "Current EDC period", to the August 2010 through July 2011 estimated cost, what I refer to as the "Upcoming EDC rate period" in my testimony. Based on the new cost projections, based on the new estimate provided on Page 1, the projected cost through July 2010 is about 17.9 million, and the proposed budget is approximately 19.2 million, an increase year over year of about 1.2 million.
- Q. Okay. And, that replaces the table found on Bates stamp 0055 of your testimony, Unitil Exhibit 1?
- 17 A. (Wells) Yes.
- Q. Okay. And, turning to the next page in Exhibit Number 3.
 - A. (Wells) Yes. This table compares the estimates that were provided in the last year's reconciliation filing, docketed DE 09-115, to the actual and projected costs for May 2009 through July 2010 period, which it comprises of 12 month actual costs and 3 months

1	estimated costs. The costs were 22.1 million in the
2	estimated in DE 09-115, and approximately 21
3	22.1 million in actual costs. The variance was about
4	\$65,000. This replaces Table 3 in my testimony, which
5	appears on Bates stamp 0060.
6	Q. Okay. And, finally, can you turn to the last two
7	pages, Revised Pages 3 and Revised Pages 4 of Schedule
8	FXW-2?
9	A. (Wells) Yes. These pages replaced Pages 3 and 4 of the
10	original FXW-2. And, they are they reflect the
11	updated third party transmission providers' estimate
12	that I refer to on Page 1 of Exhibit 3.
13	CHAIRMAN GETZ: Mr. Epler, I think we're
14	missing a page out of Exhibit 3.
15	MR. EPLER: Okay.
16	CHAIRMAN GETZ: Is there supposed to be
17	five pages in Exhibits 3?
18	MR. EPLER: Yes. There should be, there
19	should be two pages at the end, Revised Pages 3 and
20	Revised Pages 4. And, I apologize if you don't have that.
21	CHAIRMAN GETZ: Okay.
22	MR. EPLER: You just have four?
23	CHAIRMAN GETZ: We have a fourth page,
24	and it appears to be "Schedule FXW-2, Page 3 of 4".

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1
                         CMSR. IGNATIUS: I have Page 4 of 4.
 2
                         CHAIRMAN GETZ: What do you have?
                         CMSR. BELOW: I have 3 of 4.
 3
                         CHAIRMAN GETZ:
                                         Okay. We need one "3 of
 4
 5
       4" and two "4 of 4"s. Steve, off the record.
                          (Brief off-the-record discussion
 6
 7
                         ensued.)
 8
                         CHAIRMAN GETZ: Okay. Back on the
 9
       record.
10
     BY MR. EPLER:
11
     Ο.
          Okay. I believe we had finished going through
12
          Exhibit 3, the revised pages?
13
     Α.
          (Wells) Yes.
14
     Q.
          Ms. Asbury, can you please turn to what's been
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          premarked as "Unitil Exhibit Number 2", which consists
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          of 18 pages? And, could you walk through those pages
          and describe what's in them please.
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18
          (Asbury) Yes. Included in Exhibit Number 2 are revised
     Α.
19
          exhibits, Schedule LSM-2, Schedule LSM-3, and Schedule
20
          LSM-4. I have revised the External Delivery Charge
21
          consistent with the revised estimates that Mr. Wells
22
          just described in Company Exhibit Number 3. As shown
23
          on the very first page, which is marked "Schedule LSM-2"
          Revised Page 1 of 6", I have recalculated the External
24
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Delivery Charge. On Line 6, the proposed rate is "\$0.01688" per kilowatt-hour. The original proposed rate was "\$0.01630" per kilowatt-hour. This rate, as compared to the rate that we originally proposed, is an increase of \$0.00058 per kilowatt-hour. Which increases a residential 500 kilowatt-hour bill by 29 cents per month. The first six pages, which are Schedule LSM-2, again, it's the revised calculation of the External Delivery Charge, incorporating the revised estimates described by Mr. Wells.

Schedule LSM-3 is a Revised Page 2 of 2, which is the redline of the tariff page calculation of the External Delivery Charge.

Schedule LSM-4, which is eleven pages, are the revised bill impacts that incorporate the new proposed External Delivery Charge. And, if I could just summarize the average class bill impacts, they are located on Schedule LSM-4, Revised Page 5 of 11. The average class bill impact for the Residential class is a decrease of 0.7 percent; for the General Service class, it is also a decrease of 0.7 percent; the Large General Service class is a decrease of 0.9 percent, also including the proposed or approved Default Service rate changes, also in effect for August 1, is a

3.4 percent decrease, the net change is a 4.3 percent 1 decrease. And, for Outdoor Lighting, it's a 2 3 0.4 percent decrease. I would also like to note that all of these bill comparisons are compared to May 1, 4 5 2010 rates, which, at the time of our filing, was our current rates. We have had a rate change that took 6 7 place on July 1st, 2010, which was an increase 8 associated with the Company's temporary rates in DE 9 10-055, its rate case. 10 Thank you. Do either of you have anything to add? 11 Α. (Asbury) No. (Wells) No. 12 13 MR. EPLER: Thank you, Mr. Chairman. 14 tender the witnesses for cross-examination. 15 CHAIRMAN GETZ: Thank you. Ms. Amidon. 16 MS. AMIDON: Thank you. Good morning. 17 WITNESS WELLS: Good morning. 18 CROSS-EXAMINATION 19 BY MS. AMIDON: 20 Although there's an overall decrease associated with Q. 21 this filing, there are two components, the Stranded 22 Cost Charge and the External Delivery Charge. Am I correct on that? And, anyone can answer. 23

(Wells) Yes, that's correct.

- Q. Now, the Stranded Cost Charge is decreasing, is that correct?
 - A. (Wells) That is correct.

- Q. And, could you explain the principal reason for the decrease in the Stranded Cost Charge?
- A. (Wells) The decrease in the Stranded Cost Charge reflects a decrease in the contract release payments that the Company will pay to Mirant. The final payment to Mirant will occur through -- in October 2010. And, thereafter, the contract with Mirant for -- that transfers Unitil Power Corp.'s -- the majority of their portfolio responsibilities to Mirant will have been completely -- will be completely terminated, and the obligations of all the parties will be satisfied.
 - Q. What will the Company continue to recover in the Stranded Cost Charge once the Mirant contract release payments end?
- A. (Wells) After the Mirant contract release payments are complete, the Company will continue to recover its

 Hydro-Quebec obligations, offset by any revenue source, in the Stranded Cost Charge.
- Q. How long will the Hydro-Quebec contract continue?
- 23 A. (Wells) Hydro-Quebec continues through October 2020.
- 24 Q. How does the Company reconcile the expenses and

- revenues associated with the Hydro-Quebec support contract?
 - A. (Wells) Both the revenues and the expenses are reconciled through the Stranded Cost Charge.
 - Q. All right. Now, the effect on the External Delivery

 Charge in this filing is an increase, is that correct?
 - A. (Wells) That is correct.

- Q. And, while we got some associated rate impacts overall for these two elements, can you give me a relatively -- a percentage increase in the External Delivery Charge over the current charge, which you said is May 2010?
- A. (Asbury) Yes. If you turn to Exhibit Number 2, which are the revised schedules for Linda McNamara. If I just turn you to Schedule LSM-4, Revised Page 1 of 11, I'll use a residential 500 kilowatt-hour bill as an example. At the bottom shows the total bill impact, which includes both the External Delivery and Stranded Cost rate changes, which shows a 0.6 percent decrease. If you look up above, you can see the "External Delivery Charge" listed separately, which actually has an impact of a 1.8 percent increase on a 500 kilowatt-hour bill. And, the Stranded Cost Charge is decreasing by 2.5 percent, for a net of 0.6 percent decrease.

Q. Thank you. And, Mr. Wells, I know you don't have a crystal ball, but do you foresee that the transmission costs will be reducing over time or do you anticipate that we will continue to see this steady increase in the transmission costs?

- A. (Wells) I have seen nothing to indicate that the current trend of transmission investment will end any time in the foreseeable future. I would only say that, before transmission costs begin to decline, the regional initiative towards transmission investment will have to, at some point, will -- will eventually stop, and that will be what eventually gets transmission rates to start going back down.
- Q. Thank you. I have one final question for you, Mr.

 Wells. And, it relates to the recovery in -- I think
 it's the recovery of the Renewable Source Option

 Administrative Costs, if you look at your testimony,
 Bates stamp 58. Right up at Line 3, you indicate "The
 Commission approved the recovery of implementation and
 administrative costs associated with the [Company's]
 Renewable Source Option", and that the "First year
 administrative costs of the program [was] capped at
 \$50,000." Will this \$50,000 be -- is this a permanent
 annual expense or is this a start-up expense?

A. (Wells) The \$50,000 includes both start-up costs and first year administrative costs. So, in subsequent years, the amount will be lower than 50,000.

MS. AMIDON: Thank you. Thank you.

CHAIRMAN GETZ: Commissioner Ignatius.

CMSR. IGNATIUS: Thank you.

BY CMSR. IGNATIUS:

- Q. I have a question about the new information received from Northeast Utilities last week it sounds.
- 10 A. (Wells) Yes.
 - Q. And, how you're able to plan -- how much time you're given and is there any way to be able to anticipate better what's happening with some of these numbers? If your filing was made June 17th, I think, it was pretty up-to-date. There isn't a lot of time lag between the filing and today's hearing. And, yet, even then, huge changes have come in just in the last couple of days, which I sympathize with the Company having to adjust to some significant changes like that. Is there anything you can think of that would explain why there are such significant differences so quickly coming upon you in this hearing today?
 - A. (Wells) Well, in response to your question, the difficulty the Company has is that frequently Northeast

Utilities itself doesn't have the billing information for us until, you know, as we stated on the record, we got this information on Friday, as far as what the rate trend will be effective January 1st, 2011. The only way I can see that we could provide a better initial estimate would be to get that information from Northeast Utilities earlier.

In the past, we have tried, you know, estimating rates, when we had -- when the rate reconciled from May through April. And, initially, we had some success with that, but, eventually, there's, because you're trying to estimate someone else's costs, you know, you're always going to miss something. So, you know, while our plan was to move it, and it worked -- it's worked in that the rate that we are proposing will capture all the costs that we know of when the rate goes into effect.

But I acknowledge that there is a challenge of the initial rate estimate often will change dramatically. I will note that the Northeast Utilities rate is the most difficult to estimate, because there are so many moving parts to it. What Northeast Utilities does is they estimate their entire revenue requirement, including both Pool transmission

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facilities and non-Pool transmission facilities. Then, they deduct from that whatever revenue credits they may estimate, the most significant source being the ISO, from the Regional Network Service revenue that they receive. And, so, for their part, knowing, you know, they need to estimate what their revenue requirement will be, which has a lot of moving parts, due to their increased transmission, you know, "what is their transmission investment going to be?" You know, "what their administrative costs and that type of thing were?" And, then, on top of that, they need to estimate what the revenue can be. And, the revenue -the revenue can be a difficult thing to estimate, is what I've learned from talking with Northeast Utilities staff.

And, so, I guess my answer is, I do not know of anyway that we can give you a better initial estimate, other than to move the filing up to, you know, to a different effective date.

Q. Well, is there anything about the schedule of billing or reporting that makes it any more difficult by having this as an August 1st new rate? Does the calendar have any impact here? Or, whenever you set the date, you'll have this problem of getting the most up-to-date

1 numbers?

A. (Wells) The one challenge I could see with that, you will always have some -- there's always a potential of some update. Because, if we move this from August 1st to September 1st, then we would just have more months that are -- the rates that I'm basing my estimate on are effective from June through May 2010. So, at this point, the estimate accounts for estimated rates for June 2011 -- excuse me, I think I said "May through" -- I said "June -- "May 2010", I meant "May 2011". The rates -- let me start over again. I apologize.

The rates that I am basing my estimates off of are effective June through 2010 through May 2011. So, I'm using estimated rates for June 2011 and July 2011. If we were to make the rate effective September 2000 -- or, September, rather than August, I would have the most current information when we make the initial filing. But I would be -- then I would have an extra month that's based on an estimated rate, rather than the actual rate. So, there's -- I think there's a give-and-take on the effective date. I think both, you know, from my perspective, both work.

And, I would certainly prefer not, the Friday before a hearing, to be preparing you revised

cost schedules. But, as far as the overall sending the right price signal to the customer, either this or a different effective date would work. We're not, at this time, proposing to change the effective date of the rate.

CMSR. IGNATIUS: Okay. Thank you.

CHAIRMAN GETZ: Well, let me just follow

up on that.

BY CHAIRMAN GETZ:

- Q. Though, even if you had a different effective date, you're still going to be trying to incorporate NU numbers that are on their own cycle, is that correct?
- During June, they true up the prior year costs. So, for this filing, June 2010, they billed us for a true-up of costs for 2009. So, that was -- that's one important date. Then, that revenue requirement they used for 2009 ended up being the basis for their estimate for 2010 and 2011 costs. Which they -- which they provide the 2010 estimated cost during June, and then we got the last part of it, the estimate for 2011, in early July. If we had a different effective date, presuming, you know, presuming they were always to be, you know, that first week of July, I think we would,

1	you know, in the hypothetical, you know, we would be
2	filing 45 days before the effective date, which I
3	believe would be July 15th, instead of June 15th. And,
4	so, we would have we would not be updating the rate
5	after that, if it were if, in the hypothetical, if
6	we had rates effective September 1, rather than
7	August 1.
8	CHAIRMAN GETZ: Okay. Mr. Epler, any
9	redirect?
10	MR. EPLER: No, Mr. Chairman. Thank
11	you.
12	CHAIRMAN GETZ: Okay. Then, the
13	witnesses are excused. Thank you.
14	Is there any objection to striking the
15	identifications and admitting the exhibits into evidence?
16	(No verbal response)
17	CHAIRMAN GETZ: Hearing no objection,
18	they will be admitted into evidence. Ms. Amidon, do you
19	have anything before opportunity for closings?
20	MS. AMIDON: No.
21	CHAIRMAN GETZ: Then, Ms. Amidon.
22	MS. AMIDON: Thank you. Staff has
23	reviewed the filing. And, we do not oppose the
24	implementation of these rates effective August 1, 2010.

1	CHAIRMAN GETZ: Thank you. Mr. Epler.
2	MR. EPLER: Thank you, Mr. Chairman.
3	Based on the evidence and testimony and exhibits we
4	presented, we request approval as indicated in the
5	Petition.
6	CHAIRMAN GETZ: Okay. Thank you. Then,
7	we'll close the hearing and take the matter under
8	advisement.
9	(Whereupon the hearing ended at 10:40
10	a.m.)
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