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## STATE OF NEW HAMPSHIRE

## PUBLIC UTILITIES COMMISSION

April 7, 2010 - 1:41 p.m.  
Concord, New Hampshire

NHPUC APR15'10 PM 3:29

RE: DE 09-224  
UNITIL SERVICE CORP.:  
Renewable Energy Source Option.

PRESENT: Commissioner Clifton C. Below, Presiding  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Unitil Service Corp.:  
Susan S. Geiger, Esq. (Orr & Reno)

Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Office of Consumer Advocate

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Thomas C. Frantz, Director-Electric Division

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

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Filing by Unitil, including the testimony and attachments of Robert S. Furino (11-10-09)	7
2	Partial Settlement Agreement (03-31-10)	8
3	Proposed Renewable Source Option Revised Attachment 4 Updated: March 12, 2010	11

## P R O C E E D I N G

1  
2 CMSR. BELOW: Good afternoon. I'll open  
3 this hearing in DE 09-224. On November 12th, 2009, Unitil  
4 Energy Systems, Inc., filed its proposed Renewable Default  
5 Energy Service Option pursuant to RSA 374-F:3, V(f). And,  
6 the Commission issued Order Number 25,066 subsequently,  
7 suspending the tariff and scheduling a prehearing  
8 conference, which was held on January 28th of this year.  
9 Subsequently, a secretarial letter established a  
10 procedural schedule and scheduled this date for hearing on  
11 the merits. On March 12th, 2010, the Staff filed a  
12 request to extend the deadline to file settlement to March  
13 31st, 2010, and on that date a settlement was filed.

14 So, we'll start by taking appearances.

15 MS. GEIGER: Yes. Good afternoon,  
16 Commissioner Below, Commissioner Ignatius. I'm Susan  
17 Geiger, from the law firm of Orr & Reno, and I represent  
18 Unitil Energy Systems, Inc. And, with me today from the  
19 Company is Mr. Rob Furino and Ms. Kristen Cote.

20 CMSR. BELOW: Good afternoon.

21 MS. HATFIELD: Good afternoon,  
22 Commissioners. Meredith Hatfield, for the Office of  
23 Consumer Advocate, on behalf of residential ratepayers.

24 CMSR. BELOW: Good afternoon.

[WITNESS: Furino]

1 MS. AMIDON: Good afternoon. Suzanne  
2 Amidon, for Commission Staff.

3 CMSR. BELOW: Good afternoon. And, do  
4 you have witnesses?

5 MS. GEIGER: Yes, I do. I'd like to  
6 call Mr. Furino to the stand please.

7 (Whereupon *Robert S. Furino* was duly  
8 sworn and cautioned by the Court  
9 Reporter.)

10 ROBERT S. FURINO, SWORN

11 DIRECT EXAMINATION

12 BY MS. GEIGER:

13 Q. Could you please state your name for the record.

14 A. Robert Steven Furino.

15 Q. And, Mr. Furino, by whom are you employed and what  
16 position do you hold?

17 A. Unitil Service Corp., and I'm the Director of Energy  
18 Contracts for the Unitil companies.

19 Q. And, what are your duties?

20 A. I oversee their procurement of wholesale electric power  
21 and gas.

22 Q. And, Mr. Furino, have you previously testified before  
23 the Commission?

24 A. Yes, I have.

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[WITNESS: Furino]

1 Q. Did you prefile testimony in this docket?

2 A. I did.

3 Q. And, what was the purpose of your prefiled testimony?

4 A. The purpose of my prefiled testimony was to present and  
5 explain the Renewable Energy Source Option, or RSO,  
6 proposal that UES is proposing in compliance with  
7 recent legislative changes to RSA 374, Section F:3,  
8 V(f), which require electric utilities to offer its  
9 customers one or more renewable energy source options.

10 Q. And, Mr. Furino, I'm going to show you a package of  
11 documents, with a cover letter from Gary Epler to Debra  
12 Howland, dated November 10th, 2009. Could you please  
13 identify these documents for me?

14 A. These documents contain my prefiled testimony and  
15 attachments describing UES's Renewable Source Option  
16 Program as it was initially proposed.

17 MS. GEIGER: And, I'm assuming that the  
18 Bench has copies of the initial filing?

19 CMSR. BELOW: Yes.

20 MS. GEIGER: Thank you.

21 BY MS. GEIGER:

22 Q. And, Mr. Furino, do you have any corrections to your  
23 prefiled testimony?

24 A. I don't have any corrections to my prefiled testimony.

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[WITNESS: Furino]

1           However, I would note that my prefiled testimony and  
2           attachments reflect UES's initially proposed RSO  
3           Program, which has been modified as a result of the  
4           Partial Settlement Agreement with Commission Staff that  
5           will be discussed later.

6   Q.   Mr. Furino, with the exceptions noted in the areas of  
7           your -- with the exceptions to your prefiled testimony  
8           that are reflected to the -- reflected by the Partial  
9           Settlement Agreement that has been reached with Staff  
10          in this docket, if I were to ask you the same  
11          questions, but for the Partial Settlement provisions,  
12          would your answers to your prefiled testimony be the  
13          same?

14   A.   Yes, they would.

15                   MS. GEIGER:  And, I would ask that the  
16           documents that have been presented with the cover letter  
17           from Mr. Epler be marked for identification as "Exhibit  
18           1".

19                   CMSR. BELOW:  So marked.

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

23                   MS. GEIGER:  Thank you.

24   BY MS. GEIGER:

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[WITNESS: Furino]

1 Q. Now, Mr. Furino, could you please look at this document  
2 that bears a cover letter from Attorney Amidon to Debra  
3 Howland, dated March 31st, 2010, and identify it  
4 please.

5 A. Yes. This is the Partial Settlement Agreement that I  
6 referred to earlier.

7 MS. GEIGER: Okay. And, I'll ask if the  
8 Bench has a copy of the Partial Settlement Agreement?

9 CMSR. BELOW: Yes, we do.

10 MS. GEIGER: Okay. Thank you.

11 BY MS. GEIGER:

12 Q. And, Mr. Furino, are there any corrections to the  
13 Partial Settlement Agreement that you need to make?

14 A. No, there are not.

15 MS. GEIGER: Okay. And, I would ask  
16 that this document be marked as "Exhibit 2" for  
17 identification.

18 CMSR. BELOW: So marked.

19 (The document, as described, was  
20 herewith marked as **Exhibit 2** for  
21 identification.)

22 MS. GEIGER: Thank you.

23 BY MS. GEIGER:

24 Q. Now, Mr. Furino, could you please briefly describe for

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[WITNESS: Furino]

1 the Commission UES's currently proposed Renewable  
2 Service Option Program that it's seeking approval of in  
3 this docket?

4 A. Yes. Thank you. At the outset, I would point out that  
5 the Partial Settlement Agreement only results in a  
6 couple changes to UES's initially proposed RSO Program.  
7 First, UES has agreed that it will not make any  
8 adjustments to its RSO REC procurement to account for  
9 distribution losses between the Company's wholesale tie  
10 points and customer meters in determining the proper  
11 number of RECs to acquire.

12 The other significant change is that UES  
13 has agreed not to recover any over- or undercollections  
14 from the RSO rate in its default service energy rates.  
15 UES would seek approval from the Commission before  
16 seeking to include any RSO-related over- or  
17 undercollections in its default service energy rates,  
18 which might occur if the Company were to calculate a  
19 negative RSA rate or a very high RSO rate that might  
20 strongly discourage participation.

21 Q. Now, Mr. Furino, I think those are sort of the two  
22 modifications that Unitil has made to its initial  
23 filing. Could you please briefly describe what the  
24 bulk of the program would entail.

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[WITNESS: Furino]

1 A. Yes. The RSO Program that UES is proposing is very  
2 similar to the PSNH program that the Commission  
3 approved in Order 25,080, issued in docket DE 09-186,  
4 on March 5th, 2010. UES will purchase and retire  
5 Renewable Energy Certificates from facilities that are  
6 certified as Class I or Class II generation resources  
7 under the RPS law, which is RSA 362, Section F-4, and  
8 will only purchase Renewable Energy Certificates, or  
9 RECs, that can be used for compliance with the  
10 Commission's RPS rules, as established in the PUC's  
11 2500 rules.

12 Like PSNH, UES will offer three  
13 renewable energy resource options; a 25 percent option,  
14 a 50 percent option, and a 100 percent option. Under  
15 these options, UES will purchase and retire RECs to  
16 match 25 percent, 50 percent, or 100 percent of the  
17 customer's actual electric uses -- electricity usage,  
18 depending on the option chosen by the customer.

19 RSO customers will be billed at the  
20 default service energy rate, plus an additional rate,  
21 which will reflect the charge for the RSO Option. As  
22 of the date of the Partial Settlement Agreement, the  
23 estimates for the additional RSO charge are: 3 cents  
24 per kilowatt-hour for the 100 percent option; 1.5 cents

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[WITNESS: Furino]

1 per kilowatt-hour for the 50 percent option; and 0.75  
2 cents per kilowatt-hour for the 25 percent option.

3 Q. And, Mr. Furino, have you prepared a document that  
4 shows the monthly bill impacts for each of the RSO  
5 options that you've just described?

6 A. Yes, I have. In response to a data request from Staff,  
7 I prepared a document entitled "Revised Attachment 4",  
8 which is an update to an attachment in the initial  
9 filing. Yes. That document shows the sample  
10 calculation of the RSO charges, as well as some sample  
11 calculations of incremental monthly bill impacts for  
12 the program.

13 Q. And, Mr. Furino, I'm going to show you a copy of a  
14 document that is entitled "Revised Attachment 4 Updated  
15 March 12th, 2010". Is this the document that you just  
16 referred to in your testimony?

17 A. Yes, it is.

18 MS. GEIGER: And, Commissioner Below,  
19 I'd like to have this document that I just handed out  
20 marked as "Exhibit 3" for identification.

21 CMSR. BELOW: It's so marked.

22 (The document, as described, was  
23 herewith marked as **Exhibit 3** for  
24 identification.)

[WITNESS: Furino]

1 MS. GEIGER: Thank you.

2 CMSR. IGNATIUS: Excuse me, Ms. Geiger.  
3 If you have an extra one for Chairman Getz, we can put it  
4 in his file.

5 MS. GEIGER: Oh, yes. I apologize for  
6 that. I meant to give you three. Thank you.

7 BY MS. GEIGER:

8 Q. Mr. Furino, could you please continue describing other  
9 features of the RSO Program that are basically the  
10 major components of it.

11 A. Yes. UES proposes to limit the RSO Program to  
12 customers taking domestic service, which are Rate Class  
13 D, and regular generation service, which are Rate Class  
14 G2, those customers taking such service under UES's  
15 default service tariff, who are not also enrolled in a  
16 low income Electric Assistance Program or Fuel  
17 Assistance Program administered by a CAP agency. This  
18 is because these funds are limited, and introducing an  
19 additional RSO charge would reduce the availability of  
20 assistance from these programs while there are -- at a  
21 time when there are customers waiting for these  
22 services.

23 Like the PSNH program, UES will not make  
24 the RSO Program available to customers who are

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[WITNESS: Furino]

1 purchasing their electricity from competitive  
2 suppliers. In addition, UES proposes not to offer the  
3 RSO Program to its large general service customers,  
4 that is Rate Class G1, and to its outdoor lighting  
5 customers, which is Rate Class OL. Commission Staff  
6 has taken no position on this aspect of UES's program,  
7 and, therefore, as indicated on Page 6 of the Partial  
8 Settlement Agreement, this issue is being presented to  
9 the Commission for resolution.

10 Q. And, Mr. Furino, could you please explain for the  
11 Commission why UES does not wish to offer the RSO  
12 Program to Rate Class G1 and outdoor lighting customers  
13 who are on default service?

14 A. Yes. UES's large general service customers, this is  
15 G1, have access to competitive electricity supplies, as  
16 evidenced by the fact that currently 80 percent of  
17 supplies delivered to G1 customers are provided by  
18 competitive suppliers. The remaining 20 percent of the  
19 G1 class do have the ability to access the competitive  
20 supply market for supply and for RECs, and, therefore,  
21 UES does not believe it's necessary to provide this  
22 program to them.

23 UES did a quick search for suppliers who  
24 offer renewable energy credits to retail customers in

[WITNESS: Furino]

1 New Hampshire, as well as other states, and found over  
2 50 suppliers listed. UES is a strong advocate of  
3 retail choice and does not wish to compete directly  
4 with competitive suppliers to provide this service.

5 UES proposes, with regard to outdoor  
6 lighting customers, UES proposes not to offer the  
7 program to outdoor lighting customers for several  
8 reasons. First, that customer class requires  
9 significant manual work in the process of billing,  
10 given the setup of the Company's billing system. To  
11 accommodate billing for each rate change, 282 separate  
12 rate codes need to be updated. And, unfortunately,  
13 this is a manual process. Because outdoor lighting  
14 sales represent only 0.75 percent of the Company's  
15 total sales, it does not seem appropriate to incur the  
16 additional costs and effort to implement billing for  
17 only these few customers. Secondly, outdoor lighting  
18 customers are not generally exclusive, stand-alone  
19 customers. Rather, outdoor lighting is typically an  
20 additional service associated with a primary service,  
21 that is typically a G1 or G2 account. The outdoor  
22 lighting service is provided to customers like  
23 governmental bodies and private customers taking  
24 service, as I said, under a different rate class. UES

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[WITNESS: Furino]

1 is not proposing to exclude the associated customers,  
2 only the outdoor lighting service. Those outdoor  
3 lighting customers who take regular generation service  
4 under Class G2 under the Company's default service  
5 tariff are eligible for participation in the RSO  
6 Program. And, lastly, as of January 2010, 23 percent  
7 of the outdoor lighting customers were supplied by  
8 competitive marketers and would otherwise not -- the  
9 program would not be available to them in any case.

10 Q. And, Mr. Furino, could you please describe any other  
11 major features of the RSO Program that you think would  
12 be important for the Commissioners to learn about?

13 A. As indicated on Page 4 of the Partial Settlement  
14 Agreement, for the first year of the program as  
15 proposed, external start-up and administrative costs,  
16 which would be primarily for marketing and promotion,  
17 would be capped at \$50,000, and these external annual  
18 ongoing costs would be capped at \$20,000 per year  
19 thereafter. And, that level of spending would be  
20 reviewed after the first year of operation of the  
21 program.

22 The Company would -- proposes to recover  
23 those costs from all customers under its distribution  
24 rates. These costs do not include costs that would be

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[WITNESS: Furino]

1 required if UES were required to include the G1 and  
2 outdoor lighting customers as part of the program.

3 As far as enrollment, customers will be  
4 able to enroll in or withdraw from the RSO Program by  
5 calling UES's Customer Service Center or by  
6 electronically submitting requests through the  
7 Company's website. In order to accomplish enrollment  
8 or withdrawal effective with the customer's next meter  
9 read date, the customer must submit their enrollment or  
10 withdrawal request at least two business days prior to  
11 their next regularly scheduled meter read date.

12 Q. And, Mr. Furino, assuming that the Commission were to  
13 approve UES's proposed RSO Program as modified by the  
14 Partial Settlement Agreement, what steps will UES take  
15 to implement the program?

16 A. UES would file tariff pages for effect 120 days after  
17 the approval date, along with testimony or a technical  
18 statement explaining the calculation of the rates for  
19 the three options, and a projection of the prices for  
20 Class I and Class II RECs that we used to calculate the  
21 rates. UES intends to utilize the REC cost estimates  
22 used in setting its RPS compliance costs as part of its  
23 default service rates. Subsequent changes to the  
24 tariff to reflect new rates for the RSO Program would



[WITNESS: Furino]

1 be for effect either May 1st or November 1st, beginning  
2 the next year, which would be 2011, and would otherwise  
3 coincide with changes to default service energy rates  
4 for the Company's residential and small commercial  
5 class customers, which occurs every six months.

6 Lastly, in addition, UES will file  
7 quarterly reports with the Commission and the OCA or  
8 other parties after the program -- the quarterly  
9 reports -- excuse me. Quarterly reports will detail  
10 the number of customers who have chosen to participate  
11 in the program, their kilowatt-hour sales, their rate  
12 class, the RSO option they have chosen, the resulting  
13 REC requirement, which would be different, depending on  
14 which option they chose, and the projected annual  
15 revenue that would be provided to or paid to generators  
16 of these renewable certificates. The reports would  
17 also summarize marketing efforts. In addition, after  
18 12 months of program operation, an annual report would  
19 be provided that would summarize the marketing activity  
20 and program participation.

21 Q. Thank you, Mr. Furino. Do you have anything further to  
22 add to your testimony today?

23 A. No, but I would be happy to respond to questions.

24 MS. GEIGER: Thank you, I have nothing

[WITNESS: Furino]

1 further.

2 CMSR. BELOW: Thank you. Ms. Hatfield.

3 MS. HATFIELD: Thank you, Commissioner

4 Below. Good afternoon, Mr. Furino.

5 CROSS-EXAMINATION

6 BY MS. HATFIELD:

7 Q. If you could turn to Page 5 of the settlement agreement  
8 which I believe is Exhibits 2.

9 A. Yes. Thank you.

10 Q. And, in the section number 4, labeled "Filing of Tariff  
11 Pages", if you could look at the last paragraph on Page  
12 5, that paragraph discusses over- and undercollections.  
13 Do you see that?

14 A. Yes. Thank you.

15 Q. And, can you just briefly explain why there might be  
16 over- and undercollections within the RSO rate?

17 A. Yes. The Company needs to project a rate for or a cost  
18 of acquiring these certificates in order to charge a  
19 rate to the customer at the time they consume their  
20 power. The Company would most likely not purchase  
21 those RECs until several months pass. This same timing  
22 phenomenon takes place in the compliance for the RPS  
23 requirements for all default service customers.

24 Q. And, what I believe this section is stating, as you

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[WITNESS: Furino]

1           previously testified, is that you are not going to seek  
2           to recover any RSO over- or undercollection from the  
3           default service rate, unless you can show the  
4           Commission that there's a good reason to do so, is that  
5           correct?

6       A.    That's correct.  The Company would maintain a separate  
7           reconciliation for this RSO option, and it would  
8           include its own reconciliation values, only to the  
9           extent, as I mentioned, if it were to create a negative  
10          rate or extremely high rate would the Company seek to  
11          include those costs in the general default service  
12          rate.

13       Q.   And, would you agree that, if the Company was using a  
14          third party supplier to provide the renewable option,  
15          that the Company would not face the issue of potential  
16          over- and undercollections in the RSO rate?

17       A.   I agree that a third party supplier would offer a fixed  
18          price and would stick by that fixed price.  I would be  
19          surprised if a third party marketer would offer a  
20          customer this product on any sort of a pass-through  
21          basis, which would allow them to go back and  
22          subsequently adjust for their actual costs as they are  
23          realized.  So, in that case, the retail supplier of the  
24          RECs would be assuming the risk of the actual price,

[WITNESS: Furino]

1 any variance between the price they offer the customer  
2 and their actual cost.

3 Q. And, I believe you testified that the Company would  
4 begin to implement the RSO Program 120 days after you  
5 receive a Commission order, is that correct?

6 A. That's correct.

7 Q. And, during that time, during that four-month period,  
8 while you're getting ready to actually implement it,  
9 will you begin the marketing and the outreach process  
10 to try to get people to think about enrolling?

11 A. I'm not exactly sure. I can't state that. We have  
12 been planning a 16-week preparation period. I can't  
13 tell you if, during the 12th week or the 16th week, we  
14 would begin those processes. But, certainly, the  
15 development of all that material and the crafting of  
16 those messages would be undertaken during that time.

17 Q. If you turn to Page 4 of the Settlement Agreement,  
18 Section 2 deals with "Marketing and Promotion Costs"?

19 A. Yes.

20 Q. And, it looks like, for the first year, what you call  
21 "external start-up and administrative costs", you  
22 agreed to cap them at \$50,000?

23 A. That's correct.

24 Q. And, what do you mean by "external start-up and

[WITNESS: Furino]

1 administrative costs"?

2 A. These would be outsourced efforts. It would include  
3 printing activities, design, perhaps website design,  
4 establishing the various messages, materials.

5 Q. And, then, you state, in the next sentence, that, after  
6 the first year, the ongoing costs would "not exceed  
7 \$20,000 per year"?

8 A. Correct. That's the plan, yes.

9 Q. And, does that amount for the first year, the term  
10 "administrative costs", does that include any billing  
11 changes or other things that the Company might need to  
12 do to get ready to offer the program?

13 A. Those start-up costs do not include billing changes.  
14 Those are internal costs to the Company.

15 Q. And, are there any internal costs related to the  
16 program?

17 A. Yes. The Company estimates that, as proposed, year one  
18 internal costs would be \$14,000. And, those would  
19 really be part of the Company's rate base, and would be  
20 recovered over time as they, you know, the Company is  
21 not seeking explicit recovery, any distribution rate  
22 for those costs at this time.

23 Q. And, you said -- I think you said "\$14,000 year one  
24 costs". Did you project any future costs at this time?

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[WITNESS: Furino]

1 A. Yes. As proposed, our ongoing projected future costs  
2 are 2,000 a year. And, this is, again, the internal  
3 administration. It reflects tracking and reporting and  
4 oversight.

5 Q. And, then, in terms of "program review", as you call it  
6 on Page 6 of the Settlement, you've also, as you've  
7 briefly described, you committed to providing reports  
8 and meeting with interested parties to review the  
9 success of the program, is that right?

10 A. That's correct.

11 MS. HATFIELD: That completes my  
12 questions. Thank you very much.

13 WITNESS FURINO: Thank you.

14 CMSR. BELOW: Thank you. Ms. Amidon.

15 MS. AMIDON: Thank you. Good afternoon,  
16 Mr. Furino.

17 BY MS. AMIDON:

18 Q. What would the Company do if it had customers enrolled  
19 in this program, and there were insufficient qualified  
20 RECs in the market to account for the customer  
21 participation and contribution through the RSO service  
22 charge? What would you do with those funds?

23 A. If the Company were unable to purchase the renewable  
24 certificates that it would require to demonstrate

[WITNESS: Furino]

1 performance under this program, it would essentially  
2 make payments to the Renewable Energy Fund by means of  
3 alternative compliance payments, and those would become  
4 -- those alternative compliance payments would become  
5 the cost of those RECs.

6 Q. Thank you. In designing the program, did the Company  
7 consider what would be a robust participation in the  
8 RSO product, for example, by percentage? Do you have  
9 any, for example, any expectations of what you would  
10 think would be a supportive participation in the RSO  
11 Program?

12 A. I believe we responded to that question in data  
13 requests, and let me see if I can find that.

14 Q. I didn't mean to put you on the spot.

15 A. I believe approximately 1 percent of sales, of eligible  
16 sales, would be within a bandwidth of expectations.

17 Q. And, then, just going to sort of the opposite end of  
18 that question, under the statute, "A utility, with  
19 commission approval, may require that [there be] a  
20 minimum number of customers, or a minimum amount of  
21 load, to participate in the program in order to offer  
22 an [RSO Program]." Has the Company looked at what they  
23 think would be a necessary minimum number of customers  
24 or amount of load to make the program viable?

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[WITNESS: Furino]

1 A. Yes. And, the Company does not propose any minimum.  
2 Any customers who want to participate are enough to  
3 keep the program going. The Company is already  
4 purchasing renewable certificates for its RPS  
5 compliance requirements. And, so, this is essentially  
6 an optional extension of that process.

7 Q. So, if you had, and then just this is a hypothetical,  
8 if you had 0.2 percent participation, you would not  
9 consider that to be insufficient number or insufficient  
10 load to continue with the program?

11 A. I think that, as the parties get together to review the  
12 annual performance of the program, the parties would  
13 likely consider the annual expenditures for marketing  
14 and promotion and the types of promotion that were  
15 being undertaken. And, we really view this as a test  
16 of customers' receptivity to financially supporting  
17 renewable resources. So, at this time, we have no  
18 plans to draw a line in the sand to say that we would  
19 propose to close the program down below some minimum  
20 threshold level of participation.

21 Q. Well, that's a reasonable answer. Could you please  
22 describe briefly what the Company would seek to  
23 reconcile in the External Delivery Charge?

24 A. The External Delivery Charge would be the Company's



[WITNESS: Furino]

1 means of recovering its marketing and promotion costs.  
2 These external outsourced costs and materials that we  
3 describe as capped at \$50,000 in year one, and \$20,000  
4 annually thereafter.

5 Q. And, when would you first expect to make the filing in  
6 connection with the Company's annual External Delivery  
7 Charge filing, or the reconciliation filing, I should  
8 say? Would that be in 2010 or 2011?

9 A. I would suspect this will be in 2011.

10 Q. Okay.

11 A. I believe the timing of the 2010 External Delivery  
12 Charge filing and review will be conducted before the  
13 tariff goes into place, before these costs are  
14 incurred. And, therefore, my thinking is we would  
15 include these costs in the 2011 rate. If something  
16 were different, we certainly would propose it during  
17 the EDC proceeding, proceeding involving the External  
18 Delivery Charge rate.

19 Q. One final question. The Company is required to make  
20 this offering pursuant to the statute. Could the  
21 Company commence delivery of this program before 120  
22 days after an order approving the program is issued?  
23 And, if so, how much, could you truncate that start  
24 time, in your opinion?

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[WITNESS: Furino]

1 A. You know, I believe, when we proposed the 16 weeks of  
2 implementation time, that that was really time that was  
3 needed to get the billing system in place so that it  
4 could handle this incremental charge, and to craft and  
5 develop the marketing message and to get that ready to  
6 go. And, so, I really don't believe we can do it any  
7 sooner. And, we certainly could purchase the  
8 certificates sooner, if we knew what volumes were. But  
9 I think it's also important to let the process play out  
10 so that a marketing program is implemented in a  
11 specific point in time, and then we have the  
12 opportunity to get the reaction from that and to be in  
13 a position to assess the effectiveness of that. So,  
14 it's more of a complete package, I think, and this  
15 timing I think is the best we can do.

16 MS. AMIDON: Thank you. I have no  
17 further questions.

18 CMSR. BELOW: Okay. Thank you.  
19 Commissioner Ignatius.

20 CMSR. IGNATIUS: Thank you.

21 BY CMSR. IGNATIUS:

22 Q. I think I didn't follow all of the cost discussion and  
23 would like to just go through that again to be sure I  
24 understand, since it was a little more detailed than

[WITNESS: Furino]

1 what was in the Settlement Agreement itself. You're  
2 proposing that, and maybe it's easier to think of a  
3 one-time charge versus recurring charges, all right?

4 A. Uh-huh.

5 Q. So, you have a one-time external start-up and  
6 administrative cost charge capped at \$50,000, is that  
7 right?

8 A. Yes.

9 Q. And, that's a blend of marketing activities,  
10 promotional materials, and other administrative work,  
11 but not the change to the billing system?

12 A. Well, that's right. It does not include the change to  
13 the billing system, which is really internal  
14 development work.

15 Q. The internal billing work you estimated would be  
16 \$14,000 in the first year and 2,000 per year  
17 thereafter?

18 A. Yes, that's correct.

19 Q. But you don't propose to have that internal billing  
20 charge assessed against those participating in this  
21 program, it would be spread across all customers?

22 A. It would actually just be performed with the Company's  
23 existing resources.

24 Q. And, so, --

[WITNESS: Furino]

1 A. Otherwise reflected in rate base.

2 Q. Okay. So, do you not consider it a cost of providing  
3 this service?

4 A. Well, I consider it the, you know, usage of resources  
5 that customers in general are already paying for as  
6 part of, you know, our existing rate base structure.  
7 We're not intending, we don't foresee additional hires  
8 as a result of this work. Includes customer training  
9 and design and testing of, you know, the implementation  
10 in the billing system itself. And, as I said, ongoing  
11 tracking and reporting.

12 Q. The next sentence of the Settlement Agreement, this is  
13 on Page 4, says that then you have the ongoing -- the  
14 annual ongoing charges, and you estimate \$20,000 as a  
15 cap -- I'm sorry, you commit to a \$20,000 cap for  
16 "ongoing promotion and customer communication costs".  
17 So, this is year after year after year you expect  
18 somewhere in the range of \$20,000 to be spent?

19 A. That's a current projection. And, again, I think  
20 that's something that would be revisited each year, as  
21 the Company accumulates experience in the program and  
22 learns a little bit more about what techniques work,  
23 what don't, and the more general question of, you know,  
24 customers' willingness to financially support, you

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[WITNESS: Furino]

1 know, renewable generation.

2 Q. Well, what's an example of what could be under that  
3 "ongoing promotion and communication costs" that would  
4 be a significant expense, once the program is  
5 developed, you've done that initial work, you've  
6 developed the promotional materials?

7 A. Right. Well, we could develop a different, you know,  
8 programming piece. For instance, we talk about a "Be a  
9 Good Green Neighbor" package, where, you know, we offer  
10 to interested customers, customers who participate, you  
11 know, a package of essentially energy efficient goodies  
12 and different -- different things like that. That's  
13 one thing. Modifying and implementing changes in the  
14 Company's IVR system and its billing system, it's  
15 messaging system, could be additional costs. And,  
16 materials costs, bill stuff materials, those kind of  
17 costs are, you know, additional, incremental ongoing  
18 costs.

19 Q. So, in years where you don't make any significant  
20 changes, I assume you wouldn't incur very significant  
21 costs under that category, and it simply would be  
22 factored into the reconciliation process for the RSO  
23 Program?

24 A. Probably be limited to materials costs, yes.

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[WITNESS: Furino]

1 Q. All right. You stated and in the Settlement Agreement  
2 it also says that the rates you anticipate will come in  
3 with the tariff when you're ready to roll this out four  
4 months after a Commission order. Do you anticipate the  
5 rates being any significant variation from what's in  
6 your testimony today?

7 A. No, I don't. I think those are at a reasonable level.  
8 We'll probably see that level. That's what we know  
9 today.

10 Q. Is it your understanding that the parties anticipate,  
11 when reaching this agreement, that they anticipated  
12 that when those new rates come in with the tariff that  
13 there be a hearing before implementation? Or, would  
14 they be more in the nature of an informational filing,  
15 consistent with the Settlement Agreement?

16 A. I would think they would be more in the nature of an  
17 informational filing. But I defer to others.

18 CMSR. IGNATIUS: And, I suppose, if  
19 anyone has a different -- had a different understanding in  
20 the Settlement Agreement, they can let us know that today.

21 **BY THE WITNESS:**

22 A. If I may, on an ongoing basis, we would be before the  
23 Commission in a default service proceeding, and the  
24 opportunity to review those rates at that time would be

[WITNESS: Furino]

1 available.

2 BY CMSR. IGNATIUS:

3 Q. And, that's a good point. Whatever the rate is, it is  
4 reconcilable when actual experience through the first  
5 12 months is apparent, correct?

6 A. That's correct.

7 Q. Have you made an effort to quantify the costs of  
8 additional classification of customers being brought  
9 into the program, administrative costs or other  
10 marketing costs, if the program were expanded beyond  
11 the groups that are laid out in your proposal?

12 A. Well, certainly, to expand it to the outdoor lighting  
13 group of customers is an additional expense. And, the  
14 \$14,000 of initial cost on the internal side jumps to  
15 34,000.

16 BY CMSR. BELOW:

17 Q. Could I clarify that. Is that primarily for the  
18 outdoor lighting or would that --

19 A. It's actually for both.

20 Q. For both.

21 A. It includes the G1, as well as the outdoor lighting.

22 CMSR. IGNATIUS: Thank you. I have no  
23 other questions.

24 CMSR. BELOW: Okay. Ms. Geiger, do you

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[WITNESS: Furino]

1 have any redirect?

2 MS. GEIGER: If I can confer for just  
3 one quick second?

4 CMSR. BELOW: Okay.

5 (Atty. Geiger conferring with Witness  
6 Furino.)

7 MS. GEIGER: Thank you, Commissioner  
8 Below. I have no further questions.

9 CMSR. BELOW: Okay. Is there any  
10 objection to striking the identification on the exhibits  
11 and entering them into evidence as full exhibits?

12 (No verbal response)

13 CMSR. BELOW: Then, that will be so  
14 done. And, we can move to closing arguments. And, in  
15 particular, I think the parties could address the issue  
16 presented for resolution by the Commission, their sort of  
17 take on what the statute says and what we might do in that  
18 regard. Ms. Hatfield.

19 MS. HATFIELD: Thank you. With respect  
20 to the Company's request to limit the offering to exclude  
21 certain parties, the OCA does believe that the -- under  
22 the Commission's ruling in the PSNH order, that PSNH could  
23 limit the offering to only those customers actually taking  
24 default service, we think that the Commission could extend

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1 that ruling to support Unitil's proposal. Our main  
2 concern is, obviously, with residential customers, and we  
3 think that this program, it provides a unique opportunity  
4 for those customers to access a competitive market in a  
5 way that they're currently not able to. And, we do  
6 believe that the larger customers do have the opportunity  
7 to access the market, both for traditional default service  
8 and, as Mr. Furino testified, there are companies who are  
9 offering a green service as well. So, we think it is  
10 within the Commission's authority to restrict the program  
11 in that way.

12 And, if the Commission decides to do  
13 that, it might be appropriate for the parties to review  
14 that issue when we meet a year or so from now, once the  
15 programs have been in effect for that period and we have  
16 reports on enrollment, and we may have information about  
17 large customers who want to participate and who are  
18 excluded. And, perhaps, we would make a recommendation to  
19 the Commission to change the program.

20 With respect to Unitil's overall  
21 proposal, as I said, we are pleased that, with this  
22 proposal now, all three utilities will be offering a  
23 renewable default service offering to their customers. We  
24 do prefer the approach that National Grid has taken, which

1 is to utilize a third party company to provide the  
2 service. And, our reasons include the fact that there's  
3 no risk that other customers will have to bear the cost of  
4 any undercollections related to the renewable offering.  
5 And, also, consistent with I think what Mr. Furino was  
6 saying on a different topic, we think it's better for the  
7 utilities not to be in a situation where they're competing  
8 with competitive suppliers.

9 But we are pleased that the Company and  
10 Staff were able to make some changes to the Company's  
11 proposal. And, specifically, the Company's agreement not  
12 to seek, on a routine basis, to reconcile  
13 over-/undercollections from the RSO into default service.  
14 We think that that is an appropriate change. And, if the  
15 Company did seek, under an extraordinary circumstance, to  
16 do that, we would certainly try to participate in that  
17 case. Thank you very much.

18 CMSR. BELOW: Thank you. Ms. Amidon.

19 MS. AMIDON: Thank you. Staff wants to  
20 thank the Company and the OCA for their participation in  
21 drafting the Settlement Agreement. Although the Office of  
22 Consumer Advocate did not sign the Agreement, Ms. Hatfield  
23 made some important contributions and appreciate her  
24 participation. We think that the Settlement Agreement is

1 just and reasonable and in the public interest. And,  
2 particularly, as Attorney Hatfield referred to, we think  
3 it's appropriate that these different tracks move forward,  
4 in terms of the different kinds of programs offered by  
5 PSNH, Unitil, and National Grid, so that, at the end of a  
6 year of operation, the companies can get back to us, we  
7 can look at these programs, and possibly make  
8 recommendations to the Commission regarding their future  
9 implementation.

10 Having said that, I believe I have  
11 nothing more to add. Thank you.

12 CMSR. BELOW: Thank you. Ms. Geiger.

13 MS. GEIGER: Thank you, Commissioner  
14 Below. At the outset, UES wants to thank the Commission  
15 Staff and the OCA for their cooperation and thoughtful  
16 comments during the discovery phase and in the drafting  
17 phase of the Settlement Agreement. And, we're especially  
18 appreciative of Staff's efforts in assisting and  
19 developing and signing the Partial Settlement Agreement.  
20 And, UES would respectfully request that the Commission  
21 approve the proposed RSO Program as reflected in the  
22 initial filing and as modified by the Partial Settlement  
23 Agreement.

24 The Company believes that, as it's

1 currently configured and proposed, the RSO Program  
2 comports with the Legislature's intent in enacting the  
3 recent modifications to RSA 374-F:3, V(f), which require  
4 utilities to provide their customers with one or more  
5 renewable service options.

6 The Commission has recently approved  
7 PSNH's Renewable Service or Renewable Energy Service,  
8 which Unitil used as a model in many regards in developing  
9 its own Renewable Service Option. Therefore, UES believes  
10 that the Commission should authorize UES to proceed in a  
11 similar fashion with its own RSO Program.

12 As for the question presented for the  
13 Commission's consideration, regarding whether UES may  
14 exclude its Rate G1 default service customers and its  
15 outdoor lighting service customers from participating in  
16 the program, UES would note a couple of things. The  
17 language in RSA 374-F:3, V(f)(2) doesn't compel a utility  
18 to offer a renewable service option to all of its  
19 customers. Indeed, the most recently approved PSNH  
20 Renewable Service Program is not available to all of its  
21 default service customers. For instance, the program is  
22 not available to default service customers who receive  
23 financial assistance.

24 In UES's case, the additional costs and

1 the administrative burdens of making the RSO Program  
2 available to the outdoor lighting default customers, which  
3 represent just 0.75 percent of UES sales, and the fact  
4 that the majority, the vast majority, 80 percent of the G1  
5 customers, currently access the competitive market for  
6 wholesale electric products. And, with, again, 80 percent  
7 of the sales being provided by retail marketers provides  
8 sufficient justification for the Commission to exclude  
9 these small groups of customers from the RSO Program.

10 RSA 374-F:3, V(f)(2) provides that a  
11 utility shall provide its renewable services option "as  
12 approved by the commission". And, in Subsection (9) of  
13 that statute, the legislation states that the commission  
14 is to implement the renewable service requirements  
15 "through utility-specific filings".

16 We believe that these two provisions  
17 provide or suggest that the Legislature intended that each  
18 utility and the Commission should have some discretion as  
19 to how to implement the renewable services statute, and  
20 that no universal approach should apply necessarily to all  
21 circumstances or to all utilities.

22 Again, UES respectfully asks that it be  
23 allowed to implement its RSO Program as currently  
24 proposed. Thank you.

1 CMSR. BELOW: Thank you. If there's no  
2 other matters, we'll close the public hearing and take the  
3 matter under advisement. Thank you.

4 MS. GEIGER: Thank you.

5 (Whereupon the hearing ended at 2:29  
6 p.m.)  
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