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21  
22  
23  
24

**I N D E X**

**PAGE NO.**

**STATEMENTS RE: SCHEDULING BY:**

Mr. Taylor	7, 8
Chairwoman Martin	8, 11
Mr. Kreis	9
Mr. Dexter	10

**STATEMENTS RE: HEARING ON TEMPORARY RATES BY:**

Mr. Taylor	12, 17
Mr. Kreis	13
Mr. Dexter	15

**QUESTIONS BY:** Chairwoman Martin 13, 14

**STATEMENTS RE: MOTION FOR CONFIDENTIAL TREATMENT BY:**

Mr. Taylor	19, 25
Mr. Kreis	23
Mr. Dexter	25

**STATEMENTS RE: SCOPE OF PREHEARING CONFERENCES BY:**

Chairwoman Martin	26, 29, 31, 32
Mr. Kreis	27
Mr. Dexter	30
Mr. Taylor	32

**STATEMENTS OF PRELIMINARY POSITION BY:**

Mr. Taylor	33
Mr. Kreis	40
Mr. Dexter	47

**QUESTIONS BY:** Commissioner Goldner 56  
Chairwoman Martin 67

1  
2  
3  
4  
5  
6  
7  
8  
9  
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11  
12  
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14  
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**P R O C E E D I N G**

CHAIRWOMAN MARTIN: We're here this afternoon in Docket DG 21-104 for a prehearing conference regarding the Northern Utilities, Incorporated, Request for Change in Rates.

Let's take appearances, starting with Mr. Taylor.

MR. TAYLOR: Good afternoon, Commissioners. Patrick Taylor, on behalf of Northern Utilities, Inc. I have a number of folks with me today, both online and in the room. And I can either introduce them to you or I can have them each introduce themselves, whatever you prefer?

CHAIRWOMAN MARTIN: Why don't you introduce them all. Thank you.

MR. TAYLOR: Sure. Well, online with us today are Gary Epler, our Chief Regulatory Counsel; and Dan Main, our Manager of Regulatory Services and Corporate Compliance. To my right is Carleton Simpson, Senior -- I'm sorry, Regulatory Counsel for the Company. We also have with us today Bob Hevert, who is our Chief Financial Officer; Christopher Goulding, our

1 Director of Rates and Revenue Requirements; and  
2 Dan Nawazelski, our Manager of Revenue  
3 Requirements.

4 CHAIRWOMAN MARTIN: Go ahead, Ms.  
5 Carmody.

6 MS. CARMODY: I cannot hear any of the  
7 folks in the room. So, I think I'm going to come  
8 in there, --

9 CHAIRWOMAN MARTIN: Okay.

10 MS. CARMODY: -- because I have no idea  
11 who just gave an appearance.

12 CHAIRWOMAN MARTIN: Come on in.

13 MS. CARMODY: Okay.

14 CHAIRWOMAN MARTIN: Mr. Dexter.

15 MR. DEXTER: Good afternoon, Chairwoman  
16 Martin. I, too, am having a hard time hearing.  
17 I heard all of what you said, although it was  
18 soft, and about 50 percent of what Attorney  
19 Taylor said. And I've got my volume up at 100.

20 CHAIRWOMAN MARTIN: Okay.

21 MR. DEXTER: I think, if he leans very  
22 close into the mike, that might solve the problem  
23 for me.

24 CHAIRWOMAN MARTIN: Why don't we give

1           that a try again.

2                   MR. TAYLOR: I can give it another  
3 run-through. And I was warned that I needed to  
4 get close, I just didn't realize how close.

5                   CHAIRWOMAN MARTIN: And let's pause  
6 after you enter your own appearance and make sure  
7 that people are hearing you.

8                   MR. TAYLOR: Okay.

9                   CHAIRWOMAN MARTIN: Go ahead.

10                  MR. TAYLOR: Patrick Taylor, on behalf  
11 of Northern Utilities, Inc. Can you hear me  
12 okay?

13                  MR. DEXTER: It's very faint, but I was  
14 able to hear. So, I will listen carefully.

15                  MR. TAYLOR: Okay. With me today on  
16 the phone are -- or, with me today online are  
17 Gary Epler, our Chief Regulatory Counsel; Dan  
18 Main, our Manager of Regulatory Services and  
19 Corporate Compliance. And with me today in the  
20 room are Carleton Simpson, our Regulatory  
21 Counsel; Bob Hevert, our Chief Financial Officer;  
22 Christopher Goulding, our Director of Rates and  
23 Revenue Requirements; and Daniel Nawazelski, our  
24 Manager of Revenue Requirements.

1 CHAIRWOMAN MARTIN: Okay. Did you get  
2 all that?

3 MR. DEXTER: Yes. Thank you, Madam  
4 Chairwoman. I was able to hear all of that.

5 CHAIRWOMAN MARTIN: All right. Let's  
6 go on to the OCA.

7 MR. KREIS: Good afternoon, Chairwoman  
8 and Agency Head Martin and Commissioner Goldner.  
9 I am Donald Kreis, the Consumer Advocate.  
10 Pursuant to RSA 363, Section 28, my job is to  
11 represent the interests of residential utility  
12 customers before the Commission.

13 And I am very pleased to say that  
14 joining me today in the hearing room are two  
15 brand-new members of the team here at the Office  
16 of the Consumer Advocate. To my immediate left  
17 is Maureen Reno, she is our new Director of Rates  
18 & Markets; and to her left is Josie Gage, she is  
19 our new Director of Economics & Finance.  
20 Old-timers at the PUC will remember them from  
21 about a decade ago, when they used to work at the  
22 PUC. And I'm sure that both they and the  
23 new-timers will enjoy working with them.

24 CHAIRWOMAN MARTIN: Welcome.

1 MS. RENO: Thank you.

2 CHAIRWOMAN MARTIN: Okay. And Mr.  
3 Dexter.

4 MR. DEXTER: Thank you. Appearing on  
5 behalf of the Department of Energy, Paul Dexter,  
6 Staff Attorney/Hearings Examiner.

7 CHAIRWOMAN MARTIN: Thank you.

8 Okay. Any preliminary issues before we  
9 hear initial positions? And I would put the  
10 issue of scheduling on the table.

11 MR. TAYLOR: Thank you, Chairwoman  
12 Martin. We don't have any particular  
13 procedural -- well, I guess there are a few  
14 procedural issues that we would want to address  
15 before we get into statements of position.

16 With respect to scheduling, I know that  
17 in recent months the Commission has expressed an  
18 interest in discussing scheduling on the record.  
19 I don't know how you want to proceed with that  
20 today. We have been exchanging some drafts of a  
21 schedule amongst the parties. And, you know,  
22 we're certainly happy to do as we have  
23 traditionally done, which is work with the  
24 parties and submit a schedule to the Commission.

1           But we would welcome any direction from  
2           the Commission on how to -- if you have a  
3           particular procedure you would like us to follow.

4           CHAIRWOMAN MARTIN: I think what I want  
5           to be clear about is that any party can submit a  
6           proposed schedule. And, so, if all of the  
7           parties agree to file a joint proposed schedule  
8           and want to submit that for consideration, that  
9           is certainly welcome. And whomever, whichever  
10          party that the group chooses to submit that, is  
11          fine. The Commission has no preference in that  
12          regard.

13          If there is not an agreement, or there  
14          are particular issues related to scheduling that  
15          the parties would like to discuss, and that would  
16          be any party, we certainly want to hear that  
17          today.

18          MR. TAYLOR: I see. Well, as I said,  
19          we have been exchanging some dates. We certainly  
20          would endeavor to provide a joint schedule to  
21          you, if possible. I can't speak for the other  
22          parties. It seems like we would be able to do  
23          that. But I'll let the other parties speak to  
24          that as they wish.

1 CHAIRWOMAN MARTIN: Okay. Mr. Kreis.

2 MR. KREIS: Thank you, Madam Chairwoman  
3 and Agency Head Martin.

4 CHAIRWOMAN MARTIN: Mr. Kreis, please,  
5 my role here is just as Presiding Officer. You  
6 can just refer to me as "Chairwoman".

7 Thank you.

8 MR. KREIS: My long-time experience as  
9 a former PUC employee, and now as the Consumer  
10 Advocate, has taught me that it works really well  
11 to have all of the parties collaborate on a  
12 procedural schedule, come to agreement, there is  
13 almost never disagreement, and then submit that  
14 to the PUC for its approval.

15 But the issue that arises has to do  
16 with the way that the PUC has been restructured,  
17 what used to be the "Staff of the PUC" is now the  
18 "Department of Energy", or at least part of it.  
19 And, so, what is no longer available to us, when  
20 we talk amongst ourselves about schedule, is what  
21 hearing dates are available.

22 And I don't know how to thread that  
23 needle. I guess I would -- I guess I would ask  
24 for the Commission's guidance and help about

1           that. I'd be happy, there are a couple of issues  
2           with the procedural schedule that Mr. Taylor  
3           circulated on behalf of the Company, but they are  
4           resolvable. But I don't know when the Commission  
5           would like to schedule the hearings in this  
6           docket.

7                         CHAIRWOMAN MARTIN: Okay. Thank you,  
8           Mr. Kreis.

9                         Mr. Dexter, anything to add?

10                        MR. DEXTER: Well, maybe just to state  
11           the obvious. Cases such as this, with a 12-month  
12           suspension period, have a very long schedule, and  
13           might be treated differently from cases with a,  
14           you know, 60- or 90-day turnaround, or 45-day  
15           turnaround, that have a very short term.

16                        I would imagine that most people's  
17           calendars are somewhat less cluttered out in the  
18           April, May, and June timeframe, when this case  
19           may go to hearing, you know, than might be true  
20           in a short case.

21                        And, therefore, hopefully, it would be  
22           easier, if the parties were to propose hearing  
23           dates, that those hearing dates could be adopted,  
24           maybe with a minor change here and there, which

1           wouldn't affect the parties that proposed it,  
2           because, again, it's eight or nine months away.

3                        So, I guess what I'm saying is, in this  
4           docket, which we're here to talk about, where we  
5           have, you know, nine months to deal with, I would  
6           recommend that the parties get together and  
7           complete the discussion that Mr. Taylor started  
8           last week on schedule, submit that to the  
9           Commission. And then, hopefully, we'd get a  
10          timely response from the Commission on that.  
11          And, like I said, given that it's eight or nine  
12          months out, maybe there would be some degree of  
13          confidence that the schedule could be approved  
14          largely as submitted.

15                      CHAIRWOMAN MARTIN: Thank you,  
16          Mr. Dexter. In another proceeding, Mr. Buckley  
17          had recommended identifying a period of weeks in  
18          which there were several days. And I think that  
19          is actually a good idea. So that, if the  
20          Commission is already scheduled or has other  
21          commitments on those days, there are a couple of  
22          choices there.

23                      So, if you are going to propose a  
24          schedule, and are able to do that jointly, that

1 is always a great approach. But leaving a little  
2 bit of room to accommodate the Commission's  
3 schedule at the end on the hearings is helpful.

4 Okay. Anything else on schedule for  
5 today?

6 MR. TAYLOR: Well, I do, yes. And this  
7 actually relates to the schedule, and that has to  
8 do with temporary rates.

9 Traditionally, or in the Company's  
10 experience, when the Commission has issued its  
11 order noticing the initial prehearing conference,  
12 it has also scheduled a hearing on temporary  
13 rates. And, when the Commissioner -- when the  
14 Commission issued its order in this case, it did  
15 not do so.

16 The Company did request temporary rates  
17 effective October 1st. So, even though we  
18 haven't set a procedural schedule, the Department  
19 of Energy did propound discovery requests on the  
20 Company last week on its temporary rates filing,  
21 the Company responded to those on Tuesday. And  
22 the Company and the Department of Energy, and I  
23 believe the Consumer Advocate as well, are going  
24 to meet at the close of this, this prehearing

1 conference, to have a technical session on that  
2 issue, which it has traditionally -- which the  
3 parties have traditionally done in the past.

4 And, so, we're now quite close to the  
5 October 1st date that the Company has requested  
6 for those rates to become effective. And,  
7 really, what I'd like to do is ask that the  
8 Commission schedule a hearing on temporary rates  
9 as soon as practicable, so we can, if possible,  
10 get those rates in place with an effective date  
11 of October 1st.

12 CHAIRWOMAN MARTIN: And do the other  
13 parties have a position related to that timeframe  
14 and the ability to do what's necessary between  
15 now and then? Mr. Kreis.

16 MR. KREIS: Thank you, Chairwoman  
17 Martin. The Office of the Consumer Advocate does  
18 indeed object to approaching the issue of  
19 temporary rates in the fashion that Mr. Taylor  
20 has just proposed to you. It basically puts a  
21 gun to the head of the Commission and any other  
22 parties in this case in order to satisfy the  
23 Company's request for an effective date on  
24 October 1st. It's just not fair.

1           And, so, I think what has to yield here  
2           is the effective date. There is time, I think,  
3           to resolve temporary rate issues in time for a  
4           November 1st effective date for temporary rates.  
5           I'm sorry that the Company was not able to make  
6           its rate case filing sufficiently in advance of  
7           October 1st, and the Commission was not able to  
8           schedule its prehearing conference sufficiently  
9           in advance of October 1st, to allow for an  
10          orderly process that leads to a temporary rate  
11          order. But none of that is my problem. My job  
12          is to represent the interests of residential  
13          customers. And this puts a gun to the head of  
14          those customers.

15                   CHAIRWOMAN MARTIN: Do you have a  
16          proposal related to the date for the hearing?

17                   MR. KREIS: I think the hearing should  
18          be two to three weeks from now. That would give  
19          the Commission adequate time to pull together an  
20          order, consider whether -- let me just back up a  
21          little bit.

22                   As Mr. Taylor kind of implied,  
23          temporary rates are an issue that is typically  
24          resolved by settlement. And I don't have any

1 reason to think that that won't be the case here.  
2 But I can't go into a settlement conversation  
3 this afternoon with a gun to my head. That's  
4 just not fair.

5 So, I think there is adequate time to  
6 allow for those conversations to take place, a  
7 reasonable settlement to be crafted, and then  
8 presented to you, the Commissioners, so that you  
9 have time to think about whether you like the  
10 settlement. Because, as you know, the Commission  
11 doesn't automatically approve settlement  
12 agreements, it reviews them independently. So  
13 that would give you the time that you need to  
14 make sure that you're making a good decision, and  
15 then it can all go into effect on November 1st.

16 CHAIRWOMAN MARTIN: Thank you. Mr.  
17 Kreis -- I mean, I apologize, Mr. Dexter.

18 MR. DEXTER: Well, I think the  
19 temporary rate hearing date 60 days after the  
20 case is filed, so, by that, I mean the case was  
21 filed around August 1st, and we take August and  
22 September to address temporary rates, and an  
23 October 1st effective date is generally not  
24 unreasonable. I haven't gone back and checked

1 the calendars, but I think that's in line with  
2 what I recall from other cases, particularly if  
3 there is a settlement.

4 Unfortunately, in this case, we seem to  
5 be off to a slow start with respect to temporary  
6 rates. That being said, the Department of Energy  
7 has done its review of the temporary rate  
8 proposal, has issued data requests to the  
9 Company, to which they responded in about three  
10 days, and their responses were thorough. And,  
11 while I do have a few follow-up questions that  
12 I'll bring up at the tech session, I think,  
13 generally speaking, the Department of Energy is  
14 in a position this afternoon to discuss  
15 settlement of temporary rates with the Company.

16 That being said, it's now September  
17 16th. Whether or not the Commission wants to try  
18 to get this all wrapped up by October 1st is  
19 really up to the Commission. It's fourteen days,  
20 and you haven't seen a settlement. And we'd need  
21 to have a hearing, I believe, by statute, and an  
22 order issued. That all sounds very fast to me.

23 So, I guess what I'm saying, in  
24 summary, is I will work with the Company and the

1 Consumer Advocate at the tech session to see  
2 where we stand. But it would be perfectly  
3 understandable, from my standpoint, if the  
4 October 1st deadline was not met in this case,  
5 given the circumstances as they stand.

6 CHAIRWOMAN MARTIN: Okay. Thank you,  
7 Mr. Dexter. I'm just looking ahead at the  
8 Commission's calendar, which is incredibly full  
9 between now and the end of October, of September  
10 as well.

11 So, having heard from all of the  
12 parties, we will take that issue under  
13 advisement, and certainly encourage discussion of  
14 that today.

15 Do you have other issues?

16 MR. TAYLOR: Well, I mean, I will say  
17 it was not our intent or it is not our intent to  
18 hold a gun to anyone's head or try to exert any  
19 sort of unreasonable pressure.

20 You know, Mr. Dexter referenced not  
21 having checked the calendar or not having checked  
22 the dates in past -- in past dockets, we have.  
23 And I can tell you that, in the 2017 rate case  
24 and in the Company's 2013 rate case, temporary

1 rates were put into effect two months after we  
2 filed our case, and so that is the expectation  
3 that we entered into in this case. And, so, that  
4 was how those dates came to be.

5 So, we will absolutely work with the  
6 other parties. I think that there are potential  
7 ways to address these issues. I'm happy to  
8 discuss those with the other parties. And I'm  
9 hopeful we can come to a resolution that we can  
10 present to the Commission.

11 CHAIRWOMAN MARTIN: Okay. Other  
12 issues?

13 MR. TAYLOR: I know in the past the  
14 Commission has addressed motions for confidential  
15 treatment on the record. Is that something that  
16 the Commission is going to do today?

17 CHAIRWOMAN MARTIN: We can hear from  
18 you on your position today, if you'd like. We're  
19 not going to rule today.

20 MR. TAYLOR: Sure. And, you know, I'm  
21 happy to summarize our motion for the Commission  
22 or I'm happy to simply submit it on the papers,  
23 and respond to anything that the other parties  
24 say. I'm not going to say anything to you today

1           that isn't in our motion.

2                         CHAIRWOMAN MARTIN:  It's your  
3           opportunity.  So, it's up to you.

4                         MR. TAYLOR:  Okay.  Well, given the  
5           opportunity, I'll take it.

6                         So, we have submitted a Motion for  
7           Confidential Treatment in this case.  I think the  
8           items for which we seek confidential treatment  
9           are items that very customarily come before the  
10          Commission and for which the Commission tends to  
11          grant confidential treatment.  I can go through  
12          those item-by-item.

13                        The first item for which we seek  
14          confidential treatment is a special contract  
15          revenue adjustment.  In Schedule RevReq 3-2, the  
16          Company made an adjustment in total revenues to  
17          reflect certain known and measurable special  
18          contract rate increases.  And, in Workpapers 1.1  
19          and 1.2, which support that schedule, they  
20          contain certain sensitive and confidential  
21          commercial and financial information,  
22          specifically special contract rates, including  
23          customer charges and monthly fixed charges, as  
24          well as customer usage information, customer's

1 usage by therms, and special contract revenues.

2 And, so, it's really two issues there  
3 that are confidential. One, the Company requires  
4 confidential treatment of certain information to  
5 protect its own competitive position, as well as  
6 that of the customer. And, so, if certain terms  
7 were to be disclosed publicly, they would, one,  
8 harm the customer, in that the customer's -- both  
9 the customer's usage -- both the customer's  
10 usage, as well as certain terms negotiated by the  
11 customer would be known publicly to the  
12 customer's competitors, and could put a  
13 customer's competitors in a superior competitive  
14 position. Traditionally, the Commission has  
15 tended to grant confidential treatment for that  
16 information.

17 Certain information as well would harm  
18 the Company, in that it would disclose certain  
19 negotiated rates, and prejudice the Company in  
20 negotiation with customers in the future, which  
21 is important in these special contracts, because  
22 the customer -- the Company needs to maximize  
23 potential contributions to fixed costs. And, so,  
24 we have asked for confidential treatment of that

1 particular information.

2 The next item that we're seeking  
3 confidential information for is a discounted cash  
4 flow analysis related to the Company's expansion  
5 into the Town of Epping. In the docket in which  
6 the Company was granted a franchise and an  
7 opportunity to extend into Epping, the Commission  
8 directed the Company to provide an updated  
9 discounted cash flow analysis in its next rate  
10 case, and we have done that. That can be found  
11 in Schedule CGDN-6. The Company's DCF analyses  
12 are conducted using a proprietary financial  
13 model. We do not disclose that model outside of  
14 our organization. And competitors could use that  
15 model to the Company's disadvantage.

16 The Commission has previously granted  
17 confidential treatment of that model in the  
18 Epping docket, DG 18-094, and the order was  
19 26,220.

20 The next item is a Maine Gas Supply  
21 Procurement and Management Report, and this was  
22 submitted as -- or, it was included in some of  
23 the filing requirements that accompanied the  
24 Company's rate case filing. This report was

1 submitted as part of a docket investigating  
2 Northern's gas procurement and management  
3 processes in Maine. And that -- and just so the  
4 Commission is not alarmed, that was something  
5 that they did for all of the gas companies in  
6 Maine as an informative exercise, not because  
7 there was anything wrong with the Company's  
8 processes.

9 The Maine PUC submitted its  
10 consultant's audit report on a confidential and  
11 redacted basis pursuant to a protective order  
12 that had been granted in that case. That order  
13 protects confidential, proprietary, and  
14 competitively sensitive information regarding the  
15 Company's gas supply procurement and management  
16 processes from public disclosure. The majority  
17 of the document is public. And we submit that  
18 the Commission in New Hampshire should grant the  
19 same confidential treatment that the Maine  
20 Commission granted to that document.

21 And, finally, as we do in most of our  
22 cases, we have requested confidential treatment  
23 for certain compensation for Company officers,  
24 whose salaries are not publicly disclosed.

1 Which, in this case, would be those officers that  
2 are not officers of Unitil Corporation,  
3 Northern's parent company. The Commission has  
4 previously granted confidential treatment to this  
5 kind of salary information, most recently in our  
6 affiliate's -- or, our affiliate, Unitil Energy  
7 Services' rate case, as well as the Company's  
8 prior rate case, DG 17-070.

9 Disclosure of that information would  
10 reveal non-public, personal information, and  
11 impair the Company's ability to attract qualified  
12 personnel. And, so, we would ask the Commission  
13 to again grant confidential treatment of that  
14 information.

15 CHAIRWOMAN MARTIN: Okay. Thank you.  
16 Mr. Kreis, would you like to be heard on this?

17 MR. KREIS: I would. Thank you,  
18 Chairwoman Martin. Just very briefly.

19 The OCA believes very strongly in  
20 transparency, because we think the interests of  
21 residential customers are furthered by a PUC  
22 process that is as transparent as possible. And,  
23 so, therefore, I would suggest to the Commission  
24 that it should keep in mind something Mr. Taylor

1 didn't mention, which is the case law says that  
2 you actually have to apply a balancing test when  
3 you make decisions under RSA 91-A, Section 5,  
4 which is what we're actually talking about. And  
5 that balancing test requires you to weigh the  
6 privacy interests that Mr. Taylor very ably laid  
7 out for you against the public's interest in  
8 disclosure.

9 I have looked very carefully at  
10 Mr. Taylor's motion. And I would say, from what  
11 I know of this case at this stage of the case,  
12 his requests are reasonable, in that the public's  
13 interest in disclosure, while not nonexistent, is  
14 relatively less than the legitimate privacy  
15 interests that Mr. Taylor described.

16 My only concern, or the only thing that  
17 makes me queasy, is that this is a very early  
18 stage in the case. And it's theoretically  
19 possible that, at some later stage in the case,  
20 meaning when the case comes to you for hearing,  
21 one of the questions that are implicated by the  
22 material that Mr. Taylor would like to see you  
23 treat as confidential, could become a huge issue  
24 at the hearing.

1           And, so, I would suggest, and it really  
2           is just a suggestion, that the Commission reserve  
3           the right to revisit these determinations at the  
4           end of the case, in the event that any of the  
5           evidence implicated by the request becomes highly  
6           important to the ultimate hearing on the merits.

7           But, subject to that concern, I have no  
8           objection to your granting the Company's  
9           confidentiality request.

10           CHAIRWOMAN MARTIN: Thank you. Mr.  
11           Dexter.

12           MR. DEXTER: Department of Energy has  
13           no comment on the motion.

14           CHAIRWOMAN MARTIN: Okay. Thank you.  
15           Mr. Taylor, anything else?

16           MR. TAYLOR: No. I appreciate you  
17           hearing me on our motion.

18           As to the Consumer Advocate's  
19           suggestion, I don't have a position on that at  
20           this point. I have not encountered the sort of  
21           situation that he's laid out for the Commission.  
22           And I think that's something that we can take up  
23           as a legal matter if and when it arises.

24           CHAIRWOMAN MARTIN: Okay. Thank you.

1 Did you have other issues, before we hear initial  
2 positions?

3 MR. TAYLOR: I do not.

4 CHAIRWOMAN MARTIN: Okay. Mr. Kreis,  
5 anything?

6 MR. KREIS: Nothing from me, Madam  
7 Chairwoman.

8 CHAIRWOMAN MARTIN: Mr. Dexter?

9 MR. DEXTER: Nothing from Department of  
10 Energy.

11 CHAIRWOMAN MARTIN: Okay. I will add,  
12 at a high level, from the Commission's  
13 perspective, and Commissioner Goldner can jump in  
14 on this, but just to give you a highlight of some  
15 of the changes. As you're seeing today, there  
16 are some changes. The scope of the prehearing  
17 conference is broader than it has been  
18 historically, in part, because of scheduling,  
19 issues related to being separated during  
20 restructuring, in part, because of issues raised  
21 by parties.

22 But I would like to highlight that the  
23 Commission is considering, in cases such as  
24 these, with significant issues, adding an

1 additional hearing point at some point, midway or  
2 so through the process.

3 And, so, as you put together your  
4 proposed procedural schedule, I just wanted you  
5 to be aware that the Commission also is looking  
6 at the case, the procedure, and what might be  
7 needed for the Commission to do its job.

8 Commissioner Goldner, do you have  
9 anything you want to add to that?

10 COMMISSIONER GOLDNER: No.

11 CHAIRWOMAN MARTIN: Okay. Any  
12 questions?

13 MR. TAYLOR: I have a question.

14 CHAIRWOMAN MARTIN: Okay. Mr. Kreis  
15 had his hand up. So, I'm going to go with him  
16 first. I'll come back to you.

17 MR. KREIS: I got in first? Thank you.

18 Let me say, on behalf of the OCA, that  
19 I'm very pleased to hear that the Commission is  
20 taking a rigorous look at all of the processes  
21 and procedures that have governed administrative  
22 proceedings at the PUC in the past. Because, as  
23 you know, as everybody here knows, the statutory  
24 changes that went into effect on July 1st, and

1 including the creation of the Department of  
2 Energy, that makes this an excellent occasion to  
3 revisit essentially everything. And we shouldn't  
4 squander that opportunity. And it sounds like  
5 you know that and are not going to squander it.

6 I'm a little worried, though, about  
7 piecemeal and *ad hoc* decision-making that will  
8 have long-term implications for everybody who  
9 either works for or practices in front of the  
10 PUC. And, so, what I would respectfully suggest  
11 that the Commission do is open a rulemaking  
12 proceeding, and consider these changes that  
13 you're thinking about as potential amendments or  
14 modifications to the Puc 200 rules.

15 Chairwoman Martin, you just mentioned  
16 adding a hearing to the middle of rate cases.  
17 That's an intriguing idea. But I have no idea  
18 what you want to hear at such a hearing. I'm  
19 very curious and intrigued.

20 I would like conversations like that to  
21 take place (a) in public, (b) informally, at  
22 least first, and the rulemaking process allows  
23 for that, and (c) in a way that really allows  
24 everybody to work together to make sure that

1           whatever new traditions, procedures, rules,  
2           customs, and, if necessary, statutory changes are  
3           implemented in a way that work for everybody, and  
4           achieves a kind of Pareto optimality, so that  
5           utility regulation works really well in New  
6           Hampshire.

7                         CHAIRWOMAN MARTIN: Thank you, Mr.  
8           Kreis.

9                         And I can say for sure we will be doing  
10           a rulemaking. The changes that were brought  
11           about by HB2 essentially require that, because we  
12           need to make modifications. That has to be done  
13           in collaboration with the Department of Energy  
14           process, because they are now reliant upon some  
15           of those rules that are in the 200s. So, that  
16           needs to be coordinated, and, unfortunately, will  
17           not be immediate.

18                        I think, to share a little more  
19           information about the thinking there, and I agree  
20           with you, developing new requirements would be  
21           best done in a rulemaking, and would allow for  
22           input. And, so, that will definitely be  
23           happening.

24                        But, in the interim, I just wanted to

1 highlight that for you, that the Commission is  
2 looking to make sure that it's getting the  
3 information that it needs. To the extent it gets  
4 that information, that the parties have the  
5 opportunity to be heard related to any  
6 information that the Commission has, and also  
7 just to have the Commission get an update on  
8 where the case is. And we're looking to be as  
9 efficient as possible, to have the timelines be  
10 as short as possible, so cases can be completed  
11 in as timely a manner as possible, and all of  
12 those things are goals that we're hoping to reach  
13 in the going forward. So, these are just some of  
14 the things that we're looking to put in place, at  
15 least temporarily, while we move forward.

16 Mr. Dexter, do you have any comments?

17 MR. DEXTER: No. I guess I have  
18 curiosity, like Attorney Kreis does. And I  
19 apologize if I'm not hearing everything. I think  
20 I am. But I thought I heard Chairwoman say that  
21 the Commission is considering inserting a hearing  
22 sort of in the middle of this case, whereas,  
23 traditionally, the hearings would be held at the  
24 end of the case. Did I get that right?

1                   CHAIRWOMAN MARTIN: Not necessarily in  
2                   the middle. But, at some point, between the  
3                   beginning and the end, yes.

4                   MR. DEXTER: Okay. Sure. Would that  
5                   be a -- so, my question is -- that's what I  
6                   thought I heard. But my question would be, would  
7                   that be more of a procedural, you know, where do  
8                   we stand, a more further narrowing of the issues,  
9                   like maybe a second prehearing conference? Or  
10                  would that be a hearing where the Commission has  
11                  now looked at the case, looked at, you know,  
12                  reports or whatever that are filed with the  
13                  Commission, and say "We have some questions, we  
14                  think it would be appropriate for us to ask some  
15                  questions"? Would it be more that type of  
16                  hearing?

17                  CHAIRWOMAN MARTIN: I think it would be  
18                  a combination of both of those things.  
19                  Potentially, it depends on the scenario. And I  
20                  would envision a scoping, some sort of scoping  
21                  established in a written order or letter in  
22                  advance of that hearing.

23                  And, Mr. Taylor, I apologize.

24                  MR. DEXTER: Okay. Thanks. Just

1           curious. And, yes. I don't have any further  
2           comments on that.

3                   CHAIRWOMAN MARTIN: Okay. I apologize,  
4           I overlooked you.

5                   MR. TAYLOR: Oh. No, quite all right.  
6           My question was really born of the same curiosity  
7           that Attorney Kreis and Attorney Dexter had,  
8           regarding the hearing. And, if we were to be  
9           thinking of our procedural schedule, you know,  
10          how might that fit in there. And knowing the  
11          intent of the hearing, it's helpful.

12                   It sounds a bit like what you're  
13          describing is I guess what, in the parlance of  
14          the courts, would be a "status conference". I  
15          don't know if it is intended to be something  
16          different than that, but something of a check-in  
17          in the case. And we can work with the parties on  
18          that.

19                   CHAIRWOMAN MARTIN: I used the word  
20          "status conference", and that did not get the  
21          best response. So, I think it's broader than a  
22          status conference perhaps, and that would come  
23          out in the scoping. So that we're very aware of  
24          the notice that needs to be provided regarding a

1 hearing and what might be expected at it, and  
2 that would certainly be provided. But, depending  
3 upon the case, it may be broader than just  
4 status.

5 MR. TAYLOR: Thank you.

6 CHAIRWOMAN MARTIN: Okay. Anything  
7 else, before we go to initial positions?

8 *[No verbal response.]*

9 CHAIRWOMAN MARTIN: All right.

10 Mr. Taylor.

11 MR. TAYLOR: Thank you.

12 This is Northern Utilities, Inc.'s  
13 first New Hampshire rate case in four years. And  
14 to state the obvious, we've seen some significant  
15 changes and events during the interim. We  
16 continue to work against the backdrop of the  
17 ongoing professional and personal challenges of  
18 the COVID-19 pandemic. We think that the  
19 Commission, the Department of Energy, and the  
20 Consumer Advocate have worked well together  
21 notwithstanding these conditions. And we are  
22 very happy to be back in the hearing room with  
23 you today.

24 This is also Northern's first case

1 filed after the creation of the Department of  
2 Energy earlier this summer, and its first  
3 appearance before Commissioner Goldner. Northern  
4 appreciates the opportunity to present its case  
5 to the Commission, and looks forward to working  
6 with the parties to provide a full and developed  
7 record for the Commission's consideration.

8 Northern filed its case on August 2nd.  
9 And this is, in many respects, a straightforward  
10 and traditional case, in which the Company seeks  
11 an increase in temporary and permanent rates, to  
12 mitigate earnings attrition, and recover costs  
13 associated with significant capital investments.

14 The case includes a request for a  
15 multiyear rate plan, similar in structure to the  
16 plans approved by the Commission in the Company's  
17 last two rate cases, DG 17-070 and DG 13-086.

18 In addition to the more traditional  
19 components of the rate case, Northern is also  
20 proposing a full revenue decoupling mechanism, as  
21 directed by the Commission in Docket DE 15-137,  
22 and an Arrearage Management Program to assist  
23 customers in paying their bills.

24 Northern proposes an increase in total

1 annual revenues of \$7,782,950 for service  
2 rendered on and after September 1st, 2021. This  
3 represents an increase of 8.1 percent in total  
4 revenues over present rates, after accounting for  
5 changes to other reconciling mechanisms. For  
6 example, lost base revenue and regulatory  
7 assessments, which are currently collected  
8 through reconciling mechanisms, will be rolled  
9 into base distribution rates.

10 The overall rate of return in the  
11 Company's permanent rate request is 7.75 percent,  
12 which includes a requested return on equity of  
13 10.3 percent. As we've explained in our filing,  
14 this is on the lower end of the range recommended  
15 by our expert, and reflects an effort by the  
16 Company to mitigate rate increases.

17 The Company's last base rate case,  
18 which used a *pro forma* test year for the period  
19 ending December 31st, 2016, was resolved by a  
20 comprehensive settlement agreement approved in  
21 May of 2018. Since that time, the Company has  
22 invested significant capital in New Hampshire.  
23 From the time that Northern filed its last rate  
24 case, to the time that it filed the one now

1 before you, the Company invested approximately  
2 89 million in its distribution system. And,  
3 while the settlement in the last rate case  
4 allowed for two annual step adjustments, almost  
5 64 million, or approximately 73 percent, of the  
6 Company's capital investments since the last rate  
7 case filing have not been recovered through any  
8 rate mechanism. Moreover, Northern's earned  
9 return on equity has remained well below the 9.5  
10 percent approved in the last rate case, and was  
11 under 8 percent as of the fourth quarter of the  
12 2020 test year. Northern's revenue deficiency in  
13 this case is largely driven by those unrecovered  
14 capital costs.

15 Now, this is not to say that the rate  
16 plan approved by the Commission in DG 17-070 has  
17 not been effective. That rate plan, as well as  
18 the rate plan that preceded it, enabled the  
19 Company to commit capital and resources for the  
20 benefit of our customers, and extend the period  
21 of time between formal rate case filings. The  
22 Company is therefore proposing in this case a  
23 rate plan that is structurally similar to the one  
24 approved in its last case, albeit with three

1 annual step adjustments instead of two. In  
2 addition to the permanent rate base increase --  
3 sorry, permanent base rate increase, Northern is  
4 proposing three annual step adjustments to  
5 recover fixed costs associated with nongrowth  
6 investments in the calendar years 2021, 2022, and  
7 2023.

8 These steps would include, among other  
9 things, costs related to replacement programs,  
10 such as pipe replacement programs, system  
11 improvements, highway projects, asphalt  
12 restoration, and other nongrowth-related  
13 projects.

14 As with previous rate plans, the plan  
15 proposed includes certain customer protections,  
16 including a rate case stay-out through the year  
17 2024, a rate cap limiting the cumulative revenue  
18 increase to 10.5 million, and an earnings sharing  
19 mechanism.

20 Northern is proposing a full revenue  
21 decoupling mechanism consistent with the  
22 Commission's order in DE 15-137. The Commission  
23 will recall that it directed New Hampshire  
24 utilities to seek approval of a decoupling or

1 other lost revenue recovery mechanism in its  
2 first distribution rate case after the first EERS  
3 triennium. This is the Company's first  
4 opportunity to make such a filing, to make such a  
5 proposal following that order.

6 The Company's proposed mechanism will  
7 reconcile monthly actual and authorized revenues  
8 per customer by rate class. The mechanism also  
9 proposes to limit the revenue decoupling  
10 adjustment to 2.5 percent of total revenues from  
11 delivered sales with revenue -- with revenue for  
12 externally supplied customers being adjusted by  
13 imputing the Company's cost of gas charges for  
14 that period. To help mitigate customer bill  
15 impacts, the cap would be applicable only to  
16 revenue shortfalls.

17 The Company is also proposing an  
18 Arrearage Management Program for qualifying  
19 residential financial hardship customers. Under  
20 the program, such customers will be offered  
21 enrollment in a budget billing payment plan, be  
22 referred to a Community Action Agency program for  
23 fuel assistance, and have a substantial amount of  
24 their arrearage forgiven. This program will

1 assist customers in effectively managing payments  
2 and avoiding future arrearages, and is especially  
3 important in light of the ongoing COVID-19  
4 pandemic.

5 Finally, as we've already discussed,  
6 Unitil is seeking to institute temporary rates  
7 effective for service rendered on and after  
8 October 1st, 2021, and until the final order is  
9 issued on permanent rates. The requested  
10 temporary rate increase is \$3,220,742 in annual  
11 revenues, or 3.6 percent above present rates,  
12 resulting in a temporary rate increase of 0.0876  
13 per therm for the residential rate classes, and  
14 0.0279 per therm for customer [commercial?] and  
15 industrial rate classes. And that can be found  
16 in Schedule CGDN-4.

17 It's imperative that the Company be  
18 granted temporary rate relief effective October  
19 1st, 2021 to promptly address the attrition in  
20 earnings resulting from increased capital  
21 spending and inflationary pressure on operating  
22 expenses. As noted previously, the Company was  
23 significantly under-earning relative to its  
24 allowed ROE as of the last quarter of 2020, 7.83

1           percent to be exact, or about 170 basis points  
2           below its allowed return. The Company  
3           anticipates that increased expenditures over the  
4           coming months could exacerbate the situation.

5                       The Commission has traditionally  
6           granted temporary rates to the Company, typically  
7           within two months of filing its rate case, and  
8           should do so in this case to allow the Company  
9           temporary relief, and also to allow for a gradual  
10          transition to a permanent increase.

11                      Northern looks forward to working with  
12          the Department of Energy and the Office of the  
13          Consumer Advocate to answer any questions that  
14          they may have about the filing. And, similarly,  
15          we look forward to answering your questions.

16                      Thank you.

17                      CHAIRWOMAN MARTIN: Okay. Thank you,  
18          Mr. Taylor. Mr. Kreis.

19                      MR. KREIS: Thank you.

20                      I would like to set a positive tone as  
21          we embark on this particular rate case. I am  
22          always happy when Unitil and its operating  
23          companies file a rate case here in New Hampshire,  
24          because this is a company that does a really good

1           job of presenting rate cases. Their filing is  
2           thorough, it's thoughtful, and it lacks blarney,  
3           unlike what certain other companies do. So, it's  
4           a pleasure, and I mean that sincerely, to go  
5           through what the Company is proposing, and think  
6           about what they're asking for and how they have  
7           made the case for doing so.

8                     And when I see a rate case filing like  
9           this one, I have a high degree of optimism that  
10          at the end of the rainbow there will be a  
11          reasonable resolution that the parties agree to,  
12          and then very thoughtfully present to the  
13          Commission, so that you, too, will agree to it.  
14          So, I have a lot of optimism, and looking forward  
15          to working with the Company on this particular  
16          case.

17                    That said, I do want to highlight a few  
18          issues. And I think you can expect the Office of  
19          the Consumer Advocate to focus on, and maybe even  
20          obsess about, the issues that we are typically  
21          concerned with in a rate case.

22                    I've heard a lot from Mr. Taylor, you  
23          just heard a lot from Mr. Taylor, and indeed  
24          there's quite a bit in the rate case filing about

1 earnings attrition. And I just want to remind  
2 everybody, particularly the Commissioners, that  
3 earnings attrition is something that is a  
4 feature, not a bug, of the way we set rates in  
5 this state, and a powerful inducement to  
6 utilities becoming leaner, meaner, and more  
7 efficient. So, just because there is such a  
8 thing as "earnings attrition" doesn't mean that a  
9 utility could or should come before the  
10 Commission and say "Give us whatever we want and  
11 relieve us of the pressure to become more  
12 efficient and better at what we do."

13 I'm not saying that the Commission  
14 should ignore earnings attrition and never grant  
15 relief, so that earnings attrition abate  
16 somewhat, I'm just rebutting the implicit  
17 assumption in the Company's presentation that  
18 earnings attrition is a bad situation that the  
19 Commission is obliged to ameliorate in all  
20 instances.

21 I want to turn to the question of  
22 revenue decoupling. And revenue decoupling is  
23 extremely important to the Office of the Consumer  
24 Advocate. We played a key role, perhaps even the

1 key role, in Docket Number DE 15-137, in getting  
2 the utilities, who objected strenuously at the  
3 time, to agree that they would each present a  
4 revenue decoupling mechanism to you for approval  
5 at a certain agreed upon point in the future.  
6 And the reason we did that is that New Hampshire  
7 already had revenue decoupling in the form of the  
8 Lost Revenue Adjustment Mechanism that is part of  
9 the Energy Efficiency Resource Standard.

10 So, what you had was an LRAM, Lost  
11 Revenue Adjustment Mechanism, that was highly  
12 unfair to ratepayers, because it's a "heads I  
13 win/tails you lose" mechanism, essentially an  
14 upward ratchet in rates that makes all sorts of  
15 assumptions that are extremely generous to  
16 shareholders about the revenue that they  
17 allegedly lose to energy efficiency. Well, that  
18 seemed really bad and unfair to ratepayers. So,  
19 what we have argued for is something more  
20 symmetrical, a mechanism that allows for upward  
21 and downward adjustments to utility revenues, to  
22 take into account the effect of real and  
23 measurable changes in revenue that are  
24 attributable to energy efficiency.

1           So, the revenue decoupling proposal  
2           that the Company has made here deserves, and will  
3           receive from us, a skeptical evaluation. And,  
4           you know, right off the bat, the idea that the  
5           prime rate should be the rate that applies to any  
6           revenue deficiencies that go on the book as a  
7           result of decoupling. That's a flag right there  
8           that says that this proposal needs a very  
9           skeptical evaluation, and it will get it.

10           The other thing that I want to say is  
11           that, if there is no Energy Efficiency Resource  
12           Standard in New Hampshire, and right now, in my  
13           estimation, for a variety of reasons that I won't  
14           go into here, the EERS is on life support, if  
15           there is no Energy Efficiency Resource Standard,  
16           and no ratepayer-funded energy efficiency, then  
17           there is no need for any kind of revenue  
18           adjustment mechanism. And, so, we will not  
19           support a decoupling mechanism that persists in  
20           the face of no ratepayer-funded energy efficiency  
21           and no Energy Efficiency Resource Standard.

22           A few other issues that we think are  
23           important have to do with the propriety of a  
24           multiyear rate plan. You know, this has become a

1 habit of utilities and the Commission in recent  
2 years. And the idea of automatically putting in  
3 place three step adjustments after every rate  
4 case is something that I think is unreasonable.  
5 As Mr. Taylor pointed out, in the last rate case,  
6 we agreed to two step adjustments. I'm not sure  
7 I'm willing to do that anymore.

8 As I think about these multiyear rate  
9 plans, I see them, and this is an argument I have  
10 made in other dockets, I see them as a half-step  
11 in the direction of alternative forms of  
12 regulation, like performance-based regulation.  
13 And I think that, and this docket is probably not  
14 the docket to do that in, I think a generic  
15 investigation of whether we, as a state, are  
16 interested in alternative forms of regulation  
17 would be a worthy endeavor. So, we will give  
18 that multiyear rate plan, again, the skeptical  
19 scrutiny that it deserves.

20 We have already talked about a  
21 temporary rate. So, I won't go into that.

22 I have to respectfully disagree with  
23 the Company when they imply that their requested  
24 return on equity of 10.3 percent is a ratepayer

1 favorable development, because it represents the  
2 least they could possibly live with, or on the  
3 low end of the range that they think is  
4 reasonable, to maybe quote Mr. Taylor a bit more  
5 accurately. I think that's a very lavish return  
6 on equity. And, again, we'll give it the  
7 skeptical scrutiny that it deserves.

8 The OCA has learned that we need to  
9 look very rigorously at issues like depreciation,  
10 cost allocation, rate design, and we will do  
11 those things. And, while typically, in the past,  
12 the Staff of the Commission, and presumably now  
13 the Department of Energy, will deploy the  
14 laboring oar with respect to some of the nuts and  
15 bolts of revenue requirements. I'll just say  
16 that developing or using as a test year a  
17 12-month period in which this state was ravaged  
18 by the COVID-19 pandemic is maybe inevitable,  
19 given that the state continues to be ravaged by  
20 COVID-19 pandemic. But it does raise special  
21 issues and requires extra careful scrutiny about  
22 the propriety of the test year expenses and the  
23 extent to which *pro forma* adjustments are  
24 necessary. So, again, we will look at those.

1           As I think everybody knows, the Office  
2           of the Consumer Advocate was essentially dead in  
3           the water from roughly the point at which this  
4           case was filed until now. But we do have, as I  
5           said before, new -- two new analysts, and we've  
6           also launched a contract with outside consultants  
7           from Synapse Energy Economics, who will be  
8           working with us. And, so, we're back to  
9           something like full-strength, and look forward to  
10          being a vigorous and robust participant in this  
11          rate case. And, as I said at the beginning, I  
12          think that there's a good chance that we'll come  
13          to a good place at the end of the rainbow.

14                   CHAIRWOMAN MARTIN: Thank you, Mr.  
15          Kreis. Mr. Dexter.

16                   MR. DEXTER: Thank you, Chairwoman  
17          Martin.

18                   The Department of Energy will  
19          investigate this case much the way it did when we  
20          were in the Commission Staff, at least that's our  
21          plan. We have begun the investigation of the  
22          case as filed. And I will highlight today some  
23          issues that we plan to investigate further, and  
24          the reasons therefor, are based on what we've

1           seen so far.

2                         Starting with return on equity. This  
3 case presents a recommended return on equity of  
4 10.3 percent. The Department of Energy believes  
5 that that is out of line with recent Commission  
6 precedent, of which there is a lot. There have  
7 been a number of rate cases filed within the last  
8 five years, none of which has an approved or a  
9 settled return on equity above 10 percent. The  
10 Department of Energy will be seeking Commission  
11 to approve something more in line with recent  
12 precedent.

13                         In this instance, in developing the  
14 overall weighted cost of capital, Northern  
15 Utilities has applied an average test year  
16 capital structure, meaning they have analyzed the  
17 debt and equity balances over the course of the  
18 test year. Recent precedent calls for the use of  
19 a year-end capital structure, consistent with the  
20 use of a year-end rate base. The Department of  
21 Energy will be investigating the effect of this  
22 change and the reasons behind it. We will point  
23 out at this point that Northern Utilities had a  
24 significant debt issuance in September of the

1 test year. And, by using a year-end -- by using  
2 an average capital structure, the effect of this  
3 debt issuance gets diluted a bit versus a  
4 year-end capital structure. So, we will be  
5 investigating the appropriateness of the timing  
6 point of the capital structure, year-end versus  
7 average.

8 Gas utilities set their rates based on  
9 normal weather appropriately, given the swings in  
10 the weather from year to year. The precedent for  
11 gas utilities in New Hampshire is to make that  
12 adjustment based on 30 -- I'm sorry, 30 years of  
13 heating data, weather data. In this case,  
14 Northern has switched from that method to using  
15 20 years of heating data. Again, a change in  
16 precedent that the Department of Energy will be  
17 looking at.

18 I will note that, in the last rate  
19 case, the weather normalization adjustment was in  
20 the area of \$900,000. In this case, it's in the  
21 area of \$2 million. We don't know whether that  
22 essential doubling of the weather adjustment is  
23 due to the change in the underlying weather  
24 database or not, but that's something that we

1 will be looking at.

2 This case contains a number of  
3 adjustments to operation and maintenance  
4 expenses, which would have rates based on O&M  
5 levels that go out to 2022. This case was filed  
6 in August of 2021, based on a test year of 2020.  
7 Temporary rates, to the extent they're approved,  
8 would go into effect somewhere around September  
9 1st, October 1st, November 1st, somewhere in that  
10 timeframe. And, through the provisions of  
11 recoupment, the permanent rates will reconcile  
12 back to that temporary rate date.

13 For that reason, Commission precedent  
14 has been not to accept adjustments of operation  
15 and maintenance that go out more than 12 months  
16 beyond the test year. In this case, that  
17 would -- the precedent would allow for  
18 adjustments that -- or, increases that are  
19 projected to occur in 2021, but not 2022.

20 The proposal the Company has made  
21 includes over \$700,000 of increases in payroll  
22 that are projected to occur in 2022. That's  
23 before allocations to capital, but nevertheless a  
24 significant number. We believe that that is

1           contrary to precedent, and we will be looking for  
2           reasons why that might be appropriate in this  
3           case as the Company has requested.

4                     The same is true for related medical  
5           and dental insurance increases. They are  
6           projected by the Company through 2022.

7                     Casualty and property insurance are in  
8           the same situation. Again, before allocations to  
9           capital, the Company has projected increases of  
10          over \$800,000 in these insurance expenses out in  
11          2022.

12                    The Company's request also includes a  
13          \$165,000 for inflation, projected out to August  
14          of 2022. Inflation adjustments have  
15          traditionally not been accepted by the Commission  
16          as not known and measurable, and also due to the  
17          fact that general inflation can be controlled by  
18          the company through corresponding productivity  
19          savings.

20                    The Company's request includes over  
21          \$300,000 for a supplemental executive retirement  
22          plan. Traditionally, these plans have been  
23          borne -- the cost of these plans have been borne  
24          by shareholders, and not ratepayers, and that

1 will likely be the Department of Energy's  
2 position in this case pending investigation.

3 Picking up on what Mr. Kreis said, this  
4 test year is the COVID year, the pandemic year.  
5 We've noticed that the Company has done a number  
6 of things in their case to account for that. For  
7 instance, some traditional adjustments that are  
8 based on test year averages have been moved, so  
9 that the analysis is based on 2019 as being more  
10 representative of a normal year, estimating bad  
11 debt expenses is an example of that.

12 We did notice that Northern has removed  
13 as one-time anomalous costs \$107,000 in pandemic  
14 costs. We will be investigating that \$107,000 to  
15 see what it consists of, and whether or not that  
16 is comprehensive, and also to see how the Company  
17 might have treated any savings that occurred  
18 during the pandemic test year as well.

19 We have looked at the Company's request  
20 for increases in payroll taxes, which is typical  
21 in a case where there are payroll increases  
22 projected, payroll taxes are adjusted along with  
23 that. However, many of the Company's employees  
24 are at a level where their changes to their

1 payroll are not subject to increases in Social  
2 Security taxes, in other words, they have hit  
3 that maximum, and that maximum cap does not seem  
4 to be reflected in the Company's proposal. That  
5 is something we will be looking at to see if that  
6 is correct. And, if it's not, to make sure that  
7 that cap is reflected.

8 The Company has proposed a full  
9 decoupling clause, as the counsel has recommended  
10 or has mentioned. Attorney Taylor mentioned that  
11 the annual adjustments under the decoupling  
12 mechanism would be capped at 2.5 percent, to  
13 smooth out rate impacts that might result from  
14 decoupling. This 2.5 percent is what's referred  
15 to as a "soft cap", in that, if adjustments above  
16 the 2.5 percent are warranted by the mechanism,  
17 the excess is being proposed to be deferred and  
18 collected later on from customers with interest.  
19 The Department of Energy will be looking at  
20 whether or not it's more appropriate that that  
21 2.5 percent be a hard cap, such that  
22 reconciliation above the cap does not take place,  
23 therefore, again, providing incentives for the  
24 Company for productivity and cost containment.

1           It's also important that the decoupling  
2           mechanism as it's implemented result in a  
3           phase-out of the lost base mechanism that's  
4           currently in place, to be sure that there is no  
5           over-collection of lost base revenues. The  
6           Company has laid out a detailed schedule for  
7           transitioning from LBR recovery to decoupling  
8           recovery. The Department of Energy will be  
9           looking at that schedule in detail, to make sure  
10          that the dates line up and that things happen at  
11          the right time.

12           We note that the three-year rate plan  
13          that the Company mentioned is generally longer  
14          than what's been approved for gas companies  
15          recently. We have seen some cases with,  
16          including Northern's last case, where two step  
17          adjustments were approved, rather than three. I  
18          believe the recent Liberty case did include a  
19          third step adjustment. So, we will be looking to  
20          see how Northern's proposal for a three-year step  
21          adjustment and a stay-out provision until 2024  
22          lines up with the circumstances and the precedent  
23          at hand.

24           The Company has proposed an Arrearage

1 Management Plan. It's consistent with the  
2 corresponding proposal in the electric side,  
3 Unitil's electric side. They have a rate case  
4 pending right now.

5 Although, we will point out that the  
6 Company has sought recovery of a full-time  
7 employee to administer the Arrearage Management  
8 Program in the electric case, and, in the gas  
9 case, it appears that they have sought recovery  
10 of about 20 percent of that same employee. So,  
11 the Department of Energy will be looking at both  
12 cases together to make sure that ratepayers  
13 aren't paying for 120 percent of an employee's  
14 salary. It's not a big item, but something that  
15 we caught in our preliminary investigation.

16 Those are the issues that we identified  
17 at this time for further investigation. And we  
18 will make use of the procedural schedule, the  
19 12-month suspension period that's provided under  
20 the statute. And we will be presenting testimony  
21 and getting back to the Commission on where we  
22 stand on these issues in a more -- after a more  
23 final and thorough review.

24 Thank you.

1 CHAIRWOMAN MARTIN: Thank you, Mr.  
2 Dexter.

3 Commissioner Goldner, do you have  
4 questions?

5 COMMISSIONER GOLDNER: Yes. Just in  
6 the spirit of the new process, maybe we can talk  
7 a little bit about that up front. So, I have a  
8 few areas of interest that I'd like to discuss,  
9 if appropriate, in the spirit of sharing some  
10 areas that at least I have some interest in.

11 I am aware that this is a prehearing  
12 conference, and this is not on the record. But,  
13 if the parties are open to sharing some areas of  
14 concern, I could certainly do that today. And,  
15 if not, we can pursue these areas down the road,  
16 or in a record request.

17 CHAIRWOMAN MARTIN: Commissioner  
18 Goldner, I just want to clarify. It is on the  
19 record, but there are not witnesses, and there's  
20 no evidence. So, I think, if you want to ask  
21 your questions, and then counsel can let you know  
22 if they have any concern with those questions.

23 COMMISSIONER GOLDNER: Okay. Very  
24 good.

1           So, when I was looking at the Petition,  
2           the testimony, I observed that the Company's  
3           proposal for their overall rate of return was  
4           discussed in some locations, in significant  
5           detail, relative to the return on equity. But  
6           there was only limited discussion on the cost of  
7           debt in the Diggins/Francoeur testimony.

8           In the context of a market where debt  
9           costs are at all-time lows, I'm interested to  
10          know if there has been any additional  
11          consideration given to the cost of debt, both in  
12          the market, and I know that there was an issuance  
13          in September of the test year, within the market  
14          as a percentage, in sense -- you know, in the  
15          sense of the capital structure? So, in other  
16          words, today your capital structure is, I think,  
17          47/53. I'm interested to know if there, in the  
18          spirit of this low-debt environment -- low-cost  
19          debt environment, if there's been an effort to  
20          increase the percentage of debt, as it relates to  
21          equity?

22                 MR. TAYLOR: Well, I guess my first  
23                 response to the question is, we don't have Mr.  
24                 Diggins or Mr. Francoeur on the line today, and

1           they can certainly -- they're the experts on  
2           those issues.

3                         Just so I understand your question, are  
4           you asking if the Company is contemplating some  
5           sort of additional action with respect to debt?  
6           Or, are you asking if the Company is, I guess,  
7           considering some sort of artificial adjustment to  
8           the capital structure that it's provided?

9                         COMMISSIONER GOLDNER: I'm most  
10          interested in specific actions as it relates to  
11          the capital structure, in other words, the  
12          issuance of additional debt. And then, the  
13          relationship that that would have on the capital  
14          structure as it exists in the rate case. So, I  
15          would expect that to be reflected.

16                        CHAIRWOMAN MARTIN: Commissioner  
17          Goldner, I saw Mr. Epler's hand up. And I think  
18          you may be slightly soft spoken. If you wouldn't  
19          mind repeating?

20                        COMMISSIONER GOLDNER: Okay. Yes. The  
21          question and the answer was around looking at the  
22          actual issuance of additional debt, given the  
23          ability to issue debt in today's environment at a  
24          very low cost.

1 MR. TAYLOR: So, I don't have any  
2 information to answer that question today.

3 I can say that, in prior cases, I'm not  
4 sure about here in New Hampshire, but, for  
5 example, in -- I can think about one case in  
6 Maine, where there has been some activity during  
7 the pendency of the rate case that impacted the  
8 capital structure, and then that was  
9 subsequently -- a change was subsequently made.

10 And, so, I think that, if there were  
11 some sort of change to be made during the course  
12 of the rate case, we would certainly bring that  
13 to the attention of the Commission and the other  
14 parties.

15 COMMISSIONER GOLDNER: Okay. But, just  
16 to clarify, there's no current push to increase  
17 the percentage of debt, as it relates to equity?  
18 Right now, the 47/53 ratio I think is the current  
19 plan, both -- it's both what currently exists and  
20 the plan in the future?

21 MR. TAYLOR: Yes. We have no plans at  
22 this time to change that capital structure as  
23 it's been presented to the Commission.

24 COMMISSIONER GOLDNER: Okay. Thank

1           you.

2                       I have some offbeat questions that I'd  
3           like to explore a little bit. And you're in a  
4           unique position, I think, to be able to answer  
5           this question. But, when you look at the cost of  
6           a unit of energy and your gas supply relative to  
7           electricity, recognizing that gas is not as  
8           flexible as electricity, you know, which one is  
9           cheaper, when you look at the actual cost of  
10          energy created?

11                      And I realize I'm asking questions at a  
12          prehearing conference that maybe people aren't  
13          prepared to answer. But I want to get out there  
14          some of the areas of interest that I have at  
15          least as the case moves forward.

16                      In other words, if the cost is  
17          producing a unit of energy of gas cheaper or more  
18          expensive than electricity?

19                      MR. TAYLOR: I am not in a position to  
20          answer that question today. I think it's an  
21          interesting question. And I certainly appreciate  
22          you sharing these things with us. You know, it's  
23          certainly something that we can talk about  
24          internally and give some consideration to. But

1           that's not a data point that we've prepared or  
2           are prepared to discuss today.

3                       COMMISSIONER GOLDNER:  I understand.  I  
4           understand.

5                       On the topic of the step adjustments,  
6           there was various capital additions in there.  Is  
7           there a place that you can point me to for the  
8           proposed accounting treatment for the  
9           depreciation?  I was trying to understand that  
10          piece of it a little bit better and couldn't find  
11          that in the existing record.

12                      So, it's the accounting treatment for  
13          depreciation in those step adjustments.  Is there  
14          a place I can go for that in the record?

15                      *(Atty. Taylor conferring with Mr.*  
16                      *Nawazelski and Mr. Goulding.)*

17                      MR. TAYLOR:  If you don't mind giving  
18          us a moment, we're going to see if we can find  
19          that for you.

20                      COMMISSIONER GOLDNER:  Thank you.

21                      *(Short pause.)*

22                      MR. GOULDING:  All right.  So, in the  
23          Schedule CGDN-2, there's a footnote on the  
24          bottom, Footnote 2, it's Bates Page -- I don't

1 have the Bates page on this one.

2 Bates Page 191. We've calculated the  
3 estimated depreciation expense based on the  
4 average depreciation rate for all the assets that  
5 are currently on the system.

6 So, if you continue on that same page,  
7 you'll see, on Line 18 and 19, it takes the  
8 utility plant additions and multiplies it by the  
9 average book depreciation rate of 3.73 percent to  
10 come up with the book depreciation.

11 COMMISSIONER GOLDNER: Okay. Thank  
12 you.

13 And I did see in the KS/CL testimony,  
14 Attachment 2, --

15 MR. DEXTER: Commissioner Goldner and  
16 Chairwoman Martin, I'm sorry to interrupt. I  
17 just couldn't hear that question. I heard  
18 something about "accounting for 2022", and I  
19 didn't really hear any of Mr. Goulding's answer,  
20 except for to go to "Bates 191".

21 And I sincerely apologize for  
22 interrupting. I just wish -- I wonder if I could  
23 just get a quick repeat of that question and  
24 answer?

1 CHAIRWOMAN MARTIN: Don't apologize for  
2 interrupting. Please interrupt as soon as you  
3 can't hear something. And I think you didn't  
4 miss too much, because there was a pause while  
5 they were looking for the information.

6 But if you can provide a recap? It  
7 sounds like you picked up the Bates page.  
8 Mr. Taylor, can you recap anything else that was  
9 said?

10 MR. TAYLOR: I would ask Mr. Goulding  
11 to recap what he said. The Bates page was Bates  
12 Page 191. And if you need a minute -- are you  
13 there or do you need a minute to get there, Paul?

14 MR. DEXTER: I'm at Page 191.

15 MR. GOULDING: Okay. So, the question  
16 was about how the depreciation was being captured  
17 for the step increases. And what I was saying  
18 was, on Bates Page 191, Line 18 is the "Utility  
19 Plant Additions" in the step increase, and Line  
20 19 is the "Book Depreciation Rate" that we're  
21 using of "3.73 percent", to give you the book  
22 depreciation expense. And that book depreciation  
23 rate, you'll see in Footnote 2, it's the average  
24 depreciation rate for all of the assets on the

1 system.

2 MR. DEXTER: Thank you very much.

3 COMMISSIONER GOLDNER: Thank you. I  
4 just have a couple more questions.

5 So, I was interested in the Company's  
6 approval projects -- approval process for  
7 projects that are large, let's call it projects  
8 that are over a million dollars. Is there -- is  
9 there documentation on the Company's process or  
10 maybe can somebody explain the Company's process  
11 for approval of large projects?

12 MR. TAYLOR: The people who could  
13 explain that process are Witnesses Sprague and  
14 Leblanc. They're not with us today. We  
15 typically don't bring our full complement of  
16 witnesses to the prehearing conference.

17 Whether it's included in all of the  
18 information we've provided so far, or whether it  
19 has been provided in discovery, I can't tell you  
20 off the top of my head. You know, we're happy to  
21 look into that and bring it to the Commission's  
22 attention, or, you know, we can certainly tell  
23 you about it at the hearing in this case as well.

24 COMMISSIONER GOLDNER: Yes. That's

1 fine. The reason for the question is, when you  
2 look at the growth in the capital over those last  
3 seven or ten years, it's an average of something  
4 like 10 percent a year, which is significant.  
5 So, I'm trying to understand the capital growth,  
6 where the approvals are coming from, and why that  
7 growth is so large. So, that's just the spirit  
8 of, as we get farther down the road in the rate  
9 case, something that I'd be interested in hearing  
10 more about.

11 And sort of in that same vein, does the  
12 Company have a long-term capital plan, you know,  
13 say five to ten years, where you have the capital  
14 laid out that you need in the long term, and what  
15 the consequent rate base would look like over  
16 time? Is that something that the Company -- that  
17 the Company does as part of their long-term  
18 planning process?

19 MR. TAYLOR: Again, I'm not the expert  
20 in the long-term planning process. And I don't  
21 recall if it's discussed explicitly in the  
22 testimony of Mr. Sprague or Mr. LeBlanc.

23 I know that we do provide our five-year  
24 capital budgets looking forward. I'm not sure if

1           you're looking for something in addition to the  
2           capital budgets, a different sort of analysis.

3                       But, you know, again, I'm not the  
4           witness that can explain that to you. But, you  
5           know, I think it's -- knowing that it's something  
6           that you're interested in, if it's not already in  
7           the filing, I expect we'll hear more about it.

8                       COMMISSIONER GOLDNER: Okay. Thank  
9           you. Yes. Just in the spirit of the rate case,  
10          I'm sure you have a long-term capital process.  
11          I'm sure that there's a lot of work that goes  
12          into laying out what that looks like in the  
13          future, and then there's calculations that show  
14          what that looks like from a ratepayer  
15          perspective, given that capital structure in the  
16          future. And just given the backdrop of a 10  
17          percent sort of cumulative increase, or annual  
18          increase, that's been, you know, accumulated over  
19          these years, I'm wondering if that tails off or  
20          accelerates? So, that's the spirit of the  
21          request.

22                      MR. TAYLOR: I understand.

23                      COMMISSIONER GOLDNER: Thank you.

24          That's all, Chairwoman.

1 CHAIRWOMAN MARTIN: Okay. Thank you.  
2 I just have one follow-up question.

3 We heard about the weather and the  
4 change to 20 years. Was that based upon some  
5 analysis? Is that somewhere in the filing that  
6 you can point me to or explain?

7 *(Atty. Taylor conferring with Mr.*  
8 *Goulding.)*

9 MR. TAYLOR: I do know that it was  
10 based on some analysis. Whether -- I can't  
11 recall off the top of my head whether it's  
12 addressed specifically in the testimony, and I  
13 apologize for that. But it certainly was not a  
14 change that we made arbitrarily. It's a change  
15 that would have been backed by some thought and  
16 analysis.

17 CHAIRWOMAN MARTIN: Okay. Thank you.  
18 I was just looking to see if you had that  
19 information and could point me to it or not. But  
20 we can follow up on that.

21 Mr. Epler, did you have your hand up?

22 MR. EPLER: Yes, I did. I was just  
23 going to direct Commissioner Goldner to Bates  
24 Page 320, in the testimony of Messrs. Sprague and

1           Leblanc, where there begins a general description  
2           of the budgeting process. I thought that that  
3           might be helpful as a starting point.

4                     And, certainly, if you, once you had an  
5           opportunity to review that, and you have  
6           additional questions, we'd be happy to respond to  
7           those. I wanted to give you a direct area to  
8           review.

9                     COMMISSIONER GOLDNER: Thank you.

10                    CHAIRWOMAN MARTIN: Mr. Epler, can you  
11           say the page again? I apologize, I missed it.

12                    MR. EPLER: Yes. That was Bates  
13           Page 320.

14                    CHAIRWOMAN MARTIN: Thank you. I  
15           appreciate that. Okay. Any other questions?  
16           Any follow-up?

17                    [No verbal response.]

18                    CHAIRWOMAN MARTIN: All right. Then,  
19           we are going to close this prehearing conference.  
20           I understand you all are going to follow up  
21           afterwards together. And we are adjourned.  
22           Thank you, everyone.

23                    ***(Whereupon the prehearing conference***  
24                    ***was adjourned at 2:52 p.m.)***