

1                                   **STATE OF NEW HAMPSHIRE**2                                   **PUBLIC UTILITIES COMMISSION**3  
4   **March 17, 2010** - 10:15 a.m.

5   Concord, New Hampshire

[REDACTED FOR PUBLIC USE]

6  
7           **RE:   DE 10-028**8           **UNITIL ENERGY SYSTEMS, INC.:**

9           Default Services for Large Customers

10          for the Period May 1, 2010 through

11          July 31, 2010 and for Small Customers

12          for the Period May 1, 2010 through

13          April 30, 2012.

14           **PRESENT:**   Chairman Thomas B. Getz, Presiding  
15                           Commissioner Clifton C. Below  
16                           Commissioner Amy L. Ignatius

17                           Sandy Deno, Clerk

18           **APPEARANCES:**   **Reptg. Unitil Energy Systems, Inc.:**  
19                           Gary M. Epler, Esq.20                           **Reptg. Residential Ratepayers:**

21                           Meredith Hatfield, Esq., Consumer Advocate

22                           Office of Consumer Advocate

23                           **Reptg. PUC Staff:**

24                           Matthew Fossum, Esq.

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

## I N D E X

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WITNESS PANEL:        ROBERT S. FURINO  
                             LINDA S. McNAMARA  
                             DAVID L. CHONG

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1                                   P R O C E E D I N G S

2                                   CHAIRMAN GETZ: Good morning, everyone.  
3       We'll open the hearing in docket DE 10-028. On  
4       February 2, 2010, Unitil Energy Systems filed a copy of  
5       its Request for Proposals soliciting Default Service for  
6       its large commercial and industrial customers and small  
7       commercial and residential customers. Its February 2,  
8       2010 solicitation seeks bids for 100 percent of the power  
9       supply requirements for its G1 customers for the months of  
10      May, June, and July; 25 percent of the Non-G1 customers'  
11      power requirements for the one-year period from May 1  
12      through April 30, 2011; and 25 percent of the Non-G1  
13      customer requirements for the two-year period from May 1  
14      through April 30, 2012. An order of notice was issued on  
15      March 3 setting the hearing for this morning.

16                                  Can we take appearances please.

17                                  MR. EPLER: Yes. Good morning,  
18      Mr. Chairman and Commissioners. Gary Epler, on behalf of  
19      Unitil Energy Systems, Inc.

20                                  CHAIRMAN GETZ: Good morning.

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

24                                  CHAIRMAN GETZ: Good morning.

1 MR. FOSSUM: And, good morning. Matthew  
2 Fossum, from the Staff of the Commission, and with me  
3 today is George McCluskey from the Commission Staff.

4 CHAIRMAN GETZ: Good morning. And, I  
5 see we have the witnesses ready to go. Are you ready to  
6 proceed, Mr. Epler?

7 MR. EPLER: Yes, I am. Mr. Chairman, if  
8 we can, there are a couple of documents I'd like  
9 premarked. The green binder, green --

10 CHAIRMAN GETZ: That was appropriate.

11 MR. EPLER: Appropriate planning.

12 CHAIRMAN GETZ: No orange today.

13 MR. EPLER: If we could have that marked  
14 as "Unitil Exhibit Number 1".

15 CHAIRMAN GETZ: So marked.

16 (The document, as described, was  
17 herewith marked as **Exhibit 1** for  
18 identification.)

19 MR. EPLER: And, then, there's the  
20 confidential material, if we can have that marked as  
21 "Unitil Exhibit Number 2".

22 CHAIRMAN GETZ: So marked.

23 (The document, as described, was  
24 herewith marked as **Exhibit 2** for

1 identification.)

2 MR. EPLER: And, then, there will be a  
3 replacement page that I put before you, one sheet, that is  
4 Schedule LSM-4, Page 3 of 5, and it corresponds to the  
5 Bate stamped Page 105 in the green binder. And, if we  
6 could have that premarked as "Unitil Exhibit Number 3".

7 CHAIRMAN GETZ: So marked.

8 (The document, as described, was  
9 herewith marked as **Exhibit 3** for  
10 identification.)

11 MR. EPLER: And, with that, I'm ready to  
12 proceed. If the witnesses could be sworn.

13 (Whereupon **Robert S. Furino, Linda S.**  
14 **McNamara**, and **David L. Chong** were duly  
15 sworn and cautioned by the Court  
16 Reporter.)

17 **ROBERT S. FURINO, SWORN**

18 **LINDA S. McNAMARA, SWORN**

19 **DAVID L. CHONG, SWORN**

20 **DIRECT EXAMINATION**

21 BY MR. EPLER:

22 Q. Starting with my right on the panel, if you could  
23 please state your name and your business address.

24 A. (McNamara) My name is Linda McNamara. My address is 6

1 Liberty Lane West, Hampton, New Hampshire.

2 Q. And, if you could also indicate your position with the  
3 Company.

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

5 A. (Furino) Robert Furino. My business address is 6

6 Liberty Lane West, Hampton, New Hampshire. I am

7 Director of Energy Contracts for Unitil Service Corp.

8 A. (Chong) David Chong. My business address is 6 Liberty  
9 Lane West, in Hampton, New Hampshire. And, my position  
10 is Director of Finance for Unitil Service Corp.

11 (Brief off-the-record discussion  
12 regarding the microphones.)

13 CHAIRMAN GETZ: I think you just need to  
14 move closer please.

15 BY MR. EPLER:

16 Q. Starting with you, Ms. McNamara, can you please turn to  
17 what's been premarked as "Unitil Exhibit Number 1", and  
18 turn to the tabs marked "Exhibit LSM-1" and the  
19 schedules marked "LSM-1" through "LSM-6". Were these  
20 prepared by you or under your direction?

21 A. (McNamara) Yes.

22 Q. And, could you also turn to what's been premarked as  
23 "Unitil Exhibit 2", the confidential material. And,  
24 could you turn to the Bates stamped 090 and 091. And,

1           were those two schedules prepared by you or under your  
2           direction?

3   A.   (McNamara) Yes.

4   Q.   And, do you have any changes or corrections to your  
5           schedules or exhibits?

6   A.   (McNamara) I do.

7   Q.   Okay. Could you please explain that.

8   A.   (McNamara) What has been marked as "Exhibit Number 3"  
9           is a revision to Schedule LSM-4, Page 3 of 5. Can you  
10          hear me? The correction is formatting in nature only,  
11          it did not affect any of the numbers. The columns that  
12          are headed with an (h) and the (j) have been formatted  
13          in dollars, and they should, in fact, be in  
14          percentages.

15   Q.   Okay. And, do you adopt the Exhibit LSM-1 and the  
16          schedules that follows your testimony and exhibits in  
17          this proceeding?

18   A.   (McNamara) I do.

19   Q.   Thank you. Mr. Furino, can you please turn to Unitil  
20          Exhibit Number 1, and the tabs marked "Exhibit RSF-1"  
21          and Schedules "RSF-1" through "RSF-4"?

22   A.   (Furino) Yes.

23   Q.   And, was that -- were these prepared by you or under  
24          your direction?

1 A. (Furino) Yes, they were.

2 Q. And, can you turn to the confidential material that's  
3 been premarked as "Unitil Exhibit Number 2", and at  
4 Bates stamps 001 through 089. Were these prepared by  
5 you or under your direction?

6 A. (Furino) Yes, they were.

7 Q. Do you have any changes or corrections?

8 A. (Furino) I do not.

9 Q. And, Mr. Chong -- oh, I'm sorry. And, Mr. Furino, do  
10 you adopt these as your testimony and exhibits in this  
11 proceeding?

12 A. (Furino) Yes, I do.

13 Q. Mr. Chong, can you please turn to Unitil Exhibit Number  
14 1, and the tabs marked "Exhibit DC-1" and Schedules  
15 "DC-1" through "DC-2". Were these prepared by you or  
16 under your direction?

17 A. (Chong) Yes, they were.

18 Q. And, can you also turn to Unitil Exhibit Number 2, and  
19 the pages stamped "092" through "100". And, were these  
20 prepared by you or under your direction?

21 A. (Chong) Yes, they were.

22 Q. And, do you have any changes or corrections to any of  
23 these exhibits or schedules?

24 A. (Chong) No, I do not.

1 Q. And, do you adopt these as your testimony in this  
2 proceeding?

3 A. (Chong) Yes, I do.

4 MR. EPLER: With that, I think we've  
5 dispensed with the summary in prior proceedings of this  
6 nature, so we tender the witnesses for cross-examination.

7 CHAIRMAN GETZ: Thank you.

8 Ms. Hatfield.

9 MS. HATFIELD: Thank you, Mr. Chairman.  
10 Good morning.

11 **CROSS-EXAMINATION**

12 BY MS. HATFIELD:

13 Q. Ms. McNamara, if you could turn to your Schedule LSM-6  
14 please. I believe it starts on Bates Page 113 in the  
15 green book. Could you please briefly describe the rate  
16 for residential customers in this filing and how it  
17 compares to the current rate?

18 A. (McNamara) If you refer to Schedule LSM-6, Page 1 of  
19 11, which is Bates stamped Page 113, the column  
20 entitled "2/1/2010" shows the current Default Service  
21 rate of \$0.09037 per kilowatt-hour. And, the next  
22 column over, under the May header, shows the Default  
23 Service rate, this is the fixed Default Service rate  
24 for the Non-G1 class, of \$0.08489 per kilowatt-hour,

1 which is a reduction of \$0.00548 per kilowatt-hour.

2 Q. And, if I look over to the right, that's a reduction of  
3 3.6 percent?

4 A. (McNamara) On a typical bill, yes.

5 Q. And, just to be clear, the dollar amounts you  
6 referenced are that the current rate is 9 cents, and  
7 that the rate is going down to roughly 8.4 cents?

8 A. (McNamara) Correct.

9 Q. Thank you. Mr. Furino, if you could turn to Schedule  
10 RSF-3 please. And, that is on Page 073 in the green  
11 book.

12 A. (Furino) Yes. This is the Customer Migration Report.

13 Q. And, am I reading this correctly, if I look at the  
14 bottom of that page, that, of your Large General  
15 customers in January 2010, just over 80 percent had  
16 migrated?

17 A. (Furino) Yes. That's a 80 percent of sales to the G1  
18 customers. The customer count percentage would be on  
19 the second page, approximately two-thirds, at  
20 66 percent.

21 Q. And, turning back to the first page, the total of your  
22 sales that have migrated is 26 percent?

23 A. (Furino) That's correct, as of January, for the month  
24 of January of 2010.

1 Q. Thank you. And, turning to your Exhibit 4, which is on  
2 Page 075, do you see that?

3 A. (Furino) Yes. This is the Company's RECs price  
4 assumptions for RPS compliance. It was previously a  
5 part of Tab A, but was noted to be not confidential,  
6 and so it was put into the public testimony.

7 Q. And, now, are these costs factored into the Default  
8 Service rate?

9 A. (McNamara) Yes, they are.

10 Q. And so, Ms. McNamara, they would show up broken out in  
11 your LSM-1 schedule?

12 A. (McNamara) They are, in fact, on Schedules LSM-3 and  
13 LSM-5; 3 being the Non-G1 class and 5 being the G1  
14 class.

15 Q. And, Mr. Furino, you provided some information late  
16 yesterday to the OCA and Staff regarding RPS  
17 compliance, is that correct?

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

19 Q. And, I take it that the Company is not planning to put  
20 that into the record in this docket?

21 A. (Furino) No, we're not. The information that was  
22 provided yesterday were the results of the most recent  
23 REC or Renewable Energy Certificate RFP, which was for  
24 2009 RECs. And, the Company was going through a

1 process, as part of the REC procurement settlement, to  
2 review those with Staff and the OCA. The current  
3 prices reflected in the -- or, the prices reflected in  
4 Schedule RSF-4 are for 2010 compliance.

5 MS. HATFIELD: Thank you. I have no  
6 further questions. Thank you.

7 CHAIRMAN GETZ: Thank you. Mr. Fossum.

8 MR. FOSSUM: Thank you.

9 BY MR. FOSSUM:

10 Q. I have some questions first for Mr. Furino about the  
11 REC purchases. And, I'm going to try to avoid making  
12 reference to the -- specific reference to what's in Tab  
13 A, but, if we have to, then I guess we'll address that  
14 at that time. In your testimony, you stated that, for  
15 2009 compliance, you completed one already -- at the  
16 point of filing your testimony, you completed one RFP  
17 for REC purchases for 2009 compliance?

18 A. (Furino) That's correct.

19 Q. And, as you just indicated, you've now completed a  
20 second RFP for REC compliance for 2009?

21 A. (Furino) Yes, that's correct. In fact, under the  
22 process, we received bids on Friday, this past Friday,  
23 the 12th, and need to complete that process by this  
24 coming Friday, the 19th.

1 Q. And, your testimony also indicates that you made one  
2 purchase outside of the RFP process?

3 A. (Furino) Yes. One purchase outside of the RFP process,  
4 and since the prior Default Service proceeding.

5 Q. Now, do you know why that bidder, that purchase -- or,  
6 could you explain why that purchase was not made  
7 through the RFP process?

8 A. (Furino) Yes. If you turn to Bates stamp Page 014 of  
9 Tab A, --

10 Q. That's the confidential filing, correct?

11 A. (Furino) This is the confidential attachment, Tab A.

12 MR. FOSSUM: Before you proceed, I just  
13 want to make sure that, and I know that there's nobody  
14 else in the room right now, I just want to make sure that  
15 everybody understands that we're referring to the  
16 confidential filing at this time, and that everybody's  
17 agreeable to that?

18 MR. EPLER: Yes. And, since there are  
19 no additional parties, the procedure we have used is that  
20 we mark the transcript where necessary for confidential  
21 purposes. Thank you.

22 MR. FOSSUM: Thank you.

23 BY MR. FOSSUM:

24 Q. You can proceed, I guess.

1 A. (Furino) Okay. Thank you. The sheet shows the first  
2 four transactions listed were from UES's first REC RFP,  
3 and the fifth transaction was made prior to the last  
4 Default Service hearing and was reviewed and approved  
5 by the Commission. The current or the most recent  
6 transaction that's being asked about is the last one  
7 listed, which is for 2,500 Class I RECs, at a price of  
8 \_\_\_\_\_. The Company received a unsolicited offer for  
9 these from a broker. I mentioned the name, actually,  
10 the \_\_\_\_\_ was looking to sell  
11 these. And, it turned out that \_\_\_\_\_  
12 \_\_\_\_\_  
13 \_\_\_\_\_. So, we had  
14 been working with this broker, the broker thought of us  
15 first, and actually provided us what we thought was a  
16 very good price, the price of \_\_\_\_, versus \_\_\_\_ for the  
17 same volume we had paid just two months earlier. So,  
18 the Company entered into that transaction and seeks  
19 approval of that transaction through this process.

20 BY MR. FOSSUM:

21 Q. Well, I understand that -- well, from what you've said,  
22 that it was an unsolicited broker who approached you.  
23 Do you know why the broker chose to, to the extent you  
24 may know, why did the broker choose to do that, rather

1 than participate in the RFP process or why did \_\_\_\_\_  
2 choose to not participate in the RFP process?

3 A. (Furino) Good question. At the time, the Company did  
4 not have an RFP process open and available. And, I  
5 believe that the Company was anxious -- or, I'm sorry,  
6 \_\_\_\_\_ was anxious to make the transaction. So, we were  
7 contacted. And, at the time, the other part of the  
8 Company's review is, in addition to reviewing the  
9 results from the first RFP that we conducted, we also  
10 were reviewing contemporaneous REC broker sheets, and  
11 it was a very good price relative to prices that we  
12 were seeing listed.

13 Q. Given that there wasn't an open RFP, was there any  
14 indication from the Company that they could wait for  
15 the later RFP to participate or were they so interested  
16 in unloading them that it didn't make sense to wait?

17 A. (Furino) I really can't tell you what \_\_\_\_\_ may have  
18 done. I will take tell you that the broker \_\_\_\_\_  
19 \_\_\_\_\_  
20 \_\_\_\_\_. And, \_\_\_\_\_  
21 \_\_\_\_\_. They did the  
22 transaction \_\_\_\_\_, in order to get a  
23 transaction done with \_\_\_\_\_. And, \_\_\_\_\_  
24 \_\_\_\_\_ with them. I'm guessing

1 we'll strike that from the public record.

2 Q. Now, following that purchase, was there any further  
3 need for the Company to acquire Class I RECs for 2009  
4 compliance?

5 A. (Furino) No, there wasn't. That was the balance  
6 required for 2009 Class I requirements. It was the  
7 same quantity that was purchased under the initial RFP.

8 MR. FOSSUM: Thank you. I'd actually  
9 like to allow Mr. McCluskey a few moments to ask a few  
10 questions, if that's agreeable to the Commission?

11 MR. McCLUSKEY: Thank you.

12 BY MR. McCLUSKEY:

13 Q. Mr. Furino, I realize this is not your exhibit, LSM-1,  
14 could you turn to that. I have a few questions  
15 relating to losses. If you could focus on the -- what  
16 is essentially the first block that's not stricken out,  
17 the numbers are not stricken out, the "Power Supply  
18 Charge" block.

19 A. (Furino) Bates stamp Page 090?

20 Q. That's correct.

21 A. (Furino) Thank you.

22 Q. In this schedule, you are showing, for the Non-G1  
23 class, in Row 2, the total Default Service power costs.  
24 And, you also -- which you add to the reconciliation

1 from the prior period. The total costs are then  
2 divided by kilowatt-hour purchases. Are those  
3 kilowatt-hour purchases wholesale purchases or retail  
4 purchases?

5 A. (Furino) Those kilowatt-hour purchases are at wholesale  
6 level.

7 Q. Okay. So, in terms of the -- let's forget the  
8 reconciliation component, the "Total Power Costs" line,  
9 that reflects each month the estimated cost of power  
10 from the winning bidder, correct?

11 A. (Furino) Correct. And, in fact, from the set of  
12 wholesale suppliers, including the winning bidder for  
13 25 percent of that requirement, and the other three  
14 contracts as well.

15 Q. That is correct.

16 A. (McNamara) Could I also add that those costs also  
17 include all other supplier-related charges, things like  
18 bad debt, the internal administrative costs, things  
19 like that, working capital.

20 Q. Thank you. Now, the power to be delivered by the  
21 winning bidders, is that delivered to Unitil's  
22 distribution system or to some other point on the  
23 regional transmission system?

24 A. (Furino) Those deliveries are made to Unitil's tie

1 points. So, they're Unitil's tie points with the  
2 system, with the regional power system.

3 Q. So, Unitil's tie points with the PTF?

4 A. (Furino) That's correct.

5 Q. Okay. And, does the contract or the contracts -- do  
6 the contracts provide for the supplier to deliver  
7 sufficient energy to cover the retail load, plus  
8 losses, or just the retail load?

9 A. (Furino) The retail load, plus losses.

10 Q. Okay. So, the estimated power costs would therefore  
11 include the cost of losses to be incurred by the  
12 supplier, is that correct?

13 A. (Furino) It includes the cost of the total power  
14 delivered by the suppliers to the Unitil system to  
15 cover the consumption at the retail meter, plus the  
16 losses in delivering that power to the retail meters,  
17 yes.

18 Q. Thank you. On Line 6 of this schedule, you adjust the  
19 per kilowatt-hour rate that is shown on Line 5 in each  
20 month by a loss factor. Could you just explain why  
21 it's necessary to make that adjustment, given that the  
22 power costs include losses?

23 A. (Furino) Yes. The losses, and as shown, are  
24 6.4 percent, which represents the weighted loss among

1 the customer groups that are -- I'm sorry, the customer  
2 classes that are served in the Non-G1 customer group.  
3 It's appropriate to include those losses, because the  
4 billing determinants themselves are different. In  
5 other words, what's listed on Line 4 is the  
6 kilowatt-hour purchases. And, in the Company's  
7 nomenclature, purchases are the wholesale values that  
8 are delivered to the system. Whereas we don't list  
9 kilowatt-hour sales, but kilowatt-hour sales would be  
10 what we register at the customer meters. The  
11 difference between the two, based on our, you know,  
12 tariff losses, which reflects the most recent marginal  
13 cost study, are 6.4 percent. So, because the actual  
14 billing determinants are different at the retail level,  
15 we make this adjustment.

16 Q. Okay. To summarize, you're saying that, if you didn't  
17 make this adjustment for losses, you wouldn't recover  
18 sufficient revenue at retail to cover the total  
19 wholesale power bill, is that correct?

20 A. (Furino) That's correct.

21 Q. Okay. So, there's a need to make this loss adjustment?

22 A. (Furino) Correct.

23 Q. Now, given that the Company reconciles its revenues  
24 with its actual costs, would you agree that it wouldn't

1 really matter what rate that you use in this schedule  
2 for losses? In effect, any difference between the rate  
3 that you actually used to develop your retail rate and  
4 the actual costs for losses would be taken care of in  
5 the reconciliation calculation?

6 A. (Furino) It's true that the reconciliation mechanism  
7 would pick up any deltas between, you know, these  
8 estimated costs for billing purposes, initial billing  
9 purposes, and what was actually seen and observed. The  
10 calculation that reflects the estimated loss factor on  
11 the system is appropriate for ratemaking purposes,  
12 because the purpose is to reduce the residual that  
13 would be subject to the reconciliation process itself.

14 Q. Okay. With regard to the determination of the actual  
15 losses, would you agree that is essentially the  
16 difference between the readings on the wholesale meter  
17 points and some of the readings on the retail meter  
18 points?

19 A. (Furino) Yes, that's the difference between the two.  
20 The losses are intended to capture the difference  
21 between the two.

22 Q. So, assuming those meters are functioning correctly,  
23 particularly the wholesale, the power bill that is  
24 allocated to Unitil, presumably by the ISO, would be

1 based on those wholesale readings, is that correct?

2 A. (Furino) Yes. The wholesale readings are going to  
3 drive the -- they become the billing determinants in  
4 the power supply agreements, yes.

5 MR. McCLUSKEY: Thank you very much.

6 BY MR. FOSSUM:

7 Q. All right. Ms. McNamara, could you turn please to your  
8 Schedule LSM-2 please, specifically Page 3 of 5, which  
9 would be Bates Page 095. Now, Column -- just so that I  
10 can be clear here, Column (1) on that schedule is  
11 titled the "Provision for Uncollected Accounts." And,  
12 "uncollected accounts" are what exactly?

13 A. (McNamara) In general, "uncollected accounts" are the  
14 amounts that the Company has determined it will no  
15 longer be able to collect, because they're -- most  
16 people call it "bad debt". It's an amount that, once  
17 accounts have been past due for a certain amount of  
18 time, the Company determines that it will, in fact, not  
19 collect those bills from retail customers.

20 Q. So, it's write-offs for nonpayments?

21 A. (McNamara) Exactly. And, the amounts shown in this  
22 particular column is the amount that has been allocated  
23 to the Non-G1 class Default Service.

24 Q. Now, if I was to say that, as a percentage of the total

1 Non-G1 supplier charge that appears in Column (a), that  
2 provision is about half a percent, would that sound  
3 about right to you?

4 A. (McNamara) I'll trust your math.

5 Q. Well, turning then, I guess, to LSM-2, Page 5 of 5, the  
6 same sort of provision is made there, Column (g), a  
7 "Provision for Uncollected Accounts", and -- for the  
8 next six months. And, then, would you agree with me  
9 that, as a percentage of the total supplier charges  
10 listed in Column A, there's a difference there -- that  
11 a percentage of total charges is about 0.74 percent?

12 A. (McNamara) Again, I'll agree with you.

13 Q. Now, presuming my math to be more or less accurate, is  
14 there some reason for that increase?

15 A. (McNamara) I don't know the actual reason for the  
16 increase. I did, in my review, however, note also that  
17 there was the -- the current estimate for write-offs  
18 for the year 2010 is higher than what is shown in the  
19 previous year, what is essentially 2009, on Page 3 of  
20 5.

21 Q. Now, similarly, turning to Schedule LSM-4 in the  
22 confidential section, which is on Bates Pages 090 and  
23 091 of the confidential material. Sort of just  
24 following a similar calculation to save time, it would

1 appear that the "Provision for Uncollected Accounts",  
2 from February '09 through January '10, is about  
3 0.65 percent. And, for the next three months, it's  
4 about 1.16 percent. Do those numbers sound more or  
5 less accurate?

6 A. (McNamara) Sure.

7 Q. Is there -- do you know of some particular reason for  
8 that increase? Is it any different than what might be  
9 the increase for the Non-G1 class?

10 A. (McNamara) The reason for any increase in the forecast  
11 would be the same for both classes. The percentage  
12 difference is -- for the forecast is only because of  
13 what sales amounts were used to do a determination to  
14 split the amounts between the two classes. When the  
15 amounts are actually written off, we use the actual  
16 sales for the month to do a percentage between the two  
17 classes, as well as what goes to delivery, there's a  
18 third amount. So, in terms of preparing the forecast,  
19 it would be the sales forecast that was used at the  
20 time, which could be, at this point, older than what is  
21 maybe currently shown for our purchases on Schedule LSM  
22 -- Page 1 of Schedule LSM-3 and 4 and 5.

23 Q. Well, even presuming so, is it generally the case that  
24 the larger customers in this case, the G1 customers,

1 have a higher bad debt percentage than the Non-G1  
2 customers?

3 A. (McNamara) Without reviewing that, I can't say that's  
4 necessarily the case. Again, it's purely based --  
5 there's no way to determine, we have one large bucket,  
6 if you will, of what amounts have been written off.  
7 And, that amount is then allocated between the two  
8 classes based on sales for the month.

9 BY MR. McCLUSKEY:

10 Q. Ms. McNamara, are you saying that the projected  
11 percentage of write-offs for the G1 class, the  
12 1.16 percent, is not a reflection of actual payment  
13 practice for large customers? It's really a reflection  
14 of just how you allocate the costs between the two  
15 classes?

16 A. (McNamara) Yes.

17 Q. And, does the Company have any data to indicate the  
18 performance of the two classes, in terms of paying  
19 their bills?

20 A. (McNamara) I can't speak to that. I'm sure that data  
21 must exist.

22 Q. Could the Company provide -- could the Company provide  
23 as an exhibit a summary of recent payment practices for  
24 the G1 and Non-G1 customers, say, for the last six

1 months?

2 CHAIRMAN GETZ: Well, let me understand,  
3 I want to make sure I understand the premise of this. I  
4 think where, Mr. Fossum, you were going was that the  
5 percentage -- the relative percentage of forecasted  
6 unaccounted for or uncollected accounts forecasted is a  
7 higher number in total for the historic percentage of  
8 uncollected accounts to overall supplier charges. Is that  
9 -- that's the observation you've made by looking at these  
10 exhibits?

11 MR. FOSSUM: That's one, one item, as  
12 well as that I believe it's Staff's general understanding  
13 that the larger customers tend to have a better payment  
14 history. So, not only is it that the forecast is larger  
15 than the past, but that it's larger relative to the Non-G1  
16 customers.

17 CHAIRMAN GETZ: In the allocation  
18 between the two. But I guess the question is, who --  
19 someone made a forecast that the uncollected amounts are  
20 going to be larger relatively than they have been. So, it  
21 would be -- I guess what we're looking for in the exhibit  
22 is "what's the basis for that forecast?" And, then,  
23 "between the classes, G1 and Non-G1, what was the basis  
24 for the class-by-class forecasts?" Though, it sounds like

1 what you've done is just allocate.

2 WITNESS FURINO: Right. Personally, I'm  
3 not familiar with the method for establishing those  
4 values. But, as far as from a stepping back, large view  
5 standpoint, I would personally expect that a G1 customer  
6 class would have a better payment performance over time  
7 than Non-G1 customers. However, let's remember that this  
8 particular set of G1 customers represents 20 percent of G1  
9 sales that are on Default Service. And, presumably, well,  
10 they are the 20 percent who has not yet made their way to  
11 the marketplace, and the market values good credit  
12 quality. So, they may be poorer payers on average than  
13 the average population of the G1 customers. So, just an  
14 observation.

15 CHAIRMAN GETZ: Well, then, let's just  
16 get some -- and we'll reserve Exhibit 4 for some  
17 explanation of what's, you know, the growth of the  
18 unaccounted for.

19 CMSR. IGNATIUS: And, Mr. Chairman, can  
20 I just --

21 CHAIRMAN GETZ: Or, "uncollected  
22 accounts", not "unaccounted".

23 **(Exhibit 4 reserved.)**

24 CMSR. IGNATIUS: Just to be clear, I

[WITNESS PANEL: Furino|McNamara|Chong]

1 think we had two different thoughts there. One was the  
2 calculations that Mr. McCluskey asked, to see historically  
3 over the past six months the actual uncollected amounts.  
4 But, then, in Chairman Getz's questions, it also moved  
5 something towards what the steps are in the analysis that  
6 leads you to the projections going forward. And, I would  
7 appreciate that there be some text describing the steps  
8 that you take, not simply a chart showing the historic  
9 values, but how you take those values, what the steps are  
10 in the analysis that lead to a forecast.

11 WITNESS FURINO: Yes, what is the source  
12 of that projection.

13 CMSR. IGNATIUS: Thank you.

14 MR. EPLER: And, if I may offer, we'll  
15 prepare the exhibit and prepare a narrative. And, before  
16 we file it, we'll contact the Staff and the Office of  
17 Consumer Advocate, and maybe either by telephone or  
18 meeting, walk through it to make sure that it fully  
19 explains the issues.

20 CHAIRMAN GETZ: Thank you.

21 MR. FOSSUM: Thank you.

22 BY MR. FOSSUM:

23 Q. So, just one last thing on both of these schedules,  
24 that is LSM-4 and LSM-2. On Page 3 of each of those,

1       there's a listing in Column (o) for May of 2009. In  
2       Schedule LSM-2, there's a listing for "Consulting  
3       Outside Service Charges" for just under \$41,000. And,  
4       on LSM-4, it's for approximately \$6,500. Are those  
5       charges related to one another?

6   A.   (McNamara) They are.

7   Q.   And, what consultants or outside consulting service  
8       were those for?

9   A.   (McNamara) The amount specifically that you're  
10       referring to is part of the month of May?

11  Q.   Yes.

12  A.   (McNamara) And, that charge, "\$40,929", allocated to  
13       the Non-G1 class, and the approximately \$6,000 to the  
14       G1 class, were from Concentric Energy Advisors for the  
15       Company's use in DG 07-072.

16  Q.   And, that -- I'm sorry, did you say "DG 07"?

17  A.   (McNamara) I'm sorry?

18  Q.   Could you give me that docket number again?

19  A.   (McNamara) I believe it was DG 07-072.

20  Q.   Now, "DG" would indicate a gas docket, is that --

21  A.   (McNamara) That was the cash working capital docket, in  
22       which I believe there were four parties who hired  
23       Concentric Energy Advisors.

24  BY MR. McCLUSKEY:

1 Q. You said that docket was the supplier-related cash  
2 working capital docket?

3 A. (McNamara) Yes.

4 Q. And, so, the Company is allocating a portion of that  
5 consulting expense to Default Service, am I correct?

6 A. (McNamara) Yes.

7 Q. And, so, what was the total Concentric bill for that  
8 docket, DG --

9 A. (McNamara) Off the top of my head, I couldn't tell you  
10 what the exact amount was. UES was, I believe, one out  
11 of four parties who paid that bill.

12 Q. Uh-huh. And, could you explain the connection between  
13 the work done in DG 072 [07-072?] and Default Service?

14 A. (McNamara) DG 07-072 was with regard to carrying  
15 charge. And, that affects the cash working capital  
16 included in the UES Default Service calculation.

17 MR. McCLUSKEY: Thank you.

18 MR. EPLER: Mr. Chairman? Mr. Chairman,  
19 I can also clarify, in terms of the allocation between the  
20 companies. The four companies were UES, Unitil Energy  
21 Systems, Inc., Northern Utilities, EnergyNorth, and  
22 Granite State Electric Company. And, the allocation  
23 amongst the companies was based on the annual assessment  
24 prorated. So, each company's prorated share of the

1 consulting services was based on the same percentages as  
2 each company's annual assessment to the Commission.

3 CHAIRMAN GETZ: Thank you.

4 BY MR. FOSSUM:

5 Q. Would the Company be able to provide a workpaper or a  
6 bill breakout or something like that indicating how the  
7 amounts were allocated between the electric and the  
8 gas?

9 A. (McNamara) Between the electric and the gas companies?

10 Q. Yes.

11 A. (McNamara) I believe so, yes.

12 Q. Well, then, --

13 A. (McNamara) Are you -- you're suggesting an invoice or  
14 --

15 Q. No, just a workpaper.

16 MR. EPLER: We have that. We can  
17 provide that.

18 CHAIRMAN GETZ: So, basically, a  
19 workpaper that would demonstrate the numbers behind the  
20 theory that Mr. Epler explained?

21 MR. FOSSUM: Yes.

22 CHAIRMAN GETZ: Okay. So, we'll reserve  
23 Exhibit Number 5 for that.

24 **(Exhibit 5 reserved.)**

1 MR. EPLER: It's actually a workpaper  
2 that I believe I prepared.

3 BY MR. FOSSUM:

4 Q. All right. Now, turning to Mr. Chong, could you just  
5 very briefly describe what the purpose of the lead/lag  
6 study is that you talked about in your testimony?

7 A. (Chong) Yes. The primary purpose of the lead/lag study  
8 was to calculate the net lag days between G1 and Non-G1  
9 customers. And, the way I define that lag days is the  
10 difference between the revenue lag and the lead-in  
11 payment of our Default Service and RECs.

12 Q. And, did you make any changes to this study, as opposed  
13 to previous studies?

14 A. (Chong) Yes, I did. In my settlement -- I'm sorry, in  
15 my testimony, I referenced the settlement that UES made  
16 last year in the settlement letter for four different  
17 factors, let me turn to that page. It is Page 129 of  
18 the green book. And, the first change was previously  
19 we were calculating the meter reading to billing, and  
20 we changed that methodology to meter reading to  
21 accounts receivable. The second factor was that we  
22 reflect actual procurement experience for RECs and  
23 include the July 1st, 2010 date as the default date for  
24 any RECs not yet procured. Number three has to do with

1 the Power Supply Agreement. We did change the Power  
2 Supply Agreement to reflect end-of-month payment terms.  
3 However, we did submit that, according to market terms  
4 and conditions, we would have flexibility to change  
5 that. And, in future lead/lag studies, we would  
6 include the actual -- the actual payment date of the  
7 Default Service. And, the fourth one -- well, that was  
8 the fourth one.

9 Q. Now, sort of -- and, very briefly, what would you say  
10 are the key results of this study?

11 A. (Chong) Overall, the first change reduced the revenue  
12 lag from I believe it was roughly approximately three  
13 days in the 2008 study, to approximately one day. So,  
14 a change in two days for both G1 and Non-G1. Item  
15 Number (ii) and (iv) had to do with the due dates,  
16 including the due date of the payments and the  
17 calculation. So, that increased the lead-in, the  
18 expense lead by one day, and the REC inclusion of  
19 July 1st, 2010 included increasing the expense lead one  
20 day for RECs.

21 Q. And, so, overall, what was the effect on the Company's  
22 lead/lag time as a result of the update?

23 A. (Chong) Overall, the net lag would have decreased  
24 slightly due to all these changes.

1 Q. And, were the results of this lead/lag study used to  
2 develop the proposed Default Service rates here?

3 A. (Chong) Yes, they were.

4 Q. And, would you say that -- and, when was this recent  
5 study submitted to Staff for their review?

6 A. (Chong) Could I ask Linda or Rob to answer that.

7 A. (McNamara) This was submitted as part of the Default  
8 Service filing last Friday, March 12.

9 Q. All right. So, Staff has only had about five or so  
10 days to review it?

11 A. (McNamara) I believe, either in the petition or the  
12 cover letter, there is mention of that, and  
13 understanding that Staff does not have a significant  
14 amount of time to review this.

15 MR. FOSSUM: I think that's all. Thank  
16 you.

17 CHAIRMAN GETZ: Thank you. Commissioner  
18 Below?

19 CMSR. BELOW: No.

20 CHAIRMAN GETZ: Commissioner Ignatius?

21 No questions from the Bench. Any redirect, Mr. Epler?

22 MR. EPLER: No thank you.

23 CHAIRMAN GETZ: Okay. Then, the  
24 witnesses are excused. Thank you. Are there any

1 objections to striking the identifications and admitting  
2 the exhibits into evidence?

3 (No verbal response)

4 CHAIRMAN GETZ: Hearing no objection,  
5 they will be admitted into evidence. Is there anything  
6 else we need to address before providing an opportunity  
7 for closings?

8 (No verbal response)

9 CHAIRMAN GETZ: Hearing nothing, we'll  
10 start with Ms. Hatfield.

11 MS. HATFIELD: Thank you, Mr. Chairman.  
12 The OCA has no objection to Unitil's filing. We're  
13 pleased that rates are decreasing slightly. And, we're  
14 also pleased that the Company is using the RFP process to  
15 meet its RPS obligations. Thank you.

16 CHAIRMAN GETZ: Thank you. Mr. Fossum.

17 MR. FOSSUM: Thank you. Staff has  
18 reviewed the petition and believes that the Company has  
19 followed the bid solicitation and evaluation process,  
20 which it has previously followed and which has been  
21 previously approved by the Commission. Staff believes the  
22 rates resulting from this process are market-based and  
23 appropriate and would therefore recommend that they be  
24 approved.

1                   Regarding the Company's lead/lag study,  
2                   given the relatively compact time frame, Staff has not had  
3                   sufficient time to review it. And, would therefore  
4                   recommend that it be approved, subject to further review  
5                   and comment by Staff at the Company's next Default Service  
6                   hearing. Thank you.

7                   CHAIRMAN GETZ: Thank you. Mr. Epler.

8                   MR. EPLER: Thank you, Mr. Chairman.  
9                   With respect to the lead/lag, we agree with what Staff has  
10                  requested in terms of approval, and we note that on our  
11                  petition at Page 4.

12                 The only other thing I just wanted to  
13                 highlight is that we do ask, in terms of confidential  
14                 treatment, for an e-mail sent to both Staff and the OCA on  
15                 March 12th, which basically contained the material in the  
16                 confidential exhibit, Unitil Exhibit Number 2. We sent  
17                 that by e-mail so they would have that in a timely manner.

18                 Other than that, we just seek approval  
19                 as requested in the petition.

20                 CHAIRMAN GETZ: Okay. Thank you. Then,  
21                 we will close the hearing and take the matter under  
22                 advisement.

23                                 **(Whereupon the hearing ended at 11:08**  
24                                 **a.m.)**