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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 8, 2015 - 10:04 a.m.
Concord, New Hampshire

NHPUC JUL23'15 AM 9:30

RE: DE 15-244
UNITIL ENERGY SYSTEMS, INC.:
*Annual Stranded Cost Recovery and
External Delivery Charge Reconciliation
and Rate Filing.*

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. Unitil Energy Systems, Inc.:
Gary Epler, Esq.

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Grant Siwinski, Electric Division

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

ORIGINAL

P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: Good morning,
3 everyone. We're here in Docket DE 15-244, which is Unitil
4 Energy Systems' reset and reconciliation of its Stranded
5 Cost Charge and its External Delivery Charge.

6 We do have one procedural issue we're
7 going to deal with. But, before we do that, let's take
8 appearances.

9 MR. EPLER: Good morning. Gary Epler,
10 appearing on behalf of Unitil Energy Systems. Thank you.

11 MS. AMIDON: Suzanne Amidon, for
12 Commission Staff. Thank you.

13 CHAIRMAN HONIGBERG: The procedural
14 issue, I think you probably have talked about already, is
15 that the Order of Notice contained two different dates and
16 times for the hearing. We're here for only one of them so
17 far. The other one is tomorrow, at nine o'clock. What I
18 think we'd like to do, and if it's okay with you, and you
19 may have already discussed this, is leave the record open
20 officially and have someone, possibly Ms. Amidon,
21 available tomorrow morning at nine o'clock should anyone
22 show up, thinking that the hearing was tomorrow. And,
23 then, Mr. Epler, if you could be available by telephone
24 tomorrow morning, in the unlikely event that someone does.

[WITNESS PANEL: Bohan~McNamara]

1 Does that work for everyone?

2 MR. EPLER: Yes, it does.

3 CHAIRMAN HONIGBERG: Ms. Amidon, that
4 works for you, too?

5 MS. AMIDON: Yes. We have discussed it.
6 And, you know, the Clerk is going to help make sure that
7 Mr. Epler has the phone number, and Mr. Patnaude will be
8 available as well.

9 CHAIRMAN HONIGBERG: I think the odds of
10 that happening are really small, but just in case.

11 MS. AMIDON: The earth could reverse its
12 axis.

13 CHAIRMAN HONIGBERG: No, that would go
14 to the SEC.

15 All right. Anything we need to do
16 before we proceed?

17 (No verbal response)

18 CHAIRMAN HONIGBERG: Doesn't sound like
19 it. Mr. Epler, you have the floor.

20 MR. EPLER: Thank you. Before I
21 started -- well, since I'm starting, if we could have
22 premarked as "Exhibit" -- "Hearing Exhibit Number 1" the
23 binder, which contains the full filing of the Company, has
24 the cover letter, the Petition, proposed tariffs, and

{DE 15-244} {07-08-15}

[WITNESS PANEL: Bohan~McNamara]

1 prefiled testimony and exhibits of the two witnesses.

2 CHAIRMAN HONIGBERG: Makes sense.

3 (The document, as described, was
4 herewith marked as **Exhibit 1** for
5 identification.)

6 MR. EPLER: And, the Company is offering
7 a panel of two witnesses. If they can be sworn, I can
8 then proceed with the direct testimony.

9 (Whereupon **Todd M. Bohan** and

10 **Linda S. McNamara** were duly sworn by the
11 Court Reporter.)

12 **TODD M. BOHAN, SWORN**

13 **LINDA S. McNAMARA, SWORN**

14 **DIRECT EXAMINATION**

15 BY MR. EPLER:

16 Q. Could the witnesses please identify themselves and
17 their business affiliation.

18 A. (McNamara) My name is Linda -- is this on? Sorry. My
19 name is Linda S. McNamara. I work for Unitil Service
20 Corp., 6 Liberty Lane, in Hampton, New Hampshire.

21 A. (Bohan) And, I'm Todd Bohan. I'm employed as a Senior
22 Energy Analyst with Unitil Service Corporation, in
23 Hampton, New Hampshire.

24 Q. Okay. Ms. McNamara, I'll start with you first please.

{DE 15-244} {07-08-15}

[WITNESS PANEL: Bohan~McNamara]

1 If you could direct your attention to what's been
2 premarked as "Exhibit" -- "Hearing Exhibit Number 1".
3 And, if you could turn to the tabs in that binder, the
4 tabs that have been marked "Exhibit LSM-1", and then
5 the schedules that follow, "LSM-1" through "Schedule
6 LSM-4". Were these prepared by you or under your
7 direction?

8 A. (McNamara) Yes.

9 Q. Do you have any changes or corrections?

10 A. (McNamara) No.

11 Q. And, if you were asked the same questions in the
12 prefiled direct testimony today, would your answers be
13 the same?

14 A. (McNamara) They would.

15 Q. And, do you adopt this as your testimony?

16 A. (McNamara) I do.

17 Q. Thank you. Mr. Bohan, direct your attention to the
18 same Hearing Exhibit Number 1. And, if you can turn to
19 the tabs marked "Exhibit TMB-1", and then the schedules
20 that follow, "TMB-1" through "TMB-5". Were these
21 prepared by you or under your direction?

22 A. (Bohan) Yes, they were.

23 Q. And, do you have any changes or corrections?

24 A. (Bohan) I do not.

{DE 15-244} {07-08-15}

[WITNESS PANEL: Bohan~McNamara]

1 Q. And, if you were asked the same questions in the
2 prefiled direct as appear in there, would your answers
3 be the same?

4 A. (Bohan) Yes, it would.

5 Q. And, do you adopt these as your testimony in this
6 proceeding?

7 A. (Bohan) Yes, I do.

8 MR. EPLER: I have no further questions
9 and tender the witnesses for cross-examination.

10 CHAIRMAN HONIGBERG: Ms. Amidon.

11 MS. AMIDON: Thank you. Good morning.

12 WITNESS McNAMARA: Good morning.

13 WITNESS BOHAN: Good morning.

14 **CROSS-EXAMINATION**

15 BY MS. AMIDON:

16 Q. Ms. McNamara, I'll begin with you. If you go to
17 Exhibit 1, your testimony on Bates stamp 0006, let me
18 know when you're there please.

19 A. (McNamara) I'm there.

20 Q. Okay. And, at Line 4, there's a question about how the
21 proposed Stranded Cost Charge compares to the current
22 rate, and your answer is that "the rates are
23 unchanged", is that right?

24 A. (McNamara) That is correct.

[WITNESS PANEL: Bohan~McNamara]

1 Q. Okay. And, I'm just going through some of the elements
2 that were considered in the preparation of this filing.
3 So, if I look at the next page, Bates stamp 0007, you
4 refer on -- there's a question on Line 4 that refers to
5 the Settlement Agreement in Docket 11-105, which
6 resulted in the Commission authorizing the recovery of
7 certain costs through the Stranded Cost Charge. Is
8 that right?

9 A. (McNamara) Yes.

10 Q. And, according to the testimony, the recovery of that
11 adjustment ends this month, is that right?

12 A. (McNamara) Correct.

13 Q. Okay. Thank you. If we move now to the External
14 Delivery Charge. And, again, this is on Page 0008 of
15 your testimony, looks like there are several elements
16 in the External Delivery Charge. One looks like
17 "working capital associated with" it says "Other
18 Flow-Through Operating Expenses". Could you just
19 briefly explain what that is?

20 A. (McNamara) In the Company's last rate case, DE 10-055,
21 the Company was allowed to begin collecting working
22 capital through its EDC associated with what has been
23 termed "Other Flow-Through Operating Expenses". And,
24 that is -- there are several cost items. The External

[WITNESS PANEL: Bohan~McNamara]

1 Delivery Charge, base distribution, Default Service,
2 for example, that the Company has for revenue buckets.
3 And, there are portions, certain of those costs are
4 used in the calculation of working capital that are
5 collected through the EDC, and then there is another
6 portion that are allocated off to base distribution not
7 included in this filing.

8 Q. Thank you. So, what you're saying, and correct me if
9 I'm wrong, is that the working capital that you recover
10 in this, through the EDC, is only related to activities
11 that the Company engages in in receiving the EDC or in
12 administering the costs, is that right?

13 A. (McNamara) I believe the two costs, off the top of my
14 head, I haven't looked at the specific line items in
15 quite some time, but, off the top of my head, I believe
16 the two costs that are used to determine working
17 capital in the EDC are the EDC costs and Default
18 Service.

19 Q. Okay.

20 A. (McNamara) Other items, such as, for example, SBC, base
21 distribution and things like that are used in base.

22 Q. Thank you. And, on Line 5 of Bates stamp 0008 of your
23 testimony, you talk about you recover also the portion
24 of the NHPUC assessment that is attributable to

[WITNESS PANEL: Bohan~McNamara]

1 distribution -- not "distribution", to the EDC, is that
2 right?

3 A. (McNamara) Correct. Yes.

4 Q. Okay. Thank you. And, also on that page, you mention
5 an additional item, beginning at Page 0009, which is
6 that the Commission had authorized the Company to
7 reconcile over- and under-collections in the Vegetation
8 Management Program through the EDC?

9 A. (McNamara) Correct.

10 Q. And, in addition, this is -- the EDC is a mechanism
11 whereby you rebate the excess Regional Greenhouse Gas
12 Initiative auction proceeds to all retail customers?

13 A. (McNamara) That is correct.

14 Q. Thank you. I just wanted to get that on the record. I
15 appreciate your helping me walk through that. On Page
16 0011 of your testimony, beginning at Line 15, you state
17 the rate impacts. And, my understanding that, from
18 your -- from the qualification of your testimony, these
19 rate impacts have not changed? In other words, the
20 rate impacts that are described in this paragraph are
21 the rate impacts that will be experienced by customers
22 in these various rate classes?

23 A. (McNamara) Correct.

24 Q. Thank you. And, I think you're lucky, because I think

{DE 15-244} {07-08-15}

[WITNESS PANEL: Bohan~McNamara]

1 that's all I have for you. Mr. Bohan, good morning.

2 A. (Bohan) Good morning.

3 Q. The EDC -- well, I'm sorry. First, I wanted to talk
4 about the so-called "Stranded Cost Charge" portion of
5 this filing. And, if I look at Page 0050 of the
6 filing, it's Bates stamp 0050, let me know when you're
7 there?

8 A. (Bohan) I'm there.

9 Q. So, at Line 4, you begin a discussion about how "The
10 Portfolio Sales Charge and Residual Contract
11 Obligations have ended." So, at this point, what
12 remains in the SCC?

13 A. (Bohan) A very good question. This, going forward, you
14 know, the testimony might actually change here, but the
15 only thing really left now that we have that's in the
16 Stranded Cost Charge are the Hydro-Quebec payments that
17 are ongoing. And that, right now, that arrangement is
18 scheduled to continue through late -- October 2020.
19 So, all of the Residual Contract payments, Portfolio
20 Sales Charges, those have all ceased. And, that's been
21 the case for quite some time now.

22 Q. Yes. That's the way I read your testimony as well.

23 A. (Bohan) Yes.

24 Q. And, I notice at Line 21, on that page, there is an

[WITNESS PANEL: Bohan~McNamara]

1 indication that UPC, which is -- I'm sorry, what is
2 "UPC"? I forget. Unitil --

3 A. (Bohan) "UPC" is "Unitil Power Corp."

4 Q. They receive revenues for short-term sales of
5 transmission rights related to the Hydro-Quebec
6 facility. Does Unitil receive those revenues?

7 A. (Bohan) Yes. And, those revenues are then used to
8 offset the costs that we incur for supporting those
9 Hydro-Quebec facilities as well.

10 Q. Mr. Bohan, are they fully offset? I just didn't get
11 that from the testimony.

12 A. (Bohan) No. They're not fully offset.

13 Q. Okay.

14 A. (Bohan) They're only partially offset.

15 Q. Okay. Thank you. That was --

16 A. (Bohan) So, we still do incur some costs associated
17 with those Hydro-Quebec facilities.

18 Q. Thank you. If we move to Page Bates stamp 0057, it's
19 your testimony, Mr. Bohan.

20 A. (Bohan) Sure.

21 Q. And, let me know when you're there.

22 A. (Bohan) I'm there.

23 Q. Okay. I had a question regarding the statement that
24 begins on Page 2 [Line 2?], where your testimony

[WITNESS PANEL: Bohan~McNamara]

1 references a "\$2.1 million increase"?

2 A. (Bohan) Yes.

3 Q. Could you explain for the record, what activity does
4 the Company engage in, if at all, to monitor Regional
5 Network charges?

6 A. (Bohan) Okay. So, one of the things we do is, and I
7 don't, myself, I don't do this on a regular basis, but
8 I do have a colleague in the Regulatory Group that
9 does, and she provides that information to me. There
10 is a process in New England where the revenue
11 requirement is derived which establishes the RNS rates
12 that companies are then charged for the transmission
13 system in New England. And, there is a process
14 involved in that and I receive updates on that. And,
15 in, typically, in June of each year, we get a, you
16 know, a presentation that spells out what the entire
17 revenue requirement is, and then establishes what the
18 Regional Network Service rate is going to be. And, as
19 you can imagine, there are much larger utilities in the
20 New England region. So, the bulk of those costs that
21 are established in the, you know, in establishing that
22 revenue requirement are not Unitil-specific. They're
23 the larger utilities in the region, --

24 Q. Uh-huh.

{DE 15-244} {07-08-15}

[WITNESS PANEL: Bohan~McNamara]

1 A. (Bohan) -- and they make up the bulk of those costs.
2 But all the costs -- or, all the facilities then
3 generate a revenue requirement that they need to
4 recover in order to provide those Regional Network
5 Service facilities.

6 Q. So, all those costs go in one bucket, and you can't
7 really determine if there is, and please correct me if
8 I'm wrong, you can't really determine, if I understand,
9 whether one transmission project or another is
10 contributing to the increase in those costs. Is that
11 right?

12 A. (Bohan) I think that's generally a good
13 characterization. We have each of the utilities' share
14 of the revenue requirement, but we don't know which
15 specific -- I don't know which specific projects are
16 driving that.

17 Q. Okay. Thank you.

18 A. (Bohan) But, also, you know, just to add to that, you
19 know, here we are again, and this is something that
20 we've seen over the last few years, transmission costs
21 are going up, and they're going up once again. And,
22 you can see in my testimony here, the main driver here
23 of the increase in costs is an increase in the RNS rate
24 of about \$11.35 per kW year, and that's a significant

1 increase.

2 Also, it looks like those costs will
3 continue to increase over the next couple of years, and
4 then that increase may taper off a little bit. At
5 least that's what the information I've seen to date is
6 indicating.

7 Q. But you're absolutely right, in the past few years,
8 we've just seen one increase after another in these
9 category of costs.

10 A. (Bohan) Correct. Yes.

11 Q. Thank you.

12 A. (Bohan) Yes.

13 Q. And, finally, on that same page, the question that
14 begins at Page 11 [Line 11?], there is a small amount,
15 "\$15,000 in legal costs" that the Company is -- intends
16 to recover through the EDC?

17 A. (Bohan) Correct.

18 Q. Are these normal legal costs or is there something
19 unusual about the legal costs?

20 A. (Bohan) No. These are what I would consider "normal
21 legal costs" that we pay to a firm for monitoring
22 particular dockets, and representing us, as needed, in
23 specific proceedings before the FERC.

24 MS. AMIDON: Okay. Thank you. I have

[WITNESS PANEL: Bohan~McNamara]

1 no further questions.

2 CHAIRMAN HONIGBERG: Commissioner Scott.

3 COMMISSIONER SCOTT: Thank you. Good
4 morning.

5 WITNESS BOHAN: Good morning.

6 WITNESS McNAMARA: Good morning.

7 COMMISSIONER SCOTT: Just a few
8 questions, and they're fairly light, I guess, for want of
9 a better word.

10 BY COMMISSIONER SCOTT:

11 Q. I'll start with Ms. McNamara. A couple times I've
12 heard the word "buckets", as far as billing, which begs
13 a question to me. I'm just curious, from a customer
14 bill point-of-view, has the utility seen much, any
15 significant issues with customer confusion, you know,
16 they get -- whether it's, you know, the stranded cost
17 component of your bill or EDC component of your bill,
18 of frustration of not knowing what those are and why
19 they're there?

20 A. (McNamara) Personally, I am not aware of any, I'm not
21 sure if Mr. Bohan is. I know that the Company has done
22 a lot over the last several years to have multiple
23 places where the customer can, you know, both on
24 websites and paper, to get information on what costs

{DE 15-244} {07-08-15}

[WITNESS PANEL: Bohan~McNamara]

1 are presented on their bill. And, then, I believe, as
2 of late, and, when I say that, I mean within the last
3 year, even more has been done. I believe they're
4 changing bill presentation, things like that, but I
5 don't know the specifics.

6 Q. But you're understanding is, I think you would have
7 probably have understood if it was a significant issue,
8 if you're getting a lot of your customers are upset or
9 are misunderstanding, I assume you --

10 A. (McNamara) Right. I have not heard any. And, I
11 apologize for using, that is a term that we use just to
12 represent the different revenue that comes in.
13 Because, as you are aware, there are a bunch of
14 different cost items and rate items. So, in my head, I
15 see them falling into different buckets.

16 Q. That's a fair description, I think. So, thank you.
17 And, for Mr. Bohan, you already talked about the RNS,
18 which Attorney Amidon already kind of went down the
19 road. So, as you mentioned, for the Regional
20 Transmission costs, or you've already suggested that
21 your expectation is they will continue to go up for at
22 least the next few years.

23 A. (Bohan) That is correct.

24 Q. I was curious, and maybe you don't know off the top of

[WITNESS PANEL: Bohan~McNamara]

1 your head, do you have an idea, roughly, for the
2 average ratepayer, what percentage of the bill, you
3 know, is attributable to transmission costs?

4 A. (Bohan) If you could give us just a second?

5 Q. Sure. I appreciate it.

6 (Short pause.)

7 **BY THE WITNESS:**

8 A. (McNamara) Based on a typical bill for a residential
9 customer, about 14 percent of what they pay for a bill
10 is based on the total EDC, not just strictly the RNS
11 portion, but the total EDC rate. And, I derived that
12 by looking at Bates stamp Page 0033, again, just the
13 residential customer. A customer, as of August 1,
14 under these proposed rates, would have a bill of
15 \$96.39. And, \$13.77 of that is related to the EDC. Do
16 you see that? Did I -- Page 0033?

17 BY COMMISSIONER SCOTT:

18 Q. Yes. I see that.

19 A. (McNamara) Okay.

20 Q. Thank you.

21 A. (McNamara) So, I simply took 13.77 as a percent of
22 \$96.39, the total bill.

23 Q. Okay. Thank you. And, if I look at --

24 MR. EPLER: If I may? Sorry. Just

1 while we're on this issue, I thought it might be helpful,
2 if you then look at Bates stamp Page 0056, just to get a
3 percentage -- a feel for what the percentage of the EDC is
4 the Regional Transmission operating expenses, you can see
5 that. That's Line 2 of Table 2. So, that's 21.9 million,
6 compared to total of EDC of 25.9.

7 COMMISSIONER SCOTT: That was my next
8 statement I was going to make, actually.

9 MR. EPLER: Okay. I'm sorry.

10 COMMISSIONER SCOTT: So, once again, you
11 anticipated well. Thank you. Thank you very much.
12 That's helpful.

13 CHAIRMAN HONIGBERG: I have no further
14 questions. Mr. Epler, do you have any further questions
15 for your witnesses?

16 MR. EPLER: No, I do not. Thank you.

17 CHAIRMAN HONIGBERG: Is there anything
18 else we need to do?

19 (No verbal response)

20 CHAIRMAN HONIGBERG: We can strike the
21 ID from Exhibit 1 and it will be a full exhibit. Yes,
22 Ms. Amidon.

23 MS. AMIDON: I mean, I'm fine with doing
24 that at this point. I just am mindful that you want to

1 keep the record open.

2 CHAIRMAN HONIGBERG: Yes. That's
3 correct. Thank you for reminding me. I will let each of
4 you sum up, if you'd like. I think I know what you're
5 going to say. But do you want to sum up, Ms. Amidon?

6 MS. AMIDON: Yes. Thank you.

7 CHAIRMAN HONIGBERG: Go for it.

8 MS. AMIDON: Staff reviewed the filing,
9 and the Company appropriately calculated both the SCC and
10 the EDC in preparing the filing that it made on June 17th.
11 It's consistent with the Settlement Agreement and with
12 other orders of the Commission. And, we would recommend
13 the Commission approve it for rates effective August 1, as
14 requested by the Company.

15 CHAIRMAN HONIGBERG: Mr. Epler.

16 MR. EPLER: Yes. The relief requested
17 is in the Company's Petition, and just refer the
18 Commission to that. Thank you very much.

19 CHAIRMAN HONIGBERG: Thank you. As
20 noted at the beginning of the hearing, we will keep the
21 record open, on the off chance that someone comes at nine
22 o'clock tomorrow morning. At that point, we'll close the
23 record and proceed. Well, we understand the desire to
24 have the rates effective for August 1st, and we will do

1 our best to make that happen. Thank you all very much.

2 MS. AMIDON: Thank you.

3 MR. EPLER: Thank you.

4 **(Whereupon the hearing was adjourned at**
5 **10:26 a.m., and the record to remain**
6 **open with the Parties reconvening at**
7 **9:00 a.m. on July 9, 2015.)**

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