

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 17, 2013 - 10:10 a.m.
Concord, New Hampshire

NHPUC JUL01'13 PM 3:21

RE: DG 13-086
NORTHERN UTILITIES, INC.:
Notice of Intent to File Rate Schedules.
(Hearing regarding temporary rates)

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Michael D. Harrington
Clare Howard-Pike, Clerk

APPEARANCES: Reptg. Northern Utilities, Inc.:
Gary Epler, Esq.

Reptg. Residential Ratepayers:
Rorie E. P. Hollenberg, Esq.
Stephen R. Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Stephen P. Frink, Asst. Dir./Gas & Water Div.
Leszek Stachow
James J. Cunningham, Jr.

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

ORIGINAL

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QUESTIONS REGARDING THE SETTLEMENT

DOUGLAS DEBSKI

DAVID CHONG

MARK COLLIN

* * *

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P R O C E E D I N G

CHAIRMAN IGNATIUS: I'd like to open the hearing in Docket DG 13-086. This is Northern Utilities' request for temporary and permanent rates. And, we've scheduled a hearing today on the issue of temporary rates.

So, let's first begin with appearances. Mr. Epler.

MR. EPLER: Yes. Good morning. Gary Epler, counsel for Unitil, appearing on behalf of Northern Utilities. Thank you.

CHAIRMAN IGNATIUS: Good morning.

MS. HOLLENBERG: Good morning. Rorie Hollenberg and Stephen Eckberg, here for the Office of Consumer Advocate.

CHAIRMAN IGNATIUS: Good morning.

MR. SPEIDEL: Good morning. Alexander Speidel, and I have with me Assistant Director Steve Frink of the Gas and Water Division, and Staff Analysts Leszek Stachow and Jim Cunningham.

CHAIRMAN IGNATIUS: Good morning, everyone. I understand that a proposed Settlement Agreement has been filed on June 13th, which we have and have reviewed. And, within that was a request for a

1 waiver of the PUC administrative rule requiring filing
2 five days or greater prior to a hearing. We have no
3 problem with granting the waiver of that, and appreciate
4 your getting it in with plenty of time over the weekend to
5 review it. It's a settlement reached between the Company,
6 the OCA, and the Staff. Are there any other intervenors?
7 Any other parties to this docket?

8 MR. SPEIDEL: There is one public
9 comment, not an intervention, from a Mr. Cohen, I believe,
10 of Dover, New Hampshire. But, other than that, no
11 interventions have been received.

12 CHAIRMAN IGNATIUS: All right. So, are
13 there matters to take up before evidence on the proposed
14 Settlement Agreement?

15 (No verbal response)

16 CHAIRMAN IGNATIUS: It doesn't appear
17 there are any. Then, what's your plan? Is there a panel
18 or an individual witness?

19 MR. EPLER: Chairman Ignatius, our
20 thought is, depending upon the pleasures of the
21 Commission, that I could just present the Settlement
22 Agreement. We do have witnesses available to discuss it.
23 But, quite frankly, it's a rather straightforward
24 agreement, and it was based on a mutual understanding of

1 the parties, not based on any particular computations or
2 calculations or adjustments. And, I can explain it
3 further now or -- but it's very straightforward. And, I
4 think the parties felt that the amount involved in the
5 Settlement, the \$25 million [\$2.5 million?], is less than
6 half of the Company's overall increase. And, based on a
7 cursory review of the contents of the filing, the issues
8 therein, and the protections that are provided by the
9 temporary rate statute that provide for full refund, with
10 interest, depending upon the outcome of the full
11 investigation, I think I can represent that all parties
12 agree that this was a reasonable -- reasonable amount to
13 settle on and recommend approval of it.

14 With the Settlement Agreement, there are
15 several attachments that show a very straightforward
16 calculation, based on the increase of two and a half
17 million dollars, shows the temporary rate factor be
18 applied a per therm charge to all customers. And,
19 following that, it shows the --

20 CHAIRMAN IGNATIUS: Well, before you go
21 further, --

22 MR. EPLER: Sure.

23 CHAIRMAN IGNATIUS: -- is it acceptable
24 to the other parties and Staff to do it through statements

1 by counsel, rather than putting on witnesses?

2 MS. HOLLENBERG: It's acceptable to me,
3 in light of the Agreement is just an agreement, it's a
4 liquidation compromise of the parties. You know, it's not
5 a specific calculation. So, it's acceptable to me.

6 MR. SPEIDEL: Yes. It's acceptable to
7 Staff, as the Settlement is very simple, in terms of its
8 mechanics. And, I think Mr. Epler is just describing the
9 mechanics of the Settlement Agreement.

10 CHAIRMAN IGNATIUS: And, is -- I think
11 the one concern I would have is that, to be certain that
12 we have a demonstration on the record that the statutory
13 requirements for temporary rates has been met, the
14 findings we have to make that a temporary rate increase is
15 appropriate. Now, that can be done, I don't think we need
16 to have a witness sworn to do that, as long as there are
17 representations that are not challenged on the
18 appropriateness of temporary rates under the statute.

19 So, I think that's where you were
20 heading, in working through some of the schedules. But
21 why don't you think about that for just a moment.

22 (Chairman Ignatius and Commissioner
23 Harrington conferring.)

24 MR. EPLER: Can we have a moment please?

1 CHAIRMAN IGNATIUS: Sure. Are you
2 looking for a statute book?

3 MR. EPLER: Yes. That's what I was
4 looking for.

5 (Chairman Ignatius handing book to Atty.
6 Epler.)

7 MR. EPLER: Thank you.

8 (Short pause - off the record.)

9 MR. EPLER: Chairman Ignatius, the
10 statute RSA 78:27 [378:27?] for temporary rates provides
11 that "temporary rates shall be sufficient to yield not
12 less than a reasonable return on the cost of the property
13 of the utility used and useful in the Public Service less
14 accrued depreciation, as shown by the reports of the
15 utility filed with the Commission, unless there appears to
16 be reasonable ground for questioning the figures in such
17 reports."

18 I believe we have satisfied that with
19 the filings of the Company and the review that has
20 occurred by the Staff and the Office of Consumer Advocate,
21 although they can certainly speak for themselves, that
22 that threshold has been met. As I indicated, the increase
23 we're seeking is less than half of what the Company has
24 requested in its initial filing. And, in the Company's

1 filing, in the testimony of David Chong, which is Exhibit
2 DLC-1, at Pages 32 and going over to Page 33 of his
3 testimony, he discusses the request of the Company for
4 slightly over two and a half million dollars in temporary
5 rates. And, then, in his exhibit, Schedule DLC-1, shows
6 how that calculation was made.

7 Now, while there's not agreement as to
8 any of these calculations, or any of the various
9 adjustments that he makes on Page 3 of DLC-1, certainly
10 that exhibit shows that the standard that I recited from
11 the temporary rate statute is met with that amount, and
12 the amount settled on is slightly less than that amount.

13 CHAIRMAN IGNATIUS: Do you have a Bates
14 number for his -- that DLC-1? I have his testimony, is it
15 77 and 78 of Volume 1?

16 MR. EPLER: 158, I believe.

17 CHAIRMAN IGNATIUS: Yup. Thank you.
18 That works. And, the amount --

19 (Atty. Hollenberg conferring with Atty.
20 Epler.)

21 MR. EPLER: Additionally, I've just been
22 handed a copy of the Company's F-1 Rate of Return filing
23 that was made -- I don't know exactly the date this was
24 filed, but it's part of the regular filing that the

1 Company makes for the 12 months ending December 31, 2012.
2 And, I believe that that filing, that rate of return
3 filing also is supportive of the temporary rate increase.

4 CHAIRMAN IGNATIUS: All right. Thank
5 you.

6 CMSR. HARRINGTON: And, just one
7 question. I guess you started out with a very precise, I
8 guess it was a calculated number, based on that schedule
9 you showed here. You came to the 2,500,000 just because
10 you like round numbers or is there some particular reason
11 for that or --

12 MR. EPLER: The parties can really speak
13 directly -- the other parties can speak directly as to
14 their own determination. But part of it was that it was a
15 nice round number, as Commissioner Harrington indicated.
16 And, there was -- I think the parties felt, in terms of
17 efficiency for moving ahead with the investigation of the
18 overall increase, rather than spending a lot of time on
19 each individual adjustment and calculation made to get to
20 that precise number for temporary rates, that there was
21 satisfaction that the two and a half million dollars was a
22 reasonable number.

23 CMSR. HARRINGTON: Thank you.

24 MR. EPLER: So, that's -- yes.

1 MS. HOLLENBERG: Commissioner
2 Harrington, I would just point out, I concur, it was a
3 decision based on the efficiency of focusing our efforts
4 more on the permanent rate phase, as opposed to trying to
5 negotiate through each individual adjustment that the
6 Company had made. And, in light of the fact that the
7 rates are reconcilable, and the -- what the books and
8 records on file with the Commission showed to us, it was
9 considered reasonable. Thank you.

10 CMSR. HARRINGTON: Thank you.

11 CHAIRMAN IGNATIUS: So, why don't we --
12 Mr. Epler, why don't you go back to the presentation of
13 the Settlement Agreement. And, if we have any further
14 questions to you or counsel, that's great. If we need to,
15 we can ask one of your witnesses here, but that may not be
16 necessary.

17 MR. EPLER: Okay. So, as indicated, the
18 Settlement was filed on June 13th, with the request to
19 waive PUC 203.20, Section (e). There's an introductory
20 section, which describes the filing of the Company and the
21 Petition included a request for temporary rates. And, a
22 recitation that the level of two and a half million
23 dollars is a compromise and liquidation of the Company's
24 temporary rate proposal. And, that there is no agreement,

1 however, on any specific adjustments included in the
2 Company's request.

3 The proposed increase is to be collected
4 applying a uniform per therm surcharge of 0.0421 cents to
5 all of the Company's current rate schedules. And, if you
6 look at -- or, if you turn to Attachment 1, it shows the
7 calculation of that per therm factor.

8 CHAIRMAN IGNATIUS: Mr. Epler, is that
9 per -- on a dollar basis, not cents? It's not "0.0421
10 cents", it would be --

11 MR. EPLER: That's correct.

12 CHAIRMAN IGNATIUS: -- "\$0.0421"?

13 MR. EPLER: That's correct.

14 CHAIRMAN IGNATIUS: Okay. Thank you.

15 MR. EPLER: Yes. That would be "4.21
16 cents", a couple more decimal points. So, that
17 calculation takes the revenue requirement of the temporary
18 rates, two and a half million dollars, divided by the test
19 year weather-normalized sales that come from Unitil's
20 Witness Normand's schedule, and comes up with the per
21 therm amount.

22 Then, turning to Attachment 2, this is
23 the Report of Proposed Rate Changes, and it shows the
24 percent, the average percent change in overall revenue due

1 to the temporary rate increase. Column (G) shows the
2 average proposed change in revenue, and this is on total
3 revenue. And, then, Column (H) shows the percentage
4 increase. And, then, Attachment 3, which is a lengthy
5 attachment, 20 pages, shows, for each rate class, the
6 effect of the increase, based on increments of 10 percent,
7 where the bills fall out. Showing, for average monthly
8 usage, what the difference would be, both in dollar
9 amounts and percentage. And, that each page is broken to
10 show both delivery and supply, and on distribution rates
11 only.

12 CMSR. HARRINGTON: I had just one
13 question. On Attachment 2, the bottom of the page you've
14 got "Total", in the far right-hand corner, the
15 "3.9 percent". Now, is that the number that should be
16 compared to the request on your cover letter of
17 approximately 9 percent over test year operating revenues?
18 Is that --

19 MR. EPLER: Yes.

20 CMSR. HARRINGTON: Okay. Thank you.

21 MR. EPLER: So, Attachment 3 also shows
22 that there's no change to the customer charge. That this
23 is -- the proposed rates are purely on a per therm basis.

24 (Atty. Epler, Atty. Hollenberg, and

1 Atty. Speidel conferring.)

2 CHAIRMAN IGNATIUS: Go ahead and confer
3 on that off the record. And, if there's something to put
4 on, we'll go back.

5 (Atty. Epler, Atty. Hollenberg, and
6 Atty. Speidel conferring.)

7 MR. EPLER: I think we're squared away.
8 There was a question, but I think we're okay.

9 CHAIRMAN IGNATIUS: Did you want to go
10 through the Attachment 4 or anything else on the
11 Agreement?

12 MR. EPLER: Oh, yes. I'm sorry. I had
13 neglected to point out Attachment 4. Which is -- shows,
14 for residential heating, both residential heating and low
15 income residential heating, and residential non-heating
16 and low income residential non-heating, it shows the
17 impacts, the bill impacts on a monthly basis.

18 CHAIRMAN IGNATIUS: Do you have a --
19 we've been talking about this in other dockets, an
20 "average" usage level or a "typical" usage, it seems like
21 we've had two different categories, and we're trying to
22 get to whatever terminology and usage is really
23 representative of a typical customer. What does the
24 Company use?

1 (Atty. Epler conferring with Company
2 representatives.)

3 MR. EPLER: Maybe -- Mr. Debski might be
4 best to answer that question. So, perhaps, if you want
5 him sworn --

6 CHAIRMAN IGNATIUS: All right. Why
7 don't we swear any potential witnesses, just do it all at
8 once, and not do it as a group -- individually.

9 (Whereupon **Douglas Debski**, **David Chong**,
10 and **Mark Collin** were duly sworn by the
11 Court Reporter.)

12 **DOUGLAS DEBSKI, SWORN**

13 **DAVID CHONG, SWORN**

14 **MARK COLLIN, SWORN**

15 MR. EPLER: Chairman Ignatius, Douglas
16 Debski is a Senior Regulatory Analyst for Unitil Service
17 Corp. and provides consulting services and financial
18 services provided to Northern Utilities, and he could
19 address that question.

20 CHAIRMAN IGNATIUS: Thank you.

21 WITNESS DEBSKI: Okay. For purposes of
22 Attachment 4 here that Gary was talking about, we've
23 looked at the test year billing units for the residential
24 customers. And, these are also weather-normalized. And,

1 if I look at Page 1 of 4, for a residential heating bill,
2 Rate Class R-5, it shows the annual average consumption
3 for one of those customers to be "747 therms".

4 CHAIRMAN IGNATIUS: And, I think,
5 although at times I think maybe the Commission had
6 encouraged the use of a higher number, a sort of average
7 that was over 1,200, we -- if it's not showing any real
8 meaningful number for what a typical customer would
9 experience, I think we're trying to get away from that.
10 So, that's good to know. And, in the future development
11 of exhibits, keep that in mind, and I think our focus has
12 shifted from this calculated average to what a real
13 customer is currently looking to be. Thank you.

14 I had a question also, and I don't know
15 whether it's Mr. Collin, Mr. Chong, or even possibly a
16 Staff member, what the books and records -- has there been
17 an attempt to assess the financial status of the Company
18 based on the current books and records on file, or the
19 current earnings, sort of desk audit of current rate of
20 return of the test year? And, that's before adjustments
21 and all of the kind of evaluations that you do in a full
22 case?

23 WITNESS CHONG: Yes. Chairman Ignatius,
24 the Company files, according to PUC 509.01, F-1 Rate of

1 Return filing quarterly. And, Gary was mentioning this
2 earlier, for the 12 months ending December 31st, 2012,
3 this per books analysis shows that the revenue deficiency
4 for the Company was 2.4 million.

5 CHAIRMAN IGNATIUS: 2.4?

6 WITNESS CHONG: \$2.4 million.

7 CHAIRMAN IGNATIUS: All right.

8 WITNESS CHONG: And, there are a few
9 slight differences between this methodology and the
10 schedule we prepared for this rate case.

11 CHAIRMAN IGNATIUS: And, do you have a
12 earnings calculation that comes in as part of that F-1
13 filing?

14 WITNESS CHONG: Yes. The return on
15 equity, on an actual trailing basis, was 5.8 percent.

16 CHAIRMAN IGNATIUS: All right. Thank
17 you. And, the last allowed return is what?

18 WITNESS CHONG: The last allowed return
19 on equity was 9.5 percent.

20 CHAIRMAN IGNATIUS: All right. And,
21 this is all for effect on the July 1st date, correct?

22 MR. EPLER: That's correct.

23 CHAIRMAN IGNATIUS: And, that would be
24 the date for reconciliation as well, when permanent rates

1 are finally --

2 MR. EPLER: Yes, that's correct.

3 CHAIRMAN IGNATIUS: All right. We have
4 no other questions. I guess we sort of -- we have a kind
5 of funny format here, so we jumped away from the other
6 parties. Ms. Hollenberg, did you have anything you wanted
7 to add on the issues of the Settlement?

8 MS. HOLLENBERG: No, ma'am.

9 CHAIRMAN IGNATIUS: All right.
10 Mr. Speidel, anything you wanted to add?

11 MR. SPEIDEL: Yes. Thank you, Chairman.
12 Whoops, I'm sorry about the reverb there. The Staff did
13 review the books and records on file for the Company in
14 connection with its -- in connection with its review of
15 the rate case filing, including the filing on temporary
16 rates. And, Staff based its decision to support the
17 Settlement on Temporary Rates on the basis of the various
18 filings at hand, including the Company's very schedules
19 and testimony presented within its rate case filing. And,
20 Mr. Frink, in particular, led that effort, to examine, as
21 a whole, the rate case filing, various elements on file
22 with the Commission related to earnings and rates of
23 return, and his own independent professional judgment on
24 what would be appropriate for such a temporary rate

1 Settlement.

2 And, on that basis, Staff decided to
3 support the Settlement. It was a holistic effort, but it
4 is based on the record that is on hand for Staff. Thank
5 you.

6 CHAIRMAN IGNATIUS: So, you're saying
7 that the books and records justified a temporary rate
8 adjustment that's reconcilable?

9 MR. SPEIDEL: I would hesitate, in the
10 spirit of the Settlement Agreement, to delve that deeply
11 into it. But I can say that the Staff found the Temporary
12 Rate Settlement to be reasonable, in light of the
13 information available to Staff in the books and records on
14 file. And, so, there was an understanding that the
15 temporary rate relief requested had a reasonableness and a
16 lawfulness, in light of information available to Staff,
17 and Staff's independent assessment of that information.

18 CHAIRMAN IGNATIUS: And, it's, in your
19 view, it's in the public interest to approve a temporary
20 rate, the Temporary Rate Settlement?

21 MR. SPEIDEL: Yes.

22 CHAIRMAN IGNATIUS: All right. Then, I
23 don't think we have any other questions. We've sort of
24 been going through this, it's -- there may not be much

1 more to add, in terms of closing statements, but we'll
2 give everyone an opportunity to do that at the end. So,
3 think about that, if there's anything you want to add to
4 what's already been done.

5 I don't believe we've marked -- we
6 certainly haven't marked the Settlement Agreement itself.
7 I assume you'd like that marked?

8 MR. EPLER: The Settlement Agreement has
9 been filed. Yes, it could be marked as "Exhibit Number
10 1".

11 CHAIRMAN IGNATIUS: All right. Let's
12 mark that as "Exhibit 1".

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

16 CHAIRMAN IGNATIUS: And, as I went
17 through the filing, and I confess I haven't been through
18 every page, but I didn't find any exhibits or testimony
19 that was solely related to temporary rates to be marked
20 here. That it was an element of Mr. Chong's larger
21 testimony and some of his exhibits. Is there anything
22 that's solely related to temporary rates that we should
23 mark in the full filing that you made?

24 If it's just a particular page or

1 exhibit within someone else, a larger document, I don't
2 see a need to pull it out.

3 MR. EPLER: Yes. I mean, the only thing
4 is, is the -- and, again, this is for reference purposes,
5 because, as we've indicated, there is an agreement as to
6 the precise calculations. But there is Mr. Chong's
7 Schedule DLC-1, but it's part of the larger filing.

8 MR. SPEIDEL: Madam Chairman, if I could
9 just interject. Does the Clerk have on hand the refiled
10 version of the Settlement Agreement that has the header
11 that reads "Northern Utilities, Inc. Petition for Rate
12 Adjustments" alone, without the mention of the word
13 "Electric"?

14 CHAIRMAN IGNATIUS: We don't have that.

15 MR. SPEIDEL: It hasn't come through
16 quite yet. Essentially, there was an electronic filing
17 made. Mr. Epler refiled it on the basis of having that
18 *erratum* removed, the word "Electric".

19 MS. HOLLENBERG: I have a copy. If
20 you'd like a clean copy?

21 CHAIRMAN IGNATIUS: Is there any --
22 well, is there any difference other -- I assume you mean
23 in the header of the first page of the document?

24 MR. SPEIDEL: Yes. Precisely. There

1 was an *erratum*.

2 CHAIRMAN IGNATIUS: Is that the only
3 change?

4 MR. SPEIDEL: Yes.

5 CHAIRMAN IGNATIUS: All right. That's
6 fine, then. We don't need to get copies right now.

7 MR. EPLER: Yes. I contacted the Clerk
8 and provided that, and the Court Reporter does have a
9 corrected copy.

10 CHAIRMAN IGNATIUS: All right. We'll
11 make sure that that's the one that's posted on the Web.
12 Thank you.

13 All right. Then, I don't see a need to
14 pull out that one section of Mr. Chong's exhibits.

15 Then, I guess, is there any objection to
16 striking identification of Exhibit 1, which is the
17 Temporary Rate Settlement?

18 (No verbal response)

19 CHAIRMAN IGNATIUS: Seeing none, we'll
20 do that. And, opportunity for anything further anyone
21 wants to add in closing statements, starting with
22 Ms. Hollenberg?

23 MS. HOLLENBERG: I guess the only
24 comments that I would make is that I think that this --

1 everyone came to this agreement in their own way, and that
2 the statements of the individual parties don't necessarily
3 reflect the thinking and the decision-making that went
4 behind the ultimate decision to settle this phase of the
5 case.

6 And, we would appreciate, you know,
7 settlement of this phase of the case at this point, so we
8 can turn our attention to the permanent phase. And, thank
9 you for your time this morning.

10 CHAIRMAN IGNATIUS: Thank you.
11 Mr. Speidel.

12 MR. SPEIDEL: Thank you, Chairman.
13 Staff would like to concur with OCA's statement that any
14 statements made by the various parties relate to their own
15 parties' points of view on the settlement process, and do
16 not hold for the entire settlement-making procedure for
17 every party.

18 And, Staff does support the approval of
19 the Settlement Agreement as providing for reasonable
20 temporary rates, in accordance with applicable statutes
21 and standards, and as being in the public interest as
22 well. Thank you.

23 CHAIRMAN IGNATIUS: Thank you.
24 Mr. Epler.

1 MR. EPLER: Yes. Thank you. I have
2 nothing to add to our previous presentation, other than to
3 apologize for a little bit of a disjointed presentation.
4 Sometimes it's harder to explain something simple than
5 something that's more complicated.

6 But I appreciate the opportunity to work
7 with the parties on this, and pleased to report that we
8 are currently underway with the normal discovery process
9 in the case and beginning that investigation.

10 CHAIRMAN IGNATIUS: All right. Thank
11 you. There being nothing else, we will take this under
12 advisement. We understand you have a July 1st deadline,
13 which is not far off. And, so, we will be certain to
14 issue a ruling by that date. Thank you. We're adjourned.

15 **(Whereupon the hearing was adjourned at**
16 **10:44 a.m.)**

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