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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Petition for Waiver of Puc 307.05 and Authority to Change Short-Term Debt Limit Formula filing	<i>premarked</i>
2	Testimony of Jay E. Dudley, with Attachments	<i>premarked</i>
3	Rebuttal Testimony of Andre J. Francoeur and Christopher J. Goulding, with Attachments	<i>premarked</i>
4	<b>RESERVED - TO BE FILED</b> <i>(NH DOE to provide the Moody's Investors Service Outlook for September 7, 2023 Regarding Regulated Electric and Gas Utilities - U.S.)</i> <b>{CONFIDENTIAL &amp; PROPRIETARY}</b>	161

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

1  
2 CHAIRMAN GOLDNER: Okay. Good morning,  
3 everyone. I'm Chairman Goldner. I'm joined  
4 today by Commissioner Simpson and Commissioner  
5 Chattopadhyay. We're here this morning for a  
6 hearing in Docket DE 23-065. The authority to  
7 convene a hearing in this matter is provided by  
8 RSA Chapter 541-A and 369:7. We are considering  
9 testimony and evidence concerning the proposed  
10 waiver of Puc 307.05, and the authority to change  
11 the short-term debt limit formula.

12 Let's begin by taking appearances,  
13 beginning with the Company.

14 MR. TAYLOR: Good morning,  
15 Commissioners. Patrick Taylor, on behalf of  
16 Unitil Energy Systems, Inc.

17 CHAIRMAN GOLDNER: Thank you. And the  
18 New Hampshire Department of Energy?

19 MS. LYNCH: Good morning,  
20 Commissioners. My name is Molly Lynch. And I'm  
21 here representing the Department of Energy, along  
22 with Co-Counsel Paul Dexter, and Utility Analyst  
23 Jay Dudley.

24 Thank you.

1                   CHAIRMAN GOLDNER: Very good. Are  
2 there any preliminary issues that the parties  
3 wish to address today?

4                   MR. TAYLOR: None for the Company.

5                   MS. LYNCH: None for the DOE.

6                   CHAIRMAN GOLDNER: And would the --  
7 would the Company or the DOE, or both, like to  
8 make an opening statement, or jump right in  
9 today?

10                  MR. TAYLOR: I'm fine jumping right in.  
11 I'll reserve my comments for the closing  
12 statement.

13                  CHAIRMAN GOLDNER: Okay.

14                  MS. LYNCH: We can reserve our comments  
15 for the end as well.

16                  CHAIRMAN GOLDNER: Okay. Very good.

17                  The parties have premarked and numbered  
18 a number of the exhibits for the hearing today.  
19 Are there any additional exhibits the parties  
20 wish to submit at this time?

21                  MR. TAYLOR: Not from the Company.

22                  MS. LYNCH: The DOE just -- I realized  
23 that the header was incorrect on the original  
24 Exhibit 2. So, it's the same information, I just

[WITNESS PANEL: Goulding|Francoeur]

1 corrected the header.

2 CHAIRMAN GOLDNER: Thank you. Thank  
3 you very much. We did receive that. So, we're  
4 all set.

5 Okay. So, I think we're ready to go.  
6 Mr. Patnaude, when you're ready, can you please  
7 swear in the witnesses.

8 *(Whereupon **CHRISTOPHER J. GOULDING** and*  
9 ***ANDRE J. FRANCOEUR** were duly sworn by*  
10 *the Court Reporter.)*

11 CHAIRMAN GOLDNER: All right. Thank  
12 you. Attorney Taylor.

13 MR. TAYLOR: Thank you. I'm going to  
14 start with Mr. Goulding.

15 **CHRISTOPHER J. GOULDING, SWORN**

16 **ANDRE J. FRANCOEUR, SWORN**

17 **DIRECT EXAMINATION**

18 BY MR. TAYLOR:

19 Q Mr. Goulding, could us please give your name and  
20 position with the Company?

21 A (Goulding) My name is Christopher Goulding. I'm  
22 the Vice President of Finance and Regulatory for  
23 Unitil Service Corp. My responsibilities include  
24 all rate and regulatory filings, financial

[WITNESS PANEL: Goulding|Francoeur]

1 planning and analysis, treasury, budget, and  
2 insurance.

3 Q Mr. Goulding, have you previously testified  
4 before the Commission?

5 A (Goulding) Yes, I have.

6 Q Mr. Goulding, the Company has premarked Hearing  
7 Exhibit 1, which is the Company's initial filing,  
8 and Hearing Exhibit 3, which is the rebuttal  
9 testimony of you and Mr. Francoeur. Referring to  
10 Hearing Exhibit 1, the Company's initial filing  
11 from June 22nd, this filing includes testimony  
12 and schedules that you sponsored, correct?

13 A (Goulding) That's correct.

14 Q And was the testimony prepared by you or under  
15 your direction?

16 A (Goulding) Yes, it was.

17 Q And were the schedules or attachments that  
18 accompanied the testimony prepared by you or  
19 under your direction?

20 A (Goulding) Yes, they were.

21 Q Do you have any changes or corrections to the  
22 testimony or the accompanying schedules or  
23 attachments that you'd like to note on the record  
24 today?

[WITNESS PANEL: Goulding|Francoeur]

1 A (Goulding) No, I do not.

2 Q Referring to Exhibit 3, the Company's rebuttal  
3 testimony from November 17th, you're a sponsor of  
4 that rebuttal testimony and the accompanying  
5 attachment, correct?

6 A (Goulding) Yes.

7 Q And were the rebuttal testimony and attachment  
8 prepared by you or under your direction?

9 A (Goulding) Yes, it was.

10 Q Do you have any changes or corrections to the  
11 rebuttal testimony or the accompanying attachment  
12 that you'd like to note on the record today?

13 A (Goulding) No, I do not.

14 Q Do you adopt your initial testimony, rebuttal  
15 testimony, and the associated schedules as your  
16 sworn testimony today?

17 A (Goulding) Yes, I do.

18 Q Mr. Francoeur, could you please give your name  
19 and your position with the Company?

20 A (Francoeur) My name is Andre Francoeur, Manager  
21 of Financial Planning and Analysis with Unitil  
22 Service Corp.

23 Q And have you previously testified before the  
24 Commission?



[WITNESS PANEL: Goulding|Francoeur]

1 A (Francoeur) I have.

2 Q Referring to Hearing Exhibit 1, which again is  
3 the Company's initial filing, this includes  
4 testimony and schedules that you sponsored,  
5 correct?

6 A (Francoeur) Correct.

7 Q And were the testimony and schedules prepared by  
8 you or under your direction?

9 A (Francoeur) Yes.

10 Q Do you have any changes or corrections to the  
11 testimony or the schedules that you'd like to  
12 note on the record today?

13 A (Francoeur) Nope.

14 Q With respect to Hearing Exhibit 3, the rebuttal  
15 testimony from November 17th, you were a sponsor  
16 of that rebuttal testimony and the accompanying  
17 attachment, correct?

18 A (Francoeur) Yes.

19 Q Were the rebuttal testimony and the attachment  
20 prepared by you or under your direction?

21 A (Francoeur) Yes.

22 Q Do you have any changes or corrections to your  
23 rebuttal testimony or schedules that you would  
24 like to note on the record today?

[WITNESS PANEL: Goulding|Francoeur]

1 A (Francoeur) No.

2 Q And do you adopt your initial testimony, rebuttal  
3 testimony, and the associated schedules and  
4 attachments as your sworn testimony today?

5 A (Francoeur) Yes.

6 MR. TAYLOR: I have no further  
7 questions for the witnesses.

8 CHAIRMAN GOLDNER: Okay. Then, we'll  
9 move to the New Hampshire Department of Energy,  
10 any questions for the witnesses today?

11 MS. LYNCH: One second please.

12 *[Short pause.]*

13 MS. LYNCH: Yes, we have some  
14 questions.

15 **CROSS-EXAMINATION**

16 BY MS. LYNCH:

17 Q Turning to your Petition, Exhibit 1 -- one  
18 second, I'm sorry.

19 So, according to Exhibit 1, you are  
20 seeking to waive Puc 307.05, correct?

21 A (Goulding) That's correct.

22 Q I'm sorry. You're seeking to waive the  
23 Short-Term Debt Rule of Puc 307.05, correct?

24 A (Goulding) Yes. We're seeking an waiver of the

[WITNESS PANEL: Goulding|Francoeur]

1 rule.

2 Q And what does that rule provide?

3 MR. TAYLOR: Objection. The rule  
4 speaks for itself. It's something that the  
5 Commission has promulgated. The witness doesn't  
6 have to read it aloud into the record.

7 MS. LYNCH: If the DOE could respond?  
8 I think, though, I think it's -- we're here to  
9 develop the record. And kind of as further  
10 support for further questions, I think it's  
11 helpful for the record to discuss the rule, since  
12 that's what the Petition is based on.

13 MR. TAYLOR: So, are you asking the  
14 witness to recite the rule back to you?

15 MS. LYNCH: Or I can read the rule or I  
16 can help refresh their recollection, if that's  
17 appropriate?

18 MR. TAYLOR: That might be a better way  
19 to approach it.

20 MS. LYNCH: Okay.

21 BY MS. LYNCH:

22 Q So, Puc 307.05 provides that "No utility shall  
23 issue or renew any notes, bonds or...  
24 indebtedness payable less than 12 months after

[WITNESS PANEL: Goulding|Francoeur]

1 the date thereof if such short term debt exceeds  
2 10 percent of the utility's net fixed plant  
3 without prior commission approval pursuant to...  
4 201.05." Is that correct?

5 A (Francoeur) That is our understanding.

6 Q Uh-huh. And has Unitil sought a waiver of this  
7 rule in prior dockets?

8 A (Francoeur) Yes.

9 Q When was that?

10 A (Francoeur) The most -- the recently approved --  
11 the currently approved short-term debt limit was  
12 approved in 2009, for effect in 2010.

13 Q And what is the current formula for short-term  
14 debt that Unitil currently has?

15 A (Francoeur) Ten percent of net utility plant,  
16 based on the prior year's FERC Form 1, plus a  
17 constant of \$10 million, which takes effect  
18 June 1st of each calendar year.

19 Q And what is Unitil seeking in this docket?

20 A (Francoeur) Unitil is seeking a revised  
21 short-term debt limit, with a waiver of the rule,  
22 to be 20 percent of net utility plant from the  
23 trailing FERC Form 1, to be effective the same  
24 time as the current one.

[WITNESS PANEL: Goulding|Francoeur]

1 Q And is that waiver -- you're seeking a permanent  
2 waiver, is that correct?

3 A (Francoeur) Correct.

4 Q And that is what's different from the  
5 Department's recommendation in this matter,  
6 correct?

7 A (Francoeur) One of the differences.

8 Q Because the Department is seeking a temporary  
9 waiver, is proposing a temporary waiver?

10 A (Francoeur) That's our understanding.

11 Q And, so, in terms of dollars, do you have what  
12 Unitil's current short-term debt limit is right  
13 now, you know, notwithstanding why we're here  
14 today?

15 A (Francoeur) It's approximately \$40 million.

16 Q And, in terms of dollars, how much is Unitil  
17 seeking, if the Commission approves your  
18 Petition?

19 A (Francoeur) Be approximately \$60 million.

20 Q And what net plant figures are you using to come  
21 up with that amount?

22 A (Francoeur) The same figures that are from the  
23 FERC Form 1. The same sort of process that is in  
24 effect now.

[WITNESS PANEL: Goulding|Francoeur]

1 Q And I'm sorry, I'll rephrase. For what date?

2 A (Francoeur) So, for example, if the Petition was  
3 approved, we would look at the 2023 year-end net  
4 plant value, and rely on that balance, times 20  
5 percent, for our new short-term debt limit to be  
6 effective June 1 of 2024, would be our  
7 prospective cadence.

8 Q Okay. So, to get to that approximately 60  
9 million, what net -- you're using a net plant  
10 number. As of what date are you using that net  
11 plant number?

12 A (Francoeur) That's based on 2022, to the -- the  
13 balance -- bear with me for a second here.

14 Hearing Exhibit 1, Bates Page 023,  
15 shows that the proposed debt limit would be  
16 \$59.9 million, in Column (f), based on the net  
17 plant balance at year-end 2022, which is in  
18 Column (c), and pulled from the FERC Form 1.

19 Q But, if I'm looking at Column (f), Line 14, the  
20 date effective, so you're using the year for  
21 2022, is that correct?

22 A (Francoeur) Correct.

23 Q Okay. So, what would the figure be for this  
24 year, 2023, if you're using a net plant of 2023,

[WITNESS PANEL: Goulding|Francoeur]

1 because that's not included on that Bates page?

2 A (Francoeur) The net plant balance at year-end  
3 2023 is not known at this time.

4 Q But have you forecasted it?

5 A (Francoeur) I don't believe that's been provided  
6 in this testimony.

7 Q Let me rephrase the question. That's not what I  
8 asked. Have you forecasted it, what the net  
9 plant will be for the end of 2023?

10 A (Francoeur) We do have financial forecasts that  
11 project what UES's net plant balance would be.

12 Q Well, what is that?

13 A (Francoeur) I don't have that number on the top  
14 of my head right now.

15 Q Would you be able to get that number, if we took  
16 a break later?

17 A (Francoeur) Yes, most likely.

18 Q Okay. So, we have just discussed kind of that  
19 Unitil is requesting approximately 60 million  
20 pursuant to this Petition. Have you run the  
21 numbers of what the DOE's recommendation would  
22 be, in terms of dollars?

23 A (Francoeur) We believe it was approximately  
24 \$55 million.

[WITNESS PANEL: Goulding|Francoeur]

1 Q So, we're -- so, what's the difference between  
2 what the DOE, in terms of dollars, between what  
3 the DOE is recommending and what Unitil is  
4 proposing?

5 A (Francoeur) Would be approximate \$60 million that  
6 the Company is requesting, minus the 55 million  
7 approximate from the DOE, would be a difference  
8 of \$5 million.

9 Q Okay. Thank you.

10 A (Francoeur) You're welcome.

11 Q And, so, really, the only two differences that  
12 we're here today are that we're proposing a  
13 temporary, and we're 5 million less than what the  
14 Company is asking, is that correct?

15 A (Francoeur) Those are two of the final result  
16 differences from what the Company has requested  
17 from what the DOE has proposed. But the method  
18 and justifications for the Company's request,  
19 versus what the DOE's suggestion was based on,  
20 are very different.

21 Q But you haven't provided the Commission with the  
22 forecast for net plant beyond what we just  
23 referenced in Bates Page 023, is that correct?

24 A (Francoeur) No. Again, I don't think we've



[WITNESS PANEL: Goulding|Francoeur]

1 provided a forecasted net plant balance in this  
2 docket.

3 Q So, based on what is before the Commission in the  
4 filings right now, the only two differences is  
5 that we're seeking a temporary and we're 5  
6 million less than what the Company is requesting?

7 MR. TAYLOR: I object to the question,  
8 as it's already been asked, and Mr. Francoeur has  
9 already answered it.

10 MS. LYNCH: I can move on.

11 BY MS. LYNCH:

12 Q So, Unitil is seeking a waiver of 307 -- Puc  
13 307.05, pursuant to the waiver provision provided  
14 in the rule. What does the waiver provision in  
15 the rule instruct the Commission to look towards,  
16 like what factors should they consider?

17 MR. TAYLOR: So, I -- and I'm sorry,  
18 but I'm going to keep objecting. So, these are  
19 legal questions. Attorney Lynch is asking  
20 questions that are actually derived from the  
21 Petition, which bears my signature, as opposed to  
22 the direct written testimony of Mr. Francoeur and  
23 Mr. Goulding.

24 So, these are legal questions. Mr.

[WITNESS PANEL: Goulding|Francoeur]

1 Goulding and Mr. Francoeur are not here to answer  
2 legal questions today. I think, if there are  
3 particular rules or particular standards that the  
4 Commission has set, that Attorney Lynch would  
5 like to present to the witnesses to, I guess,  
6 answer a factual question, or provide context for  
7 a factual question, that would be appropriate.  
8 But these are really legal questions. That's --

9 MS. LYNCH: I can revise the question.

10 BY MS. LYNCH:

11 Q So, the waiver provision says that the Commission  
12 shall waive provisions of the rule "if it serves  
13 the public interest and the waiver will not  
14 disrupt the orderly and efficient resolution of  
15 matters before the Commission."

16 Why does Unitil's request serve the  
17 public interest?

18 A (Francoeur) Unitil's request, in our opinion,  
19 certainly serves the public interest and the  
20 interest of Unitil's ratepayers. The rationale  
21 for this change is based on a few things that  
22 have changed since the last debt formula took  
23 effect in 2010. Since 2010, the Company has  
24 begun paying sinking fund payments, which are

[WITNESS PANEL: Goulding|Francoeur]

1           staggered maturities of its current long-term  
2           debt, and that began in 2015. That means that  
3           the Company has to refinance those sinking fund  
4           payments with short-term debt until such time  
5           that we can recapitalize it with permanent  
6           capital. That is a new challenge that has been  
7           faced by the Company since the 2010 short-term  
8           debt limit.

9                         We are also facing higher capital  
10           investment, which is increasing the draw on our  
11           short-term borrowings.

12                        And, lastly, the current debt limit, as  
13           a percentage of net plant, was formerly 17  
14           percent in 2010, and has now fallen to about 13  
15           percent. So, the current debt limit formula has  
16           become increasingly restrictive.

17                        And the result of these impacts is that  
18           Unitil -- our forecast for UES is that we're not  
19           going to be able to maintain a permanent capital  
20           financing interval of three years, and it will be  
21           restricted to two years or so, which has negative  
22           impacts for ratepayers.

23                        For example, if the Company's financing  
24           interval is shortened to two years, rather than

[WITNESS PANEL: Goulding|Francoeur]

1 three or more years, the very reason the Company  
2 pursued these sinking fund payment structures is  
3 lost. The benefit of sinking fund payments was  
4 to ensure staggered maturity, and provide  
5 financing flexibility when those same sinking  
6 fund -- that when those notes become due. If  
7 those notes become due at a single point in time,  
8 there's additional refinance risk.

9 So, in general, the point of the  
10 sinking fund payments is to allow the Company  
11 flexibility to go access the financial markets at  
12 times that are opportune to ensure a low cost of  
13 debt. If the Company is forced to go access the  
14 capital markets more frequently, because we have  
15 limited liquidity because of the restrictive  
16 short-term debt limit, then the very nature and  
17 benefit of the sinking fund payment structure is  
18 squandered.

19 Also, given that we're forecasting that  
20 we would have to issue debt every two years,  
21 instead of every three or more years, we'll incur  
22 \$150,000 or so of legal fixed costs every two  
23 years, rather than every three years.

24 Lastly, when we have to finance every

[WITNESS PANEL: Goulding|Francoeur]

1 two years, rather than potentially three or more,  
2 as the Company would like to see happen, where we  
3 have less financial flexibility, we might have to  
4 go finance something when the capital markets are  
5 restricted or restrained.

6 We also endeavor to try and pair our  
7 financings with our other utility affiliates,  
8 which we were able to do in 2020. When we issued  
9 debt last, we actually issued the debt for our  
10 Fitchburg, Massachusetts, utility and our  
11 Northern Utilities utility at the exact same  
12 time. We were able to market those securities in  
13 parallel, attract additional investors, create  
14 more demand for the transaction, and result in a  
15 lower cost of debt. That's a practice that the  
16 Company wants to continue to pursue.

17 If the cadence of financings for our  
18 other utility affiliates is two, three, four  
19 years, but UES is forced to pursue permanent  
20 capital much more frequently, there's going to be  
21 times we're not able to parallel -- market those  
22 transactions in parallel.

23 Our investment banker relationships  
24 have told us that pairing these transactions

[WITNESS PANEL: Goulding|Francoeur]

1 together, and getting to a total transaction  
2 value in the realm of \$100 million will likely  
3 result in a lower cost of debt of approximately 5  
4 to 10 basis points. That impact, in a revenue  
5 requirement for UES, is approximately \$100,000 a  
6 year.

7 So, for all of these reasons -- also,  
8 when we go finance these things in parallel with  
9 our other utility affiliates, we have more  
10 negotiating power with our investment bankers, as  
11 far as the credit spread. In 2018, Unitil Energy  
12 Systems had a credit spread, when they issued  
13 debt by themselves, of 40 basis points. When we  
14 were issuing in 2020, alongside our other utility  
15 affiliates, and we had more negotiating power  
16 because we were issuing more debt, we had a  
17 credit spread of 35 basis points. So, we were  
18 able to achieve more favorable terms with our  
19 investment bankers.

20 Our investment bankers also tell us  
21 that UES debt issuances, on a stand-alone basis,  
22 are among the smallest issuance sizes that is  
23 seen in the private placement market.

24 So, for all of these reasons, the

[WITNESS PANEL: Goulding|Francoeur]

1 Company truly believes that we need additional  
2 financing flexibility provided from additional  
3 liquidity, to ensure that we can pass on the  
4 lowest cost of debt to our ratepayers as  
5 possible.

6 Q Thank you. There's a lot there. So, I'm going  
7 to try to unpack it.

8 So, you mentioned kind of -- you just  
9 mentioned that, you know, UES needs to go to  
10 market, you're projecting, every two years,  
11 unless you get this, unless your Petition is  
12 granted, correct?

13 A (Francoeur) Correct.

14 Q So, let's go to -- let's start at Exhibit 2,  
15 Bates Page 045. So, this is information that  
16 Unitil provided in response to a data request  
17 issued by the Department of Energy, correct?

18 A (Francoeur) Yes.

19 Q And it's UES's daily cash position, and showing  
20 funds available under its existing credit line  
21 for 2022 and the first seven months of 2023,  
22 correct?

23 A (Francoeur) Yes.

24 Q Okay. So, if you kind of just flip through this

[WITNESS PANEL: Goulding|Francoeur]

1 document, on -- this Exhibit 2, but we're going  
2 to stay with this attachment, Bates Page 063.  
3 And I apologize, there may be a little bit of  
4 flipping here. This shows UES's cash position in  
5 July of 2023, correct?

6 A (Francoeur) Yes.

7 Q And the ending balance for the credit remaining  
8 was 10.6 million, with a regulatory limit of  
9 39.9 million, correct?

10 A (Francoeur) Yes.

11 Q And, then, turning to Bates Page 051 for  
12 comparison purposes, this shows UES's cash  
13 position in July of 2022, correct?

14 A (Francoeur) Yes.

15 Q And this shows that the ending balance is -- that  
16 the ending balance for credit available is about  
17 40 million, which is about the maximum amount of  
18 credit that UES -- of short-term credit that UES  
19 has, right?

20 Or I should -- the capacity -- so, if  
21 I'm looking at 7 -- July 31st, 2022, the  
22 regulatory limit is 38.8, and the capacity  
23 remaining under the regulatory limit is about 40,  
24 is that correct?



[WITNESS PANEL: Goulding|Francoeur]

1 A (Francoeur) That's correct.

2 Q So, UES had a lot of credit, short term -- had a  
3 lot of credit available in the end of July of  
4 2022, correct?

5 A (Francoeur) Relative to its regulatory borrowing  
6 limit.

7 Q So, we can do a little bit -- a few more  
8 comparisons between 2022 and 2023. So, this --  
9 so, if we kind of -- one way to do it is you kind  
10 of look at the bottom -- I'm going to be at the  
11 bottom line of this attachment. So, if we kind  
12 of look at the -- we're going to be looking  
13 January to April 2022 and January to April 2023.  
14 So, if we look at 01-31-22, and I'll get the  
15 Bates page, that's Bates Page 045, and the  
16 capacity remaining is about 30 million for  
17 January 31st, 2022, correct?

18 A (Francoeur) Correct.

19 Q So, let's go a year later, to January 31st, 2023.

20 A (Francoeur) Do you have a Bates page?

21 Q Yes. Bates Page 057. So, the limit there is 26,  
22 about 26 million, correct?

23 A (Francoeur) The what?

24 Q The capacity remaining under the regulatory limit

[WITNESS PANEL: Goulding|Francoeur]

1 is 26 million for January 31st, 2023?

2 A (Francoeur) Yup.

3 Q And, then, let's go to March 31st, 2022, and  
4 that's Bates Page 047. The remaining credit is  
5 about 25 million, is that correct?

6 A (Francoeur) Yes.

7 Q And, if we go a year later, Bates Page 059, the  
8 remaining credit is about 8. So, I can go  
9 through a few more examples -- oh, I'm sorry, is  
10 that correct?

11 A (Francoeur) Bates Page 059, --

12 Q Bottom line.

13 A (Francoeur) Yes. Capacity remaining under  
14 regulatory limit, 8.5 million.

15 Q Okay. Yes. Thank you. I can go through a few  
16 more examples. But is it fair to say that, in  
17 2022, Unitil had a pretty -- it wasn't really  
18 using its short-term debt, it had a lot of  
19 short-term debt available to it?

20 A (Francoeur) In 2022, we had more available than  
21 we did in '23.

22 Q A significant amount?

23 A (Francoeur) Relatively more than we did in '23.

24 Q So, let's go to that same attachment, Bates

[WITNESS PANEL: Goulding|Francoeur]

1 Page 061. And I believe, in May 1st of 2023,  
2 this is when Unitil had the least available to it  
3 in short-term debt. I think it's May 1st. Give  
4 me a second to find it.

5 Actually, I'm sorry, it would be  
6 May 31st. I'm sorry, it was May 1st. May 1st,  
7 at the top of the page, UES had the least  
8 available to it under the -- had the least amount  
9 of short-term credit available to it under the  
10 regulatory limit, is that correct? It was 3  
11 million?

12 A (Francoeur) Doesn't look like that's the case.  
13 Looks like, on Bates Page 060, that the  
14 regulatory capacity got down to 2.8 million on  
15 April 21st.

16 Q Oh, yes. You're correct. Thank you. So, would  
17 you -- that was April 21st, correct? Or, no,  
18 April -- the line is blurred -- April 20th, is  
19 that correct?

20 A (Francoeur) Based on the single two pages I've  
21 looked at, yes.

22 Q You can flip more, if you'd like?

23 A (Francoeur) Okay. That looks to be the case.

24 Q Okay. Thank you. And, in 2023, Unitil was

[WITNESS PANEL: Goulding|Francoeur]

1 nowhere near having only 2 million available in  
2 short-term debt, correct?

3 A (Francoeur) Can you repeat the question?

4 Q So, you don't see 2 million, you don't see that  
5 figure anywhere near 2 million, under the column  
6 "Capacity Remaining Under Regulatory Limit", for  
7 2023, correct? I mean, for 2022?

8 A (Francoeur) No, we had -- that wasn't the case in  
9 '22.

10 Q Thank you. So, if we look, let's stick with that  
11 April 20th, 2023, date. So, I believe -- so, we  
12 already discussed that the difference between  
13 what Unitil is proposing and what the DOE is  
14 proposing is about 5 million, correct?

15 A (Francoeur) Approximately.

16 Q Uh-huh. And how much more is Unitil requesting  
17 in this Petition from what its current short-term  
18 debt is?

19 A (Francoeur) Approximately \$20 million.

20 Q Approximately 20. So, the DOE would  
21 approximately give Unitil 15 million more in  
22 short-term credit under its proposal, correct?

23 A (Francoeur) Correct.

24 Q So, how much would Unitil have on April 20th,

[WITNESS PANEL: Goulding|Francoeur]

1 2023, for short-term debt available to it, if the  
2 DOE's recommendation was in effect?

3 A (Francoeur) An additional \$15 million, which, on  
4 April 2023, would have funded us to have 17 to  
5 \$18 million, approximately, of credit  
6 availability.

7 Q Yes. Thank you. So, can you speak to why it was  
8 so different, why Unitil's cash position was so  
9 different between 2023 and 2022?

10 A (Francoeur) Yes. In addition to Unitil's routine  
11 cash burn, which is very normal in the utility  
12 industry, wherein investing in activities are  
13 greater than operating cash flow, which requires  
14 recurring financing activity, to fund the balance  
15 between operating cash activities and operating  
16 activities, as well as to ensure there's cash  
17 available for dividend payments from net income.  
18 So that, in itself, places a higher -- the  
19 Company's borrowings from 2023 would be greater  
20 than in 2022 simply because of the ongoing  
21 capital investment program. But there was also  
22 high purchased power costs in 2023, which led to  
23 a sudden run-up in borrowings.

24 Q And what -- so, you were saying that part of the

[WITNESS PANEL: Goulding|Francoeur]

1 reason that Unitil's cash position was what it  
2 was in 2023 was because of the high cost in the  
3 wholesale power?

4 A (Francoeur) Yes. Working capital fluctuations  
5 put pressure on Unitil's borrowing limit in the  
6 first half of 2023.

7 Q Can you speak to what Unitil -- what Unitil is  
8 projecting for its wholesale power costs for the  
9 end of 2023 and early 2024?

10 A (Francoeur) Those, I don't have the dollar  
11 amounts or the rates as I sit here today. But  
12 they have dropped significantly, relative to the  
13 2023 levels, and have come much closer to the  
14 '21/'22 levels that we saw historically.

15 Q So, part of the pressure that Unitil felt in  
16 2023, it does not expect to experience in 2024,  
17 because of the decrease in the costs to the  
18 wholesale power market?

19 A (Francoeur) There will continue to be cash lag  
20 impacts that require working capital utilization  
21 for purchased power costs. But that lag will not  
22 be as extreme as it was in 2023.

23 Q Okay. Thank you. And I know, when you -- you  
24 kind of gave some real -- your explanations for

[WITNESS PANEL: Goulding|Francoeur]

1 your request, you talked about "sinking fund  
2 payments". So, I'd like to turn there, if  
3 possible.

4 I believe you just testified about the  
5 negative impact of sinking fund payments on the  
6 Company's cash flow, and identify it as a  
7 significant factor in constricting Unitil's  
8 short-term credit availability, correct?

9 A (Francoeur) Sinking fund payments are funded  
10 immediately with short-term debt, until they're  
11 recapitalized with permanent capital, which has  
12 the effect, relative to the absence of sinking  
13 fund payments, to increase short-term debt  
14 faster.

15 Q So, that was a "yes", right?

16 A (Francoeur) Yes.

17 Q So, going to Exhibit 1, Bates Page -- oh, I'm  
18 sorry, no. Bates Page 024. What does this  
19 document show?

20 A (Francoeur) This document shows historical and  
21 projected long-term debt retirements through  
22 2030.

23 Q It shows the sinking fund payments in Column (2),  
24 correct?

[WITNESS PANEL: Goulding|Francoeur]

1 A (Francoeur) And Column (3).

2 Q And Column (3). So, I believe you testified that  
3 the sinking fund payments began in 2015, correct?

4 A (Francoeur) Correct.

5 Q And that's reflected on this document?

6 A (Francoeur) Yes.

7 Q Why did Unitil choose to use sinking fund  
8 payments in 2015?

9 A (Francoeur) We didn't choose to use sinking fund  
10 payments in 2015. Those are sinking fund  
11 payments that began coming due from debt that was  
12 issued 25 years ago. And the decision point at  
13 that time, I can only speculate, given that the  
14 folks that were conducting those transactions are  
15 no longer around. But the -- I spoke earlier  
16 about the benefits of sinking fund payments,  
17 which is that it reduces refinance risk, by  
18 allowing the Company, when those notes mature,  
19 those bonds mature, to have more flexibility to  
20 refinance that debt at opportune times in the  
21 capital markets.

22 Q Okay. And, so, is that 25 years from today or 25  
23 years from 2015, just for clarification?

24 A (Francoeur) I'm saying that the notes that began



[WITNESS PANEL: Goulding|Francoeur]

1 coming due in 2015 were priced and completed many  
2 decades in the past, not in the future.

3 Q Okay. No, no. But was it -- are you talking  
4 like 2000 or further back?

5 A (Francoeur) I would have to look.

6 Q Okay. So, you don't know exactly when the  
7 Company decided to enter into these bonds with  
8 sinking fund payments?

9 A (Francoeur) I could certainly get that  
10 information. But, as I sit here today, I don't  
11 have that information right on my hand.

12 Q So, was the sinking funds contained in the  
13 Company's bond indenture?

14 A (Francoeur) Yes.

15 Q And was it required by investors?

16 A (Francoeur) Again, I wasn't in the room when  
17 these deals were conducted, but I think it's our  
18 understanding, based on prior conversations with  
19 investment bankers, that there was a point in  
20 time when sinking fund payments were a more  
21 preferred structure for investment bankers.

22 But, again, I was not in the room, I  
23 don't know exactly the minutia of why they  
24 elected, you know, Unitil management elected to

[WITNESS PANEL: Goulding|Francoeur]

1 go with the sinking fund structures. But I can  
2 tell you what the benefits are.

3 Q Okay. Thank you. That's helpful. So, sticking  
4 with Exhibit 1, Bates Page 024, we already -- or,  
5 you -- we already looked at Unitil's cash flow in  
6 2022 versus 2023, correct?

7 A (Francoeur) We looked at some changing dates year  
8 over year, correct.

9 Q And, you know, we compared 2022 versus 2023,  
10 correct?

11 A (Francoeur) For a handful of dates, that's  
12 correct.

13 Q Yes. And, in 2022, Unitil had more short-term  
14 debt available than it did in 2023, correct?

15 A (Francoeur) On average, correct.

16 Q We can go through more dates, if you think the  
17 dates I pulled were not representative?

18 A (Francoeur) No. Your point is taken.

19 Q Okay. Okay, thank you. So, for 2022, the  
20 sinking fund payment was 5 million, correct?

21 A (Francoeur) Correct.

22 Q And for 2023, the sinking fund payments are  
23 projected to be 3.5, correct?

24 A (Francoeur) Correct.

[WITNESS PANEL: Goulding|Francoeur]

1 Q So, they're actually going down in 2023, 2024,  
2 and 2025?

3 A (Francoeur) Relative to '22, correct.

4 Q Well, it's relative to, I think -- I mean, I  
5 think, so, if we look back, yes, it was 1.5 in  
6 2017, then it was 8.5 in 2019, 8.5 in 2020, 3.5  
7 in 2021, and then 5 in 2022, correct?

8 A (Francoeur) Correct.

9 Q So, they're going down, from 2022?

10 A (Francoeur) Yup.

11 *[Short pause.]*

12 BY MS. LYNCH:

13 Q So, going back to 2022, sorry for the break, how  
14 was the 5 million sinking fund payment  
15 detrimental to the Company in that year, given  
16 that it had the most -- that it wasn't burning  
17 through a lot of short-term debt, as we already  
18 discussed?

19 A (Francoeur) I don't think we've necessarily  
20 termed the 2022 \$5 million sinking fund payments  
21 as "detrimental". It was, when that came due, we  
22 funded it with short borrowings, until such time  
23 we could replace it with permanent capital.

24 Q But we already -- we already discussed that, in

[WITNESS PANEL: Goulding|Francoeur]

1           2022, the Company had a lot of short-term debt  
2           available to it, relative to 2023, correct?

3   A       (Francoeur) Correct.

4   Q       So, the sinking fund payments didn't really  
5           impact the Company in 2022 detrimentally?

6   A       (Francoeur) It didn't, that was sinking fund  
7           payments in isolation, didn't bring us near our  
8           borrowing limit.

9   Q       Okay. So, and I believe you, you know, in that  
10          earlier answer you provided that had a lot of  
11          information in it, and I'm just trying to, you  
12          know, to get to everything you addressed.

13                 So, I know you testified about the  
14          financing interval, and that Unitil prefers to go  
15          to the market every three years for its long-term  
16          debt, correct?

17   A       (Francoeur) Approximately, three years, and -- or  
18          more, or less. It really falls on the  
19          flexibility. You know, if Unitil was two and a  
20          half years out from its last financing, but its  
21          other utility peers needed to go access the  
22          markets, and they had a need, and the capital  
23          markets were, you know, inviting for a  
24          transaction, we might pursue that.

[WITNESS PANEL: Goulding|Francoeur]

1                   But this really boils down to the  
2 flexibility we need.

3 Q     But, turning to Exhibit 3, Bates Page 005,  
4 Line 20, if you're there? Let me know when  
5 you're there please.

6 A     (Francoeur) Yes.

7 Q     Didn't the Company say, in its rebuttal, that "a  
8 three-year financing interval is more appropriate  
9 and beneficial for ratepayers"?

10 A    (Francoeur) Yes. On a recurring basis, a three  
11 or more years is -- having that flexibility is  
12 important to ensure a low cost of debt for  
13 ratepayers.

14 Q    So, why is that more preferable, as opposed to a  
15 four- or five-year interval?

16 A    (Francoeur) At a longer interval than that, you  
17 know, having the ability, the capacity, wouldn't  
18 necessarily be a negative issue, either from a  
19 credit rating, you know, point of view or an  
20 investor point of view.

21                   Actually, leveraging short-term debt  
22 for five years, without permanent capital, would  
23 probably not be prudent, because you're, at that  
24 time, you're going to be having funded short-term

[WITNESS PANEL: Goulding|Francoeur]

1 debt for capital investment programs for five  
2 years, which means that you're financing fixed  
3 assets with short-term capital that does not have  
4 a fixed cost rate. So, what we endeavor to do is  
5 ensure that our fixed assets, our long-lived  
6 assets are matched in nature with the long-term  
7 nature of permanent capital.

8 So, three years, you know, plus or  
9 minus, for a financing interval, yes, that's  
10 realistic. But we wouldn't want to be financing  
11 five years' worth of, you know, all of our cash  
12 shortfalls.

13 Q Okay. Thank you. So, when did Unitil do its  
14 most recent debt refinancing?

15 A (Francoeur) Our most recent --

16 Q Oh, sorry. Long-term debt? When did it  
17 refinance its long-term debt most recently?

18 A (Francoeur) Our most recent private placement  
19 transaction was in December 2020.

20 Q And prior to that?

21 A (Francoeur) November 2018.

22 Q Prior to 2018, when did Unitil do its long-term  
23 debt refinancing?

24 A (Francoeur) I don't have that on hand. But I'm

[WITNESS PANEL: Goulding|Francoeur]

1           sure we could find that information relatively  
2           quickly.

3    Q       I think that information would -- would a break  
4           be appropriate? Or would you -- can you look,  
5           can you look -- can you get that number now, or  
6           that date now, I'm sorry?

7                   CHAIRMAN GOLDNER: Just for planning  
8           purposes, Attorney Lynch. I guess we can -- what  
9           we often do is take a break around 10:30, and  
10          that allows the Company to go off and answer  
11          questions. And that could even be in the middle  
12          of Commissioner questioning, or what have you, if  
13          it's a simple number you need.

14                   If it's something you need for further  
15          questioning, then we can take a break now, if  
16          it's something that's necessary?

17                   MR. TAYLOR: I can offer, I believe we  
18          have somebody in the room who can provide the  
19          information.

20                   CHAIRMAN GOLDNER: Okay.

21                   MR. TAYLOR: So, I know that that  
22          presents sort of a -- we can take a break, and I  
23          can -- we can give the information to the  
24          witnesses, who can then provide it, or I can

[WITNESS PANEL: Goulding|Francoeur]

1 provide it, or however the Commission wants to  
2 get that information.

3 CHAIRMAN GOLDNER: Okay. I guess we  
4 just have the issue of the data being under oath  
5 or not, is the issue at the moment.

6 MR. TAYLOR: Well, we can -- our  
7 witnesses can provide the information today.

8 CHAIRMAN GOLDNER: Okay.

9 MR. TAYLOR: But we may need to take a  
10 break to make that happen, but we can have the  
11 information.

12 WITNESS FRANCOEUR: So, I think we got  
13 it. The most recently issued debt for UES we  
14 believe was in 2006, September 2006.

15 BY MS. LYNCH:

16 Q So, approximately, the Company went out to the  
17 market for long-term debt in 2006, and then 2020,  
18 and then -- or, I'm sorry, 2006, 2018, then 2020?

19 A (Goulding) No.

20 Q Oh.

21 A (Goulding) Sorry about that.

22 Q No problem.

23 A (Goulding) That is what was still outstanding.

24 We believe the issue before that -- I think we



[WITNESS PANEL: Goulding|Francoeur]

1 should take a break, or come back at break to  
2 provide the accurate response.

3 Q Okay. Thank you.

4 A (Goulding) I have the wrong schedule in front of  
5 me.

6 Q Oh, no problem. We can -- it can be addressed at  
7 a break, that would be helpful.

8 CHAIRMAN GOLDNER: And I think your  
9 point, Attorney Lynch, is it took place some time  
10 ago. And, so, we can move forward with that  
11 assumption, and then get the exact date later, if  
12 that's okay with the Department?

13 MS. LYNCH: Oh, that would be perfect.  
14 That would be perfect.

15 CHAIRMAN GOLDNER: Okay.

16 BY MS. LYNCH:

17 Q So, it's a fair assumption, though, then that the  
18 -- prior to 2018, the UES went to refinance its  
19 long-term debt sometime before 2018?

20 A (Francoeur) Correct.

21 Q And, so, the most recent, I'm sorry, I'm killing  
22 this to death, but it was September 2020, and  
23 then Unutil filed this Petition and requested  
24 relief in no later than September 20th, 2023, or

[WITNESS PANEL: Goulding|Francoeur]

1 90 days after the filing of the Petition,  
2 correct?

3 A (Francoeur) I'm sorry, can you repeat the  
4 question?

5 Q So, UES went out to the market for long-term debt  
6 in September 2020. They didn't do it again  
7 until they filed this Petition? Or, they didn't  
8 do it --

9 A (Francoeur) We haven't accessed the private  
10 placement market since September 2020 for UES.

11 Q Okay. Thank you. So, that's, basically,  
12 bringing it to this Petition, is three years?

13 A *[Witness Francoeur indicates in the affirmative.]*

14 Q And, if, you know, and if the -- you know, we  
15 still are in this, you know, litigating this  
16 Petition. So, it will probably be much longer  
17 than three years since September 2020, correct,  
18 almost three and a half years?

19 A (Francoeur) Can you repeat the question please?

20 Q Sure. Since we're now in December of 2023, more  
21 than three years has elapsed since September of  
22 2020, correct?

23 A (Francoeur) Correct.

24 Q Okay. When does Unital next expect to go to the

[WITNESS PANEL: Goulding|Francoeur]

1 bond market?

2 A (Francoeur) That depends. If this Petition isn't  
3 approved, it will likely need to go access the  
4 private placement markets in 2024. Again, we've  
5 talked about the need for financing flexibility.  
6 The Company is going to go access the capital  
7 markets when it has the need and when the  
8 financial markets are welcoming to that  
9 transaction. So, it's a difficult thing to  
10 predict, you know, a specific quarter or month  
11 that we're going to go access private placement  
12 markets.

13 Q Okay. And you also discussed Unitil's capital  
14 investment as a reason for this Petition,  
15 correct?

16 A (Francoeur) Correct.

17 Q So, let's go to Exhibit 2, Bates Page 021. And,  
18 specifically, where -- I'm at Lines 18 to 20.  
19 This is a copy of Mr. Dudley's testimony in this  
20 case, correct?

21 A (Francoeur) Yes.

22 Q And Mr. Dudley wrote that "in Docket DE 21-030",  
23 which was Unitil's last rate case, correct?

24 A (Francoeur) Correct.

[WITNESS PANEL: Goulding|Francoeur]

1 Q That Unutil forecasted budgets of "38.1 million  
2 and 41.5 million", correct?

3 A (Francoeur) That's what the testimony says, yes.

4 Q Do you agree with that?

5 A (Francoeur) I would trust that this is accurate.  
6 I can't remember if I verified this or not when  
7 his testimony was released.

8 Q Oh. I can maybe add it to the break, the break  
9 agenda. But the budget totals -- but thank you  
10 for that. But, above that, the budget totals  
11 that Unutil currently has is, for 2024, is "45.5  
12 million", and, for 2025, it's "45.6 million",  
13 correct?

14 MR. TAYLOR: Could you provide a  
15 reference?

16 MS. LYNCH: Sure. I'm on Line 18, of  
17 Bates Page 021.

18 MR. TAYLOR: And where, I guess, beyond  
19 Mr. Dudley's testimony, where are these figures  
20 in the record?

21 MS. LYNCH: One second please. They're  
22 also on Bates Page 041.

23 BY MS. LYNCH:

24 Q So, on Bates Page 041, it shows "45.5" for 2024

[WITNESS PANEL: Goulding|Francoeur]

1 and "45.6" for 2025, for the total capital budget  
2 projected. And this document is information --  
3 I'm sorry, I didn't -- is that correct? Are you  
4 there?

5 A (Francoeur) Yes. It looks like the rounding is  
6 off 0.1 in each year in the testimony. But those  
7 numbers, I see where they're coming from.

8 Q And this is information that Unutil provided to  
9 the Department, correct?

10 A (Francoeur) Yes. I was saying the rounding is  
11 off in Mr. Dudley's testimony.

12 Q Okay. No, thank you. That's noted. But the  
13 Bates Page 041 is what Unutil provided to the  
14 Department --

15 A (Francoeur) Correct.

16 Q -- for their capital budgets? So, given that  
17 there is a difference between what was in the  
18 rate case and what is on Bates Page 041, can you  
19 explain why the information on Bates Page 041 is  
20 much more than what was projected in the last  
21 rate case?

22 MR. TAYLOR: I'm only going to object  
23 to the question on the grounds that what was in  
24 the rate case is still subject to verification.

[WITNESS PANEL: Goulding|Francoeur]

1 I don't believe Mr. Francoeur has actually  
2 verified Mr. Dudley's representation about the  
3 testimony.

4 So, the question substantively is fine.  
5 I just want to make clear that that particular  
6 point is still subject to verification.

7 MS. LYNCH: At the break, correct?

8 CHAIRMAN GOLDNER: Noted.

9 MS. LYNCH: At the break, they can --  
10 can the witnesses verify that at the break?

11 MR. TAYLOR: We can try. But it would  
12 be preferable if it was in the record here. But  
13 we will go and we'll do our best to find it at  
14 the break, yes.

15 MS. LYNCH: Okay. Thank you.

16 BY MS. LYNCH:

17 Q But do you -- so, I'll rephrase the question.  
18 Can you explain why, assuming that Mr. Dudley's  
19 numbers are correct in his testimony, why the  
20 capital budget projected for 2024 and 2025 is  
21 more than what was represented in the rate case?

22 A (Francoeur) Yes. I think there's three  
23 significant factors that must be considered.

24 First, we're comparing a capital budget

[WITNESS PANEL: Goulding|Francoeur]

1 from the rate case, and now looking at a capital  
2 budget a handful of years later. And we've  
3 continued to experience supply chain issues,  
4 which has led to deferred projects. So, in the  
5 years of 2021 and 2022, the Company underspent  
6 its capital budget by approximately \$15 million.  
7 That, those projects, the projects that needed to  
8 be completed, and have inevitably been deferred  
9 into the forward capital years that we're talking  
10 about now.

11 Q Okay.

12 A (Francoeur) Secondly, inflation has resulted in  
13 cost increases for these years. Transformers are  
14 up three to five times more expensive than they  
15 were; poles have increased 50 percent; wires have  
16 increased 50 to 100 percent; which is all leading  
17 to higher capital costs.

18 But the third, and most notable, reason  
19 for the change in the cost from 21-030, in the  
20 rate case, is the inclusion of the Kingston Solar  
21 Project, which the DOE, I believe, was supportive  
22 of, increased the capital budget approximately  
23 nine and a half million dollars in those years.

24 Q So, turning to the Kingston Solar Project, you

[WITNESS PANEL: Goulding|Francoeur]

1           said that "the DOE was supportive of it." But do  
2           you know it was supportive of it technically or  
3           was it -- did it look -- do you know if they  
4           analyzed the -- you know, the budget for the  
5           project, or did they just provide testimony  
6           regarding the idea of the project, the technical  
7           aspects of it?

8    A       (Goulding) So, the project itself was what was  
9           reviewed by DOE and supported by DOE. There was  
10          large amounts of information provided on the  
11          total cost of the project, the output of the  
12          project, and the benefits of the project.

13                        So, I'm not sure I can answer the  
14          question on "whether DOE was supportive of one  
15          part of the project or not?" It was one project  
16          overall.

17    Q       Okay. Thank you. But it wasn't reviewed in the  
18          context of Unitil's overall capital budget,  
19          though, was it?

20    A       (Goulding) I don't recall any questions on the  
21          overall capital budget.

22    Q       And do you know if the Kingston Solar Project was  
23          reviewed during Unitil's last rate case?

24    A       (Francoeur) I don't believe it was.



[WITNESS PANEL: Goulding|Francoeur]

1 Q And do you also know --

2 A (Goulding) We're able to confirm the capital  
3 budget spending numbers for 2024 and 2025 to the  
4 last rate case in 21-030, of 38.1 million and  
5 41.5 million.

6 Q Okay. So, the numbers in Mr. Dudley's testimony  
7 is correct?

8 A (Goulding) Yes.

9 Q Perfect. Thank you. And, just going back to the  
10 Kingston Solar Project briefly, was it critical  
11 that this project be initiated in 2023, as  
12 opposed to 2024 or 2025?

13 A (Francoeur) I believe -- I believe so. Because  
14 the project worked at the time, and, you know,  
15 from the responses from RFPs we had from vendors,  
16 it wasn't something that we could sit on our  
17 hands with, it was something that we were going  
18 to proceed with, or we would have to reevaluate  
19 the project in years later.

20 But, as we discussed at length in the  
21 Kingston Solar Project, we found that it was in  
22 the public interest, and economical for customers  
23 to pursue at this time.

24 Q What has been done on the project this past year,

[WITNESS PANEL: Goulding|Francoeur]

1 2023?

2 A (Francoeur) We have an executed contract with the  
3 EPC vendor, ReVision. And I think we're expected  
4 to begin some site work in early 2024.

5 Q All right. Thank you. Staying, though, with  
6 this, we're going to stay with Exhibit 2, and  
7 this is the information that Unitil provided to  
8 the Department regarding its capital budget as a  
9 result of a data request. This data request, is  
10 it accurate that this data request asked for  
11 Unitil to provide current lists of capital  
12 projects for 2023, 2024, and 2025?

13 And let me get the Bates Page for that  
14 request. Thirty-one (031).

15 MR. TAYLOR: Do you mind repeating the  
16 question please?

17 MS. LYNCH: Sure.

18 BY MS. LYNCH:

19 Q So, looking at Bates Page 031, we already looked  
20 at the attachments to the data request, so, I'm  
21 just going to ask if this question is accurate.  
22 We asked Unitil to provide a current list of  
23 capital projects for 2023, 2024, and 2025, and  
24 for each project identify, I'm going to summarize

[WITNESS PANEL: Goulding|Francoeur]

1 here, whether it could be delayed or could not be  
2 delayed or postponed for each project year, and  
3 to explain why in detail?

4 Is that accurate? I summarized the  
5 question. I think, if you want, I can read the  
6 full question out.

7 A (Francoeur) I think you summarized the nature of  
8 the question.

9 Q Okay. Thank you. And Unutil provided a list of  
10 Priority 3 projects, correct?

11 A (Francoeur) Correct.

12 Q And how does Unutil define "Priority 3 projects"?

13 A (Francoeur) I can read from the response?

14 Q That will be perfect.

15 A (Francoeur) Okay. "Priority 3: Includes  
16 projects and activities that are considered an  
17 improvement or enhancement to existing systems or  
18 capabilities. These projects are considered to  
19 varying degrees to be discretionary."

20 Q Thank you. And did Unutil, in this data  
21 response, go through that, the list of capital  
22 projects, and explain in detail whether one could  
23 be postponed or delayed?

24 A (Francoeur) No.

[WITNESS PANEL: Goulding|Francoeur]

1 Q Thank you. So, now, we're going to go to  
2 Unitil's rebuttal testimony, Exhibit 3, Bates  
3 Page 006. Specifically, Line 15, does the  
4 Company discuss that some projects were postponed  
5 in 2020 due to the COVID pandemic, and is that --  
6 is that correct?

7 A (Francoeur) Correct.

8 Q And would you agree that COVID-19 constituted an  
9 extraordinary event?

10 A (Francoeur) Yes.

11 Q Okay. So, then, if there is extraordinary  
12 events, the Company can defer capital  
13 investments, they could be delayed or postponed,  
14 correct?

15 A (Francoeur) Can you repeat the question please?

16 Q Sure. Would you also agree that, under such  
17 extraordinary events, some capital investments  
18 can be -- the Company can delay or postpone them?

19 A (Goulding) In the prior response, we did identify  
20 that there is discretionary Priority 3 projects  
21 that can be delayed or postponed. For the ones  
22 that were delayed or postponed, as related to  
23 COVID, they did put reliability concerns -- there  
24 were reliability concerns associated with those,

[WITNESS PANEL: Goulding|Francoeur]

1 because those projects did need to be done.

2 It wasn't that we delayed them because  
3 we chose to delay them or we didn't think they  
4 needed to be done. It was that there was, as we  
5 said, constrained labor/supply chain issues. So,  
6 there is risk associated with delaying those  
7 projects.

8 Q So, but Priority 3 projects, do they get at  
9 reliability, or is it more, as Unitil explained  
10 in its definition of them, it's for more of  
11 improvement or enhancement?

12 A (Goulding) The Priority 3 are for improvement and  
13 enhancement, as identified.

14 Q Okay. Thank you.

15 A (Goulding) But they're not -- they're not "not  
16 necessary" projects.

17 Q Okay. Thank you. And would you agree that the  
18 unforeseen price spikes in the wholesale market  
19 in the Winter of 2023 could also be defined as an  
20 "extraordinary event"?

21 A (Goulding) Thinking back to just previous price  
22 spikes, I think there was a price spike in 2018  
23 or '19. So, I mean, one every four years, I  
24 wouldn't consider that an "extraordinary event".

[WITNESS PANEL: Goulding|Francoeur]

1 Q Okay. Thank you.

2 MS. LYNCH: If I could have a moment  
3 please?

4 CHAIRMAN GOLDNER: Sure.

5 *[Short pause.]*

6 BY MS. LYNCH:

7 Q So, we're going to also stay with Exhibit 3,  
8 Bates Page 015 please. Specifically, on Line 7,  
9 is it correct that the Company wrote, in its  
10 rebuttal testimony, "Our credit rating is highly  
11 valuable to us, and to our customers, it reduces  
12 our borrowing costs and gives us access to debt  
13 investors, pricing, and commercial terms we  
14 otherwise may not have. We know that  
15 over-relying on short-term debt may jeopardize  
16 the credit profile we have worked hard to  
17 maintain."

18 Is that -- did I read the rebuttal  
19 testimony accurately?

20 A (Francoeur) You read it correctly.

21 Q So, given that statement, at what level of  
22 short-term debt would the Company's credit rating  
23 be negatively impacted, as referenced in that  
24 testimony?

[WITNESS PANEL: Goulding|Francoeur]

1 A (Francoeur) I can't speak to an exact dollar  
2 amount. But I also think that the interpretation  
3 you have there of "too much debt impacting our  
4 credit rating", the Q&A is also meant to say  
5 "without sufficient liquidity to fund our  
6 day-to-day operations, investing activities, and  
7 financing activities is credit negative."

8 Q Thank you. But it is accurate, though, that the  
9 Company did say in its rebuttal that a certain  
10 level, if it has too much short-term debt, its  
11 credit rating would be impacted?

12 A (Francoeur) Yes. I think I testified earlier  
13 that, you know, for example, if we were to  
14 finance all of our shortfalls for five years, for  
15 example, that there would be -- I think the  
16 credit rating companies would start to identify  
17 that Unitil, the Company, is carrying, you know,  
18 an excess of short-term debt and has, you know,  
19 higher interest rate risk than might be  
20 preferred.

21 But I can't quote a specific dollar  
22 value of short-term borrowings that meets that  
23 threshold. I haven't seen a publication by S&P  
24 and Moody's about the Company in regards to that

[WITNESS PANEL: Goulding|Francoeur]

1 specific question.

2 Q So, if the Company had, you know, 80 million in  
3 short-term debt, would the credit rating be  
4 impacted?

5 A (Francoeur) Like I just said, I can't speak to an  
6 example dollar value.

7 Q Thank you. What is the Company's current credit  
8 rating?

9 A (Francoeur) The Company's current credit rating  
10 is BBB+ from S&P and Baal from Moody's.

11 Q Thank you. I think we may have addressed this  
12 already, but what will the Company do if the PUC  
13 does not grant the requested Petition and  
14 increase the short-term debt as requested by  
15 Unitil?

16 A (Francoeur) If the short-term debt limit stays as  
17 it currently is, the financing interval, as we  
18 discussed, will be restricted to a, you know, two  
19 to less years that the Company doesn't think is  
20 advisable, and will likely just necessitate more  
21 frequent financings, which will result in a  
22 higher cost of debt than if this Petition was  
23 approved as is.

24 Q And what would the Company do if the PUC granted



[WITNESS PANEL: Goulding|Francoeur]

1 the Department's recommendation, and instead  
2 granted a temporary waiver?

3 A (Francoeur) We haven't speculated strategically  
4 on that scenario. But I would think that we  
5 would, in our rate case, again request the --  
6 re-petition for our current proposal here.

7 Q But, as we discussed earlier, the difference in  
8 the two proposals, in terms of dollars, is only  
9 5 million?

10 A (Francoeur) It's only \$5 million right now. But  
11 your proposal -- excuse me -- the DOE's proposal  
12 will again become increasingly restrictive over  
13 time, given that you're maintaining the constant.  
14 Versus our proposal, with getting rid of the  
15 constant, allows the Company's short-term  
16 borrowing limit to grow more commensurate to  
17 allow a bond limit that's appropriate for the  
18 size of the Company, and, you know, for a  
19 permanent waiver, that's more appropriate than  
20 something that continues to have a constant,  
21 which gets disproportionate as the Company grows.

22 Q But isn't it accurate, though, that the DOE's  
23 recommendation is 15 percent of net plant? It's  
24 not constant, it will grow with the Company as

[WITNESS PANEL: Goulding|Francoeur]

1 well?

2 A (Francoeur) I believe it is "15 percent, with 10  
3 million", no?

4 Q Yes, 15 percent, plus the 10 million adder. But  
5 it's not constant. It will, if the Company -- as  
6 the net plant grows, it will also increase,  
7 correct?

8 A (Francoeur) The 10 million is constant, unless I  
9 misunderstood your testimony.

10 Q But the 15 percent of the net plant?

11 A (Francoeur) Correct. So, that's -- the  
12 distinction that I was drawing was, you know,  
13 basically, 10 million of your \$55 million  
14 proposed limit would be fixed in nature, and  
15 would not grow in perpetuity with the growth of  
16 the Company, versus the Company's 20 percent  
17 allows for a variable short-term borrowing rate  
18 to grow. Five to ten years down the line, we're  
19 probably going to face a similar problem, if we  
20 continue on with this constant, where the  
21 constant becomes less -- the constant makes sense  
22 in your proposal, as you've outlined it today,  
23 but that constant, in ten to fifteen years, will  
24 no longer make sense. It is quite possible.

[WITNESS PANEL: Goulding|Francoeur]

1 Q Thank you. That's helpful. But I think you  
2 agree, the 15 percent of net plant will increase  
3 as net plant increases?

4 A (Francoeur) Yes.

5 Q Okay. Thank you. And the DOE's recommendation  
6 is that it's temporary, but will be reevaluated  
7 at the Company's next rate case, correct?

8 A (Francoeur) Yes.

9 Q Do you know the current stay-out provision for  
10 the Company, in regards to when it can file its  
11 next rate case?

12 A (Francoeur) I'm looking to my colleague.

13 A (Goulding) We can -- it's through the end of this  
14 year.

15 Q So, the Company could, if it chose to, file a new  
16 rate case in January of -- at the end of January  
17 of 2024?

18 A (Goulding) We could file one in 2024.

19 Q Okay. Thank you. And, turning to Exhibit 1,  
20 Bates Page 026, can you please explain this part  
21 of the Petition -- or, of the testimony, I should  
22 say?

23 A (Francoeur) This is an exhibit that provides the  
24 sources and uses of cash. It's a forecast for

[WITNESS PANEL: Goulding|Francoeur]

1 Unitil Energy Systems, that forecast out from the  
2 beginning of 2023 to the end of 2025, and  
3 included in this forecast is a projection of  
4 operating activities, investing activities, which  
5 is sourced from the capital budget, dividends  
6 paid to the holding company, and the repayment of  
7 long-term debt, which reflects the sinking fund  
8 payments.

9 And this shows that short-term -- this  
10 assumes no other financing activity for cash  
11 inflows from long-term debt or permanent, you  
12 know, equity capital contributions from the  
13 parent company. It shows that the ending  
14 short-term debt grows to 62.3 million. Which, in  
15 our view, supports our 20 percent of net plant,  
16 which yields an approximate 60 million short-term  
17 debt limit, to allow for this -- showing --  
18 illustrating that this \$60 million would allow  
19 for a three-year financing interval.

20 Q And can you explain what's included in the  
21 "Operating Activities", on Line 2?

22 A (Francoeur) "Operating Activities", as far as  
23 the -- you know, a financial statement goes,  
24 includes net income, working capital

[WITNESS PANEL: Goulding|Francoeur]

1           fluctuations, adds back depreciation and  
2           amortization, deferred tax, and just a handful --  
3           operating activities largely works as a  
4           reconciliation of many items on the balance  
5           sheet.

6   Q       Okay. Thank you. And the 33 million, in Line 2,  
7           for 2023, is a forecast, correct?

8   A       (Francoeur) Correct.

9   Q       Do you have -- and that was a forecast as of the  
10          time that this Petition was filed, correct?

11   A       (Francoeur) That's correct.

12   Q       Do you have an updated number?

13   A       (Francoeur) Not as I sit here today, no.

14   Q       Okay. Thank you. And Footnote (1), on  
15          "operating activities", according to this  
16          document, "Represents Operating Cash Flow growing  
17          from 2022 based on historical growth rate of 3.5  
18          percent." Correct?

19   A       (Francoeur) Correct.

20   Q       Can you explain how Unitil calculated that 3.5  
21          percent?

22   A       (Francoeur) That was based on an historical  
23          growth rate, I believe, subject to check, a  
24          five-year historical growth rate.

[WITNESS PANEL: Goulding|Francoeur]

1 Q Have you revisited that number at all to see if  
2 it's still accurate?

3 A (Francoeur) The historical growth rate trend  
4 won't change, those years are fixed in time.

5 Q Okay. So, do you know what Unitil is currently  
6 forecasting as a growth rate for 2024, if you  
7 don't use that five-year fixed?

8 A (Francoeur) I don't have that forecast in front  
9 of me.

10 Q Okay. Thank you.

11 *[Short pause.]*

12 BY MS. LYNCH:

13 Q I believe you also discussed Line 5, "Dividends  
14 Paid", is that correct? On this page, Bates Page  
15 026 of Exhibit 1?

16 A (Francoeur) What's the question?

17 Q You just -- you discussed Line 5 briefly,  
18 correct, "Dividends Paid"?

19 A (Francoeur) Yes, I mentioned "Dividends Paid".

20 Q Who are the dividends paid to?

21 A (Francoeur) Unitil Corporation.

22 Q And who is Unitil Corporation?

23 A (Francoeur) It's a publicly traded company.

24 Q It is --

[WITNESS PANEL: Goulding|Francoeur]

1 A (Francoeur) It's a holding company for our  
2 utility affiliates.

3 Q Okay. Thank you.

4 [Atty. Lynch and Atty. Dexter  
5 conferring.]

6 BY MS. LYNCH:

7 Q All right. Thank you. One final question before  
8 the break.

9 Does Unitil have the latest actual net  
10 plant number available?

11 A (Francoeur) I believe I am looking at a GAAP  
12 financial statement for the end of September  
13 2030 -- 2023, excuse me, which shows a net  
14 utility plant of 330.7 million.

15 Q Can you repeat that please?

16 A (Francoeur) 330.7, as of September 30, 2023. I  
17 should note that that figure is in GAAP  
18 accounting. And I'm not 100 percent what the  
19 reconciliation difference, if any, might be to  
20 the FERC Form 1.

21 Q Okay. Thank you. And I believe we discussed it  
22 a little bit already, but Exhibit 1, Bates  
23 Page 023, that has the net plant for the date  
24 effective for the year 2022 of 200 -- or, 299

[WITNESS PANEL: Goulding|Francoeur]

1 million, correct?

2 A (Francoeur) Correct.

3 MS. LYNCH: Okay. Thank you. No  
4 further questions at this time.

5 CHAIRMAN GOLDNER: Thank you. Attorney  
6 Lynch, were there any questions remaining that  
7 you needed to be followed up on at break?

8 MS. LYNCH: We asked for the forecasted  
9 net plant numbers.

10 CHAIRMAN GOLDNER: Okay.

11 MS. LYNCH: And I believe we addressed,  
12 we checked with the numbers in the last rate  
13 case, I'm looking at my colleagues, if there  
14 was -- I think we're good. That was it.

15 CHAIRMAN GOLDNER: Okay. Attorney  
16 Taylor, would ten minutes be enough time to sort  
17 out that question or does the Company need more  
18 time?

19 MR. TAYLOR: Would the Commission give  
20 us fifteen minutes?

21 CHAIRMAN GOLDNER: Absolutely. Let's  
22 go with seventeen minutes. We'll return at  
23 10:45. So, off the record.

24 *(Recess taken at 10:28 a.m., and the*



[WITNESS PANEL: Goulding|Francoeur]

1                   *hearing resumed at 10:48 a.m.)*

2                   CHAIRMAN GOLDNER: Okay. We'll go back  
3 on the record.

4                   And, Attorney Lynch, if you'd like to  
5 repeat the question, the Company is prepared to  
6 put the number on the record.

7                   MS. LYNCH: Thank you.

8 BY MS. LYNCH:

9 Q       So, has the Company been able to determine what  
10 the forecasted net plant numbers are for 2024 and  
11 2025? Oh, sorry, 2023 and 2024?

12 A       (Francoeur) We were under the impression that the  
13 question was only asking about 2023 year-end?

14 Q       Okay. That's fine.

15 A       (Francoeur) Yes. So, I have to apologize, when I  
16 quoted you the GAAP number and clarified that  
17 that wasn't the FERC number, there are some  
18 material differences between those two, from the  
19 FERC Form 1 to the GAAP. And our financial  
20 forecasting is done with GAAP accounting. So,  
21 there are some differences.

22                   But the FERC -- so, I quoted that the  
23 net utility plant, as of the end of September 30,  
24 '23, was "330.7 million", that was GAAP. The

[WITNESS PANEL: Goulding|Francoeur]

1 FERC number is actually "309 million".

2 So, we're projecting that the 2023 net  
3 utility plant, per the FERC accounting, will be  
4 somewhere in the range of 315 million.

5 Q 315?

6 A (Francoeur) Correct.

7 Q Given that number, what would Unitil's -- what  
8 would the short-term credit limit be, according  
9 to the Petition, that Unitil is requesting?

10 A (Francoeur) Approximately \$63 million.

11 Q And, using that net plant number, are you able to  
12 calculate what the DOE's recommendation would be?

13 A (Francoeur) Approximately -- approximately 57  
14 million, I think.

15 MS. LYNCH: Thank you.

16 CHAIRMAN GOLDNER: Any further  
17 questions from the Department?

18 MS. LYNCH: Not at this time.

19 CHAIRMAN GOLDNER: Okay. Thank you.  
20 We'll turn to Commissioner questions, beginning  
21 with Commissioner Simpson.

22 CMSR. SIMPSON: Thank you.

23 BY CMSR. SIMPSON:

24 Q So, you noted in your testimony earlier, and in

[WITNESS PANEL: Goulding|Francoeur]

1 your rebuttal, that approximately 83 percent of  
2 your increase in capital spending was due to the  
3 Kingston Solar Project. And I just wanted to  
4 clarify. So, the remaining 17 percent,  
5 approximately, Mr. Andre [sic], you attributed to  
6 supply chain issues, is that correct?

7 A (Francoeur) I think, anecdotally, correct. You  
8 know, inflation and supply chain from the  
9 deferred projects that we had as a result of the  
10 COVID pandemic that now need to be done in this  
11 '23 through '25 timeframe.

12 Q Uh-huh. As forecasted in your prior rate case,  
13 your capital spending for subsequent years?

14 A (Francoeur) Yes. I believe that's the case, yes.

15 Q Okay. And, with respect to rate cases, when do  
16 you anticipate filing your next rate case, for  
17 UES?

18 A (Goulding) That determination hasn't been made.  
19 We're constantly reviewing our financials to  
20 determine when a rate case is necessary to be  
21 filed.

22 Q Uh-huh.

23 A (Goulding) It's not a decision that we take  
24 lightly. So, we need to just -- just overall

[WITNESS PANEL: Goulding|Francoeur]

1 impacts, and what's going on with the overall  
2 Company, too.

3 So, we don't have a specific date at  
4 this time.

5 Q Do you have a sense? I mean, would it be, if you  
6 had -- it was last time '21, are you looking '25,  
7 '26?

8 A (Goulding) I would say, more likely than not, '24  
9 or '25.

10 Q Okay. And this issue that's in front of us  
11 today, do you believe it would be ripe to revisit  
12 in that rate case?

13 A (Francoeur) I believe, if the Commission approved  
14 the Company's Petition as is, it would not be  
15 necessary to revisit this issue in the next rate  
16 case.

17 Q Do you -- what would be the benefits and the  
18 drawbacks of revisiting this issue within the  
19 scope of a broader docket, like a rate case,  
20 where longer term capital spending is at review?

21 A (Francoeur) I think, to your point, there might  
22 be, you know, more context in a broader rate  
23 case. However, I think our stance is that the  
24 Petition is sound as it is now.

[WITNESS PANEL: Goulding|Francoeur]

1 Q Uh-huh.

2 A (Francoeur) And that it's in the best interest of  
3 ratepayers. And, as far as just, you know,  
4 regulatory efficiency, just handling the matter  
5 now, and putting this issue to rest, might be  
6 beneficial.

7 Q Okay. So, it's fair to say that the Kingston  
8 Solar Project had a material impact, and is a  
9 major driver, that was not a factor in the prior  
10 rate case, but has since changed the financial  
11 position of the Company, and has influenced your  
12 decision to come before us and seek this, this  
13 change?

14 A (Francoeur) I think that is an accurate  
15 characterization. I would note that, even absent  
16 the Kingston Solar Project, the cash forecast we  
17 provided, we still wouldn't be able to maintain  
18 that three-year financing interval, even without  
19 the Kingston Solar Project included.

20 But, to your point, it is certainly a  
21 notable change since we provided our last capital  
22 budget.

23 Q Would you anticipate similar projects, outside of  
24 rate cases, occurring?

[WITNESS PANEL: Goulding|Francoeur]

1 A (Francoeur) Just to clarify, you mean other  
2 utility-scale solar initiatives?

3 Q That would be an example. But, you know, that  
4 was a project that the Company came forward with  
5 and sought as a one-off, and received approval  
6 for by this Commission.

7 Would you envision other such  
8 large-scale capital projects being proposed  
9 outside of a rate case? What I'm getting at is,  
10 just looking longer term, the formula that the  
11 Company has applied for the last decade or two  
12 has been in place, as we think about the  
13 appropriate methodology for the next ten, twenty  
14 years moving forward, it's helpful to understand  
15 the Company's strategy and vision that can  
16 influence your capital spending.

17 A (Francoeur) Okay. Yes. I think it's quite  
18 reasonable that the Company could identify other  
19 Kingston Solar Project concepts. You know, as we  
20 establish a public interest determination for  
21 that project, the Company believes we may be able  
22 to identify similar projects that could yield  
23 benefits for ratepayers, and bring those before  
24 the Commission as well.

[WITNESS PANEL: Goulding|Francoeur]

1 Q And, if that were to occur, do you feel that the  
2 changes that you've proposed herein would enable  
3 you to proceed without a subsequent change?

4 A (Francoeur) I think that -- hard to say for  
5 certain. But I do think that this limit proposed  
6 would be -- provide sufficient liquidity, that a  
7 project would need to be very material in size,  
8 relative to our other routine, you know,  
9 operating and maintenance capital investments, to  
10 necessitate an additional waiver to the Puc rule.

11 Q Okay. Thank you. And would you be able to  
12 distinguish for me the difference with waiver  
13 that the Company is asking for, versus the  
14 Department? And they're saying "temporary  
15 waiver", you're seeking a waiver, you know,  
16 it's -- a waiver in perpetuity is certainly  
17 concerning.

18 So, perhaps you could enlighten us as  
19 to what you see the difference between that rule  
20 waiver with what the Department has proposed?

21 A (Francoeur) Yes. So, there's certainly that  
22 difference in what they propose, and then  
23 there's -- our proposal is 20 percent of net  
24 utility plant, versus the Department's 15

[WITNESS PANEL: Goulding|Francoeur]

1 percent, plus the 10 million constant.

2 Q Uh-huh.

3 A (Francoeur) And I think the -- I spoke a little  
4 bit about how that \$10 million can become  
5 disproportionate in consideration in perpetuity.  
6 One of our decisions in requesting this to be a  
7 permanent waiver is that our last -- our last  
8 waiver for this rule that took effect in 2010 was  
9 in perpetuity. So, we kind of mirrored that same  
10 logic.

11 But, also, you know, the Company  
12 doesn't see any harm or downside for ratepayers  
13 for approving this Petition. It's simply  
14 providing management the necessary discretion and  
15 ability to manage a balance sheet to provide  
16 benefits to ratepayers.

17 So, we don't necessarily see concern  
18 with allowing this Petition to go forward in  
19 perpetuity.

20 Q Okay. And, then, if your petition is denied, how  
21 would the Company react? Would you make budget  
22 cuts to capital spending? What would change  
23 moving forward, if you are obliged to stick with  
24 the current process?



[WITNESS PANEL: Goulding|Francoeur]

1 A (Francoeur) We would -- the capital budget is  
2 projects that are, as we discussed, at varying  
3 levels of priority, are projects that need to be  
4 done. The Priority 3 projects we talked about  
5 have varying degrees of ability to defer, and  
6 things of that nature.

7 But the capital budget, as it stands  
8 now, has already considered projects, you know,  
9 Priority 3 projects that were not included in the  
10 budgeting process. There's many projects that  
11 don't go forward as part of the capital budget  
12 process.

13 So, our Engineering Department has told  
14 us this is the capital budget they need. And, in  
15 Finance, it's our job to provide the liquidity  
16 and capital to assure that we can provide safe  
17 and reliable service to our customers.

18 So, if this Petition is not approved,  
19 we're going to be forced to access the capital  
20 markets more frequently than we otherwise would,  
21 to ensure capital for that investment activity.

22 Q And weigh the benefits and drawbacks to that for  
23 me, because the markets seem to be changing  
24 rapidly? And, if we look back two years ago,

[WITNESS PANEL: Goulding|Francoeur]

1           it's a very different environment than it is  
2           today. There's a lot of uncertainty about  
3           interest rates moving forward.

4                        I mean, what -- are there drawbacks to  
5           the longer term proposal that you've laid out  
6           here as three years?

7    A       (Francoeur) I don't believe so. I think there's  
8           more -- there's more tangible benefits, and then  
9           there's intangible benefits. The tangible  
10          benefits are simply the -- in hypotheticals,  
11          let's say we were going to issue, in perpetuity,  
12          every two years versus every three years. And  
13          that's not reality. There's going to be  
14          fluctuations in that cadence. But "every two  
15          years" means we're going to incur \$150,000,  
16          thereabouts, for fixed legal costs, that will be  
17          defrayed by either issuing debt every two years  
18          or every three years. So, we can incur that  
19          \$150,000 one year less frequently with this  
20          longer. So, that's a tangible benefit of  
21          spanning these financings more wider.

22                       The other thing we've talked about is  
23          marketing these transactions in parallel with our  
24          utility affiliates. It allows more investors to

[WITNESS PANEL: Goulding|Francoeur]

1 participate in the transaction, increasing bid,  
2 you know, competition, and increasing the number  
3 of bids, and yielding a lower cost of debt. We  
4 also spoke about more competitive -- more  
5 negotiating power with our underwriter to  
6 negotiate a better underwriter spread.

7 The bank is, you know, their revenue  
8 from the deal is a function of the size of the  
9 transaction. So, the smaller the deal, the more  
10 encouraged they are to say "we need a larger  
11 spread."

12 So, those are more the tangible  
13 benefits.

14 The intangibles are the financing  
15 flexibility and the ability to access the capital  
16 markets when we need to, rather than having, you  
17 know, the limited liquidity that forces us to go  
18 access the market, you know, at 18 to 24 months  
19 after our last transaction. We're going to be  
20 forced to go access the markets, despite what  
21 geopolitical uncertainties or recession or  
22 interest rate trends are, to avoid surpassing  
23 this limit. Versus, if we had the three-year, we  
24 could say "Okay, well, let's not pursue this

[WITNESS PANEL: Goulding|Francoeur]

1 transaction now. Let's wait it out."

2 So, that's simply the benefit it gives  
3 us, is not necessarily timing the market, but  
4 saying "We have a need to raise capital, but  
5 let's figure out when the best time is to raise  
6 this capital in the markets."

7 So, those are really the tangible and  
8 intangible benefits. And, you know, and the  
9 financial risk that we spoke about earlier a  
10 little bit with the credit rating agencies, if  
11 the credit rating agencies see us pricing debt  
12 every two years, because we don't have sufficient  
13 liquidity, that's increased financial risk that  
14 is not present in some of our other utility  
15 affiliates.

16 Q What about other utilities in the sector?

17 A (Francoeur) I can't speak across everywhere, but  
18 New Hampshire is the one state that we have this  
19 regulatory short-term borrowing limit.

20 Q I guess, with respect to peer utilities in New  
21 Hampshire, and let's say Public Service Company  
22 of New Hampshire or Granite State Electric, or go  
23 to Massachusetts, you know, National Grid, I  
24 mean, what are they doing?

[WITNESS PANEL: Goulding|Francoeur]

1 I recognize the scale difference, but,  
2 generally, what are they doing?

3 A (Francoeur) My colleague with the better memory  
4 says PSNH has a waiver.

5 A (Goulding) Yes. I'm not entirely sure of the  
6 cadence of the issuances at PSNH, but they did  
7 have a short-term debt waiver that I think  
8 originated maybe back in 2011, I want to say.

9 Q Uh-huh. I guess, I mean, when -- how often do  
10 they go to the market?

11 A (Goulding) I don't have the exact information.

12 CMSR. SIMPSON: Okay. All right.  
13 That's all I have. Thank you.

14 CHAIRMAN GOLDNER: We'll move now to  
15 Commissioner Chattopadhyay.

16 BY CMSR. CHATTOPADHYAY:

17 Q So, you mentioned that there is a debt limit for  
18 Unitil in New Hampshire. And I think I heard  
19 that it's not there in other jurisdictions.  
20 There is no such limit. Is that what you meant?

21 A (Francoeur) That's what I can speak to, is that,  
22 in Maine and Massachusetts, our utility  
23 affiliates in those jurisdictions do not have a  
24 short-term borrowing limit.

[WITNESS PANEL: Goulding|Francoeur]

1 Q Do you know what the percentage is, however? I  
2 know there's no limit. But, you know, in terms  
3 of -- let me just provide the context. When you  
4 were talking about going down from 17 percent to  
5 13.3 percent, you know, it just occurred to me  
6 that what is the situation in the other  
7 jurisdictions?

8 You may not have any limits, but I want  
9 to get a sense of where short-term debt is  
10 relative to the net plant in the other  
11 jurisdictions, if you know?

12 A (Francoeur) If you give me fifteen to twenty  
13 seconds, I can give you a rough estimate from  
14 where the other subsidiaries are.

15 Q Take your time.

16 A (Francoeur) But I would want to draw the  
17 distinction that, again, what I'm comparing  
18 against is GAAP net plant, which is, again, as we  
19 identified, notably different than the FERC net  
20 plant balances.

21 Q It still would be helpful. So, please do.

22 A *[Witness Francoeur indicates in the affirmative.]*

23 *[Short pause.]*

24 **BY THE WITNESS:**

[WITNESS PANEL: Goulding|Francoeur]

1 A (Francoeur) So, I just quickly looked at a few of  
2 our affiliates. And, you know, as of the end of  
3 2022, our Fitchburg -- Fitchburg Gas & Electric  
4 subsidiary, in Massachusetts, was borrowing  
5 approximately 15 percent of their net utility  
6 balance. Our gas pipeline, Granite State Gas,  
7 was borrowing approximately 21.5 percent of their  
8 net utility plant balance at the end of '22. And  
9 Northern Utilities was borrowing approximately 11  
10 percent of their net utility balance as of the  
11 end of '22.

12 Q So, it's sort of scattered.

13 A *[Witness Francoeur indicates in the affirmative.]*

14 Q Okay. Based on your testimony, what the takeaway  
15 is for me is that, with the DOE approach, where  
16 you have a percentage of the net plant, and then  
17 you're adding a fixed amount, fixed dollar  
18 amount, that, in the future, would again lead to  
19 the same problem that had occurred when you  
20 described the situation with going to 13.3  
21 percent from 17 percent. And that's -- I mean,  
22 it may not be dramatic, but it did happen, and  
23 your concern is that, with that approach, that is  
24 again a possibility in the future, so you'll have

[WITNESS PANEL: Goulding|Francoeur]

1 to come back. Is that a fair characterization?

2 A (Francoeur) Yes. That's exactly right.

3 Q So, subject to check, would you accept that what  
4 DOE has proposed, if it was only in terms of  
5 percentages, which is \$55 million relative to the  
6 \$300 million, you know, approximate, would be  
7 18.33 percent?

8 A (Francoeur) Subject to check.

9 Q If we were to say, "Okay, going forward, we don't  
10 want to have this, plus that, that approach,  
11 would rather be just percentage. So, 18.33  
12 percent is what it would be."

13 Do you have any opinion on that,  
14 relative to 20 percent? I mean, I just -- I just  
15 want to understand.

16 A (Francoeur) Yes. No, it's a really good  
17 question.

18 I think the most important thing to  
19 look at here, which our prefiled testimony is  
20 really entirely based around, is this cash  
21 forecast that's in Exhibit 1, Bates Page 026,  
22 that we spoke about at length earlier. Which  
23 shows that, you know, our borrowing forecast  
24 would be a \$62 million cash burn over three



[WITNESS PANEL: Goulding|Francoeur]

1 years. So, that's really -- we tried to get  
2 close to that number with the percentage that we  
3 proposed.

4 And, while the DOE number certainly  
5 would provide additional liquidity than where  
6 we're currently at, we think that the 20 percent  
7 number that we proposed is -- we stand by that  
8 number as being what we think is the most prudent  
9 number for us to have to manage the balance  
10 sheet.

11 Q Can you confirm whether the percentage remains  
12 more or less same or it just jumps around? I  
13 know that it was scattered when you discussed the  
14 different affiliates. But I'm trying to  
15 understand, historically, whether the percentage  
16 keeps moving, not sure what I should use, almost  
17 in a -- sort of in an erratic manner, not  
18 necessarily smoothly?

19 A (Francoeur) I think, in general, you're going to  
20 see that percent -- let's say we just -- we just  
21 replaced all of our short-term debt at UES, all  
22 the way down to zero with permanent capital, a  
23 combination of debt and equity. The short-term  
24 debt balance over net utility plant would be zero

[WITNESS PANEL: Goulding|Francoeur]

1           percent, right? We recapitalized all the  
2           short-term debt. What you're going to see is  
3           that percentage grow and grow and grow over time,  
4           as we continue to use short-term borrowings as  
5           our day-to-day financing vehicle. So, we're  
6           going to -- our shortfalls due to our investing  
7           activity, our shortfalls due to the sinking fund  
8           payments, which we've discussed, are all going to  
9           be financed with our short-term borrowing. So,  
10          that percentage is going to increase and increase  
11          and increase, until such time we say "We have a  
12          need for permanent capital to reduce our interest  
13          rate exposure on short-term borrowings." And we  
14          go in and we replace that short-term borrowings  
15          again with a combination of debt and equity on a  
16          time-to-time basis, which will again drop that  
17          short-term debt as a percentage of net plant down  
18          closer to zero percent.

19                        So, I think you'll see it continue to  
20          escalate and fall, escalate and fall.

21    Q        So, really, maybe because I'm still not totally  
22          clear with the numbers as much as I'm surely as  
23          you are. So, to me, the question was -- the  
24          question stems from this thinking that you have a

[WITNESS PANEL: Goulding|Francoeur]

1 number, which is \$62 million, and you're  
2 projecting it at the end of, I think, 2025, or  
3 was it '26?

4 A (Francoeur) That, the net plant balance that we  
5 mentioned?

6 Q Yes.

7 A (Francoeur) That was year-end 2023.

8 Q No, the \$62 million later --

9 A (Francoeur) Oh, excuse me. Sorry. That was the  
10 cash forecast. Yes, a cash burn of 62 million.

11 Q Okay. Yes.

12 A (Francoeur) Yes.

13 Q So, that, are you saying that that number will  
14 keep on growing forever, or it's just a reality  
15 that you're facing in 2023 through 2025?

16 A (Francoeur) I think that the issues that we've  
17 discussed here, some of these pressures are  
18 ongoing. For example, these sinking fund  
19 payments will continue to be incurred through  
20 2036. So, this is -- that's a very long-term  
21 impact that we're facing, which is a shift in the  
22 Company's borrowings. And, you know, what we're  
23 seeing in our cash statements.

24 And I think that, you know, as we

[WITNESS PANEL: Goulding|Francoeur]

1 continue to see this inflation and things, that  
2 this is our new reality. That this three years  
3 we've proposed is what we've illustrated, but  
4 that, if we were to go five to ten years, that we  
5 still think that this 20 percent would be  
6 necessary, if that makes sense.

7 Q Yes. I think it's more, why is it 20 percent?  
8 Why isn't it, like, let's say, 19 percent? Okay.  
9 So, that's where I'm trying to go.

10 A (Francoeur) Sure.

11 Q And, especially your affiliates, the ones that  
12 are regulated, if I heard it correctly, they have  
13 lower numbers, lower percentages.

14 A *[Witness Francoeur indicates in the affirmative.]*

15 Q And, then, the question is, I'm curious again,  
16 whether there are limits there as well, in place?

17 A (Francoeur) The limits in place for the others --  
18 we have Board limits for all of our subsidiaries.  
19 And the Board limit for UES, for example, is  
20 \$60 million. But, of course, we're not going to  
21 hit that with our current regulatory limit. But  
22 you asked about how we arrived at that  
23 percentage, and that's where we tried to find a  
24 number, a round number, if you will, an interval

[WITNESS PANEL: Goulding|Francoeur]

1 of five, that approximated. The 20 percent  
2 provides very close to what our three-year cash  
3 burn would be. So, that number, that \$62 million  
4 cash burn over three years, we found that 20  
5 percent net plant got a short-term borrowing  
6 limit that was close to that cash burn. So  
7 that's how we arrived at the 20 percent figure.

8 Q So, let's say you face, you know, something is in  
9 place telling you that this is the maximum that  
10 you can use for short-term debt. I know you've  
11 discussed, you know, Categories 1, 2, 3 projects,  
12 all of that. Can you give me an example of how  
13 you dealt with that reality previously, and, you  
14 know, there's projects that are discretionary,  
15 you know, how did you -- what happens? Like, how  
16 do you decide "Okay, these we won't do it"?

17 And, so, when you're talking about that  
18 \$62 million thing, what if there was sort of a  
19 limit that is lower than that, how would you go  
20 about dealing with the projects? And, you know,  
21 is there, in your opinion, would there still be  
22 room to play with discretionary projects?

23 I know it's kind of loaded, but feel  
24 free to opine on it, how you might work through

[WITNESS PANEL: Goulding|Francoeur]

1 it.

2 A (Francoeur) So, I'll try and answer part of it,  
3 and then let my colleague jump in.

4 Is that, you know, if this limit  
5 doesn't get increased, what would we try and do?  
6 You know, would we endeavor to reduce our  
7 projects more so? And, you know, I think we  
8 spoke a little bit earlier about, you know, our  
9 Engineering Department is going through these  
10 projects, and I know that they're deferring a lot  
11 of Priority 3 projects as part of the capital  
12 budget process, and they're measuring the merits  
13 and weighing the pros and cons of conducting a  
14 project now, or can it wait? So, I'll let Chris  
15 talk a little more about that.

16 But, for us, if we don't get the higher  
17 limit, our job in Finance is to ensure liquidity  
18 and capital. So, the implications of not  
19 increasing the limit, from my point of view,  
20 we'll be accessing the capital markets more  
21 frequently.

22 A (Goulding) Yes. And I think Andre hit on that,  
23 too. We do go through the -- as part of that  
24 budget review process, it does review all

[WITNESS PANEL: Goulding|Francoeur]

1 projects, and there have been Priority 3 projects  
2 that have been delayed from year to year. And  
3 those projects do, obviously, there is potential  
4 of failure of a capital on the system, say it's a  
5 transformer or a RTU, a regulator, to result in  
6 reliability issues for customers.

7 So, all that has been considered when  
8 we do look at the capital budgeting process for  
9 potential ability to defer projects.

10 Q Okay. Can you comment on, let's say you are  
11 faced with that situation, then your affiliates  
12 are going with the three-year, you know,  
13 approach, and you're being forced to deal with it  
14 every two years. Do you -- can you throw some  
15 light on how can -- how that would impact, for  
16 example, the credit ratings and things like that?  
17 Can you give me examples?

18 A (Francoeur) I think, you know, in addition, we  
19 talked about the tangible and intangible benefits  
20 of having the longer financing interval. So,  
21 what we would see, if we -- without the limit, we  
22 would likely see a higher cost of debt than with  
23 the higher limit that we propose.

24 But, as far as credit ratings go, you

[WITNESS PANEL: Goulding|Francoeur]

1 know, just the Company endeavors to have a low  
2 weighted average cost of capital. So, a credit  
3 rating company might see that, you know,  
4 increasing cost of capital, you know, while  
5 minor, could be perceived as a negative.

6 But more -- the more downside case that  
7 would be caught by a credit rating company is  
8 going to be in the event of capital market  
9 turmoil, the number of issuances, and supply has  
10 dropped out of the capital markets, because  
11 dollars are rotating out of the private placement  
12 market and going elsewhere into the markets, and  
13 Unitil goes and tries to access the private  
14 market at a time, which, you know, we were being  
15 forced to, to ensure that we don't exceed this  
16 regulatory borrowing limit, that might be  
17 something that could get the attention of the  
18 investment community or our credit rating  
19 agencies. It could be a head-scratcher to say  
20 "Oh, this subsidiary doesn't have sufficient  
21 liquidity, and they're pursuing a debt financing  
22 at kind of a strange time, when markets aren't  
23 conducive." If that makes sense?

24 I think that's the time it would be



[WITNESS PANEL: Goulding|Francoeur]

1 most notable.

2 Q Would you agree that, given what happened over  
3 the last year or so, with the prices going up  
4 crazy, for the wholesale purchases and all of  
5 that, that that somehow still impacts the  
6 forecasting that you're doing, and maybe you have  
7 over-forecasted the needs? So, I'm just trying  
8 to understand that.

9 A (Francoeur) That's a really good question. In  
10 that this, the short-term borrowing forecast we  
11 provided, doesn't project any working capital  
12 fluctuations. And the jumping-off point for our  
13 operating activities is 2022, which was before we  
14 really had that really high purchased power take  
15 effect.

16 And, we don't -- when we do a longer  
17 range forecast, you know, in excess of one year,  
18 you wouldn't want to try and predict fluctuations  
19 in working capital. You really want to project  
20 "what's your run rate for operating activities,  
21 what's your capital budget, and what's your  
22 financing activities?"

23 So, no. In short, the decrease in  
24 purchased power hasn't impacted that cash

[WITNESS PANEL: Goulding|Francoeur]

1 forecast. So, consequently, the drop in  
2 purchased power hasn't impacted our request.

3 CMSR. CHATTOPADHYAY: Thank you.

4 That's all I have.

5 CHAIRMAN GOLDNER: Okay. I'll turn to  
6 a few more questions, before we move to redirect.

7 BY CHAIRMAN GOLDNER:

8 Q So, if you were going to the short-term market  
9 today, you were going to get a rate, what would  
10 that rate be today? What would the market rate  
11 be, roughly?

12 A (Francoeur) For a short-term borrowing.

13 Q Short-term borrowing.

14 A (Francoeur) I would expect that the rate that, if  
15 we were to access the -- to renegotiate our  
16 credit facility, would be very similar to what it  
17 is at present. And, as of last Friday, our  
18 borrowing rate was 6.57 percent.

19 Q 6.57, okay. And, then, and I know that this is  
20 perhaps not easy, because it depends on the  
21 timing of the markets and so forth, but long-term  
22 debt in the market today, for your credit rating,  
23 would run about how much?

24 A (Francoeur) If you give me ten seconds, I can

[WITNESS PANEL: Goulding|Francoeur]

1 tell you exactly.

2 Q Please. Thank you.

3 A (Francoeur) As of Tuesday, the Moody's bond yield  
4 for Baa rated public utilities was 5.87 percent.

5 Q 5.87. So, from a ratepayer perspective, at the  
6 moment, it's three-quarters of a point difference  
7 you're paying more for short-term than long-term?

8 A *[Witness Francoeur indicates in the affirmative.]*

9 Q And what does that look like historically? If  
10 you looked back five years, or something like  
11 that, to some reasonable time period, is the  
12 short-term debt usually more or less than the  
13 long-term debt?

14 A (Francoeur) The short-term borrowing rate is very  
15 usually lower than the long-term debt rate. And  
16 what we're seeing now is the result of the  
17 inverted yield curve.

18 Q Exactly. So, that's helpful. So, I'm just going  
19 to repeat back. But, under normal circumstances,  
20 that is when there is not an inverted yield  
21 curve, then the short-term debt would actually be  
22 less than the long-term debt. But, in today's  
23 environment, there is an inversion. And, so, the  
24 short-term debt is a little bit more expensive?

[WITNESS PANEL: Goulding|Francoeur]

1 A *[Witness Francoeur indicates in the affirmative.]*

2 Q Okay. Okay. On this Puc rule of 10 percent that  
3 we've been talking about and is the subject of  
4 today's review, has Unitil discussed this limit  
5 with the other utilities, either Liberty or  
6 Eversource, that you know of?

7 A (Goulding) Just to the point of reaching out to  
8 them to ask if we were missing something, if they  
9 had a waiver or not, beyond PSNH, which we knew  
10 about.

11 Q And the PSNH waiver, I believe, is a \$60 million  
12 adder, it's the 10 percent, plus 60 million, as  
13 opposed to Unitil, which is 10 percent, plus  
14 10 million today, is that your understanding?

15 A (Goulding) That sounds like a very similar  
16 calculation that I recall.

17 Q Okay. And, if there's a clarification, or if you  
18 know -- if you know that number, the Eversource  
19 number to be wrong, I'm just trying to  
20 understand. I believe, basically, what I'm  
21 saying is, is that the 10 percent is in place  
22 across-the-board today, and there's adders, in  
23 the case of Eversource and Unitil. And, in the  
24 case of Eversource, the adder is much larger for

[WITNESS PANEL: Goulding|Francoeur]

1 obvious reasons, they're a much larger company.

2 Do you know what the adder is for  
3 Eversource? I may have -- we went back into a  
4 docket from 2010, and we believe the adder is 60  
5 million. But you might know better than me.

6 A (Goulding) I don't think it's changed since 2010.

7 Q Okay.

8 A (Goulding) I think it was supposed to be reviewed  
9 -- the rule was reviewed at that point in time.

10 Q Okay. And I'm just trying to understand your  
11 perspective. So, relative to Liberty, for  
12 example, who hasn't come in for any kind of  
13 waiver, can you just help the Commission  
14 understand why a Liberty position might be  
15 different than a Unitil position? What's kind of  
16 different between the companies that would  
17 require Unitil to be different?

18 A (Francoeur) I think maybe there's two  
19 differences, without having done a deep-dive into  
20 this. One is the sinking fund pressures, that  
21 I'm not sure if the other -- I would find  
22 unlikely that the other utilities are incurring.  
23 And I think one of the reasons it's unlikely that  
24 they're incurring that is because the size of the

[WITNESS PANEL: Goulding|Francoeur]

1 other utilities is different than the size of  
2 Unitil Energy Systems. The other utilities are  
3 likely able to issue debt in the public markets,  
4 which can allow for much faster transactions to  
5 take place. Versus Unitil is issuing, because of  
6 our size, would be issuing debt in the private  
7 placement market. So, I think that might be one  
8 difference, is the ease and the regularity of  
9 being able to raise capital in the debt markets.

10 Q Okay. Thank you. Are you aware of any national  
11 or regional studies on this topic, what a small  
12 utility, like Unitil, and I realize you're one of  
13 the smallest, if not the smallest, but whether a  
14 company of your size might be typical in the  
15 market, nationally or regionally? Do have any  
16 competitive data that your Department or that the  
17 Company has gathered?

18 A (Francoeur) In terms of the issuance sizes?

19 Q No, I'm sorry. Just the percentage of short-term  
20 debt?

21 A (Francoeur) I haven't done comprehensive research  
22 on that specific question.

23 Q Okay. I would say, in hindsight, that would have  
24 been helpful for this, purposes of this.

{DE 23-065} {12-07-23}

[WITNESS PANEL: Goulding|Francoeur]

1           Because, if you would have come in with "Hey,  
2           nationally, short-term debt runs, you know, 20  
3           percent, and, in New England, it runs 22  
4           percent." From a competitive standpoint, that  
5           would have helped us understand the bigger  
6           picture. So, I understand that you don't have  
7           that. But, in the future, a competitive view  
8           would be helpful.

9                           Mr. Goulding, you're looking at me with  
10           a puzzled expression. So, I --

11   A           (Goulding) No, I'm absorbing that for -- if  
12           there's a future time we file, I'm absorbing all  
13           that information.

14   Q           Okay. Thank you. Just I'm observing. Okay.  
15           That would be helpful. And I know that that was  
16           something, in my prior life, that we would take a  
17           look at the national and regional environments to  
18           understand what the picture was, although it  
19           wasn't in a regulated environment.

20                           So, I'm going to ask the same question  
21           of the DOE, when they take the stand. But, you  
22           know, probably, the -- this rule was generated in  
23           2008, as I read the PUC rules. And I'm assuming  
24           that the Commission had some reason for

[WITNESS PANEL: Goulding|Francoeur]

1 generating a 10 percent limit. And I assume that  
2 that reason was for the very reason that Attorney  
3 Lynch and the DOE, the nature of their questions  
4 earlier, which was "Tell me more about your  
5 capital process, tell me more about which capital  
6 can be deferred. And let's have these  
7 discussions proactively, as opposed to the normal  
8 regulatory view, which is everything is in the  
9 rear-view mirror, and we're looking for prudence  
10 and these kinds of things."

11 So, I think it was -- my guess is it  
12 was a control that the Commission put in, so that  
13 these discussions took place, it would force the  
14 kinds of discussions that we had today.

15 But that's speculation on my part. And  
16 I wanted to give you the opportunity to comment  
17 on my suggestion or notion of the usefulness of  
18 having a lower limit.

19 A (Goulding) I don't know the source of the rule.  
20 I did do some research to find what it could be.  
21 I'm not sure how it actually puts a restriction  
22 or limits the investments that the Company makes,  
23 because the Company, obviously, needs to make  
24 those investments for reliability purposes. And



[WITNESS PANEL: Goulding|Francoeur]

1           they would still have to make those investments,  
2           and a limit would just result in them having to  
3           issue long-term debt more frequently.

4    Q    I see your point.  I also -- yes, let me leave it  
5           at that.  I understand.  I understand that  
6           perspective.  You're, of course, suggesting the  
7           need to go to the market more frequently, and  
8           that's been a big part of the discussion today.

9                         But it also forced the discussion with  
10           the DOE of "Hey, tell me more about your capital.  
11           We have a record request out there."  There's a  
12           discussion on the topic proactively.  So, I'm  
13           just trying to absorb the logic for having a 10  
14           percent restriction in there.  So, I appreciate  
15           your answer on that.  And I'll ask the same  
16           question of the DOE.

17                        A minute ago, Mr. Francoeur, I think  
18           you mentioned this "Board limit of 60 million".  
19           If the Commission were to approve the Company's  
20           request of 20 percent, which would, of course,  
21           grow beyond 60 million over time, assuming your  
22           capital continues to grow.  How would that affect  
23           the Board limit?  Are you limited at 60 million,  
24           or the Board makes some kind of adjustment?  How

[WITNESS PANEL: Goulding|Francoeur]

1 would the Company deal with any adjustment on  
2 behalf of the Commission?

3 A (Francoeur) At our next Board meeting, we would  
4 make a resolution proposal to amend the limit,  
5 probably to a number that allows a couple years  
6 of that 20 percent net plant to grow, before we  
7 would have to go in for another Board limit  
8 change.

9 Q I see. So, the Board would respond to a fixed  
10 number, as opposed to 20 percent of your capital,  
11 you would -- the Board would use a fixed number?

12 A (Francoeur) Correct.

13 Q Okay. And that number would be, you know,  
14 probably in the neighborhood of, you know, 70  
15 million or something, right, 35 -- 350 million,  
16 and 20 percent?

17 A (Francoeur) Thereabouts, yes.

18 Q So, something like that. Okay.

19 CHAIRMAN GOLDNER: Okay. I think that  
20 covers all my questions.

21 I'll turn to my fellow Commissioners to  
22 see if there's any follow-up?

23 Looks like Commissioner Chattopadhyay  
24 has a question.

[WITNESS PANEL: Goulding|Francoeur]

1 CMSR. CHATTOPADHYAY: I'm not sure  
2 whether this is necessarily for the witnesses,  
3 because this line that is -- that this could be  
4 more about legal interpretation, but I'm just --  
5 because I'm confused a little bit.

6 This whole discussion about "waiver",  
7 and yet you're essentially talking about  
8 something technical, and we have this, for  
9 example, what you proposed, at 20 percent of the  
10 net plant being there forever, right?

11 So, I mean, is the discussion of  
12 "waiver" coming up because the rule is already in  
13 place? Or, is it possible that this is really  
14 about the Company requesting "This is what we  
15 want to do going forward, you know, and let us"  
16 -- "tell us whether you approve it or not."

17 So, I'm a little confused about the  
18 discussion about the waiver, and all of that.

19 MR. TAYLOR: I can answer the question,  
20 just because I think that's within the bounds of  
21 the Petition.

22 CMSR. CHATTOPADHYAY: Yes.

23 MR. TAYLOR: So, the rule, which I  
24 don't want to paraphrase it, because I'm sure

[WITNESS PANEL: Goulding|Francoeur]

1 I'll mangle it, but the rule effectively  
2 establishes a -- or, precludes the Company from  
3 exceeding short-term debt in excess of 10 percent  
4 of its net utility plant.

5 And, so, for the Company to go beyond  
6 that rule, we would have to seek a waiver from  
7 the Commission. And, so, we've been operating  
8 under a waiver for about 15 years.

9 Now, we're in a position where the  
10 Company's perspective is, "What's been in place  
11 for the past 15 years has, because of changes at  
12 the Company, is now outdated and needs to be  
13 changed, and this new formula should be put into  
14 place." And, so, we can't just do that on our  
15 own. We have to seek -- we, basically, have to  
16 come in and again request a waiver from the  
17 Commission.

18 And, so, that's really what it's about.  
19 It's just there's a rule for us to operate within  
20 that rule, as it's written, would be, I think,  
21 certainly, if we were to lose even the \$10  
22 million adder, it would be very significantly  
23 prejudicial to the Company. And, so, we're  
24 coming in and we're saying "This is how we want

[WITNESS PANEL: Goulding|Francoeur]

1 to change it." But, again, we need the waiver  
2 from the rule.

3 Does that answer your question?

4 CMSR. CHATTOPADHYAY: Yes. Sorry.

5 Yes, it does. I think, yes it's -- sometimes  
6 rules can become kind of outdated and create  
7 issues. I'm not saying it necessarily does here,  
8 because I would need to think through it fully.

9 But I was just, as an economist, I'm  
10 saying, like, "What's going on?" But thank you.  
11 That helps.

12 MR. TAYLOR: At the risk of seeming  
13 impertinent, if two of the state's three  
14 utilities are requesting waivers of the rule, it  
15 might be outdated.

16 CMSR. CHATTOPADHYAY: Okay. Thank you.

17 CHAIRMAN GOLDNER: Okay. Thank you.  
18 At this point, we can move to redirect, and  
19 Attorney Taylor.

20 MR. TAYLOR: Thank you. And, if I  
21 could just take a moment, I think the  
22 Commissioners have actually addressed -- done a  
23 little bit of redirect for me. So, if I could  
24 just have a couple minutes to go through my

[WITNESS PANEL: Goulding|Francoeur]

1 notes, I would appreciate it?

2 CHAIRMAN GOLDNER: No, please take your  
3 time.

4 *[Short pause.]*

5 MR. TAYLOR: I just have a few  
6 questions for redirect. And I'll apologize in  
7 advance if any of these, you know, overlap of  
8 questions that have already been asked. But  
9 they're just areas where I'd like a little bit of  
10 clarity.

11 So, this is a question that I'll pose  
12 to both Mr. Francoeur and Mr. Goulding.

13 **REDIRECT EXAMINATION**

14 BY MR. TAYLOR:

15 Q There has been a significant amount of discussion  
16 today about the amount of short-term debt  
17 capacity that's been available to the Company in  
18 prior years, and how that may have changed from  
19 year over year. There's also been some  
20 discussion about intervals between the  
21 financings.

22 The Company's Petition, is it based  
23 on -- is it reactive, and based on the facts from  
24 the last few years, or is it prospective, and

[WITNESS PANEL: Goulding|Francoeur]

1 based on forecasts looking forward?

2 A (Francoeur) Yes. So, as we say in Finance, "Past  
3 performance isn't indicative of future results."  
4 And this forecast is based on the cash needs of  
5 the Company looking forward. And, while looking  
6 back, what's transpired over past years is  
7 definitely an important part of understanding  
8 where we're headed, this Petition and cash  
9 forecast is based on our best estimation of where  
10 our cash needs are trending through 2025.

11 Q There's also, you know, there's been a lot of  
12 discussion about the -- I won't use the word  
13 "optimal", but we have talked about the  
14 three-year cadence for going out for long-term  
15 financing and accessing the markets. When we  
16 talk about that, are we talking about three years  
17 locked in, every three years we're doing that, or  
18 is there some flexibility built around that three  
19 years?

20 A (Francoeur) There's definitely flexibility built  
21 into that three years. This is saying, we think  
22 a minimum of three years provides a sufficient  
23 amount of flexibility to ensure that we can avoid  
24 accessing capital markets at inopportune times,

[WITNESS PANEL: Goulding|Francoeur]

1 and allows us to go to the market with an  
2 efficient issuance size.

3 And, so, -- but, no, we could go two  
4 and a half years, if that's, you know, if we were  
5 able to market that transaction with our utility  
6 affiliates, or perhaps we can make it longer than  
7 three years, based on where our cash borrowings  
8 are, and how the capital markets are looking.

9 Q And I know that we've gone over this already. If  
10 the formula is not changed, we won't have that  
11 flexibility, and we will be compelled to go into  
12 the market more often, correct?

13 A (Francoeur) That's correct. So to speak, our  
14 hands will be sort of tied, and we'll -- in order  
15 to avoid surpassing this regulatory limit, have  
16 to pursue financings less subject to our  
17 management discretion and when we think, you  
18 know, based on our workings with our investment  
19 bankers and their advice, less on that, and more  
20 so our being forced to go to ensure we don't  
21 surpass this regulatory borrowing limit.

22 Q Thank you. There's also been some discussion  
23 about -- well, one of the factors that we've  
24 pointed to is projected capital spending, right?



[WITNESS PANEL: Goulding|Francoeur]

1 A *[Witness Francoeur indicates in the affirmative.]*

2 Q And that has led to some discussion, both here  
3 today and in the Department's testimony, as to  
4 whether certain projects can be deferred to or  
5 canceled, perhaps. Does that sound right?

6 A *[Witness Francoeur indicates in the affirmative.]*

7 A *[Witness Goulding indicates in the affirmative.]*

8 Q And I believe, and I can try to pull it out, but  
9 the Department of Energy has suggested that the  
10 Company's position is "There can be no deferrals  
11 whatsoever." Does that ring a bell from the  
12 testimony?

13 A (Goulding) Yes. I think it indicated that the  
14 Company couldn't identify any projects that could  
15 be deferred on the list provided.

16 Q Okay. But I believe what you've said in response  
17 to the data request and in rebuttal testimony,  
18 and also today, is that Priority 3 projects can  
19 be deferred, correct?

20 A (Goulding) There is Priority 3 projects that can  
21 get deferred. They're viewed on a case-by-case  
22 analysis. But there's also, what I'll say,  
23 Project 3 -- or, Priority 3 projects that were  
24 presented as part of the budget process and got

[WITNESS PANEL: Goulding|Francoeur]

1 deferred.

2 Q So, and that's really where I was going, and I  
3 want to be clear about that. And, so, the  
4 Company does, in fact, look at capital projects,  
5 Priority 3 projects, and defers some of those  
6 projects, correct?

7 A (Goulding) Yes, we do.

8 Q And those projects would not be showing up on the  
9 lists that were provided to the Department and  
10 have been discussed today?

11 A (Goulding) Correct.

12 Q Okay. So, that process of deferring the Priority  
13 3 projects has already occurred?

14 A (Goulding) Yes.

15 Q Okay. There was also some reference made to the  
16 COVID-19 pandemic, and the effect that that had  
17 on capital projects, and the potential deferral  
18 of some projects. Is it the case that the  
19 Company had to defer some projects that were not  
20 Priority 3 projects as a result of the COVID?

21 A (Goulding) Yes. There was definitely projects  
22 that were deferred as a result of COVID. I can't  
23 sit here and identify the exact projects, but  
24 there were projects that were delayed.

[WITNESS PANEL: Goulding|Francoeur]

1 Q Okay. And would you say that that was a -- that  
2 the COVID brought a refreshing new perspective on  
3 capital budgeting, or that having to defer those  
4 projects was an unfortunate and risky thing that  
5 the Company was compelled to do for circumstances  
6 beyond its control?

7 A (Goulding) The latter. And those projects ended  
8 up moving to the next year. If they're a  
9 Priority 1 one year, they don't go to a  
10 Priority 3 the following year. They stay a  
11 Priority 1.

12 Q And maybe another way of putting it is, without  
13 circumstances beyond the Company's control, the  
14 Company would have done those projects in the  
15 year that they were budgeted?

16 A (Goulding) Yes.

17 Q I think, you know, something, again, that maybe  
18 we've already discussed, but I think I'd like to  
19 get some clarity on it, with respect to the  
20 short-term debt limit, is the Company -- if the  
21 Company's short-term debt limit were to be  
22 increased, would the Company just max out its  
23 short-term debt at all times?

24 A (Francoeur) Certainly not. That is a high water

[WITNESS PANEL: Goulding|Francoeur]

1 mark, if you will, of borrowings that we might  
2 take advantage of. But, again, as far as that  
3 financing interval, it won't be all the time. It  
4 will be, as we get closer and closer to needing  
5 to recapitalize that short-term debt with  
6 permanent capital. And I think that's an  
7 important consideration when we think about  
8 perhaps benchmarking to where our other regulated  
9 utilities are, or where other utilities might be  
10 across the country, is that it's unlikely that  
11 those utilities are maxing out what their  
12 perceived borrowing limits are at any given point  
13 in time. They're probably, on average, somewhere  
14 between having recapitalized all their short-term  
15 debt, to needing to recapitalize their short-term  
16 debt. So, it's unlikely that benchmarking  
17 analysis is going to show that --

18 *[Court reporter interruption.]*

19 **CONTINUED BY THE WITNESS:**

20 A (Francoeur) It's unlikely that benchmarking is  
21 going to show what that high-water mark would be  
22 for other utilities, as it's going to be an  
23 average wherever they're at within their  
24 financing cycle.

[WITNESS PANEL: Goulding|Francoeur]

1           So, what we're recommending -- what  
2           we're requesting is our high-water mark, which  
3           will serve to be our cap. But that doesn't  
4           necessarily mean that we're going to run our  
5           borrowings at that level all the time.

6           MR. TAYLOR: I think that's all I have  
7           for redirect.

8           CHAIRMAN GOLDNER: Okay. I'll thank  
9           the witnesses for their excellent testimony  
10          today, and the witnesses are excused.

11          And, next, we'll invite Mr. Dudley to  
12          the stand, and turn to the Department of Energy.

13          *[Short pause.]*

14          CHAIRMAN GOLDNER: All right. And,  
15          after Mr. Dudley gets settled in, if you could  
16          please swear in the witness, Mr. Patnaude.

17          *(Whereupon **JAY E. DUDLEY** was duly sworn*  
18          *by the Court Reporter.)*

19          CHAIRMAN GOLDNER: Thank you. And  
20          we'll proceed with Attorney Lynch, and direct.

21          MS. LYNCH: Thank you.

22                         **JAY E. DUDLEY, SWORN**

23                         **DIRECT EXAMINATION**

24          BY MS. LYNCH:

[WITNESS: Dudley]

1 Q Mr. Dudley, would you please state your name and  
2 position and employer?

3 A My name is Jay Dudley, I'm a Utilities Analyst  
4 for the Department of Energy, the Electric  
5 Division.

6 Q Thank you. And I'd like to direct your attention  
7 to the document that's been marked in this case  
8 as "Exhibit 2". Do you recognize that as your  
9 testimony and attachments in this proceeding?

10 A I do. Yes.

11 Q Do you have any questions -- any corrections that  
12 you need to make to the testimony at this time?

13 A Yes. At Page -- at Page 20 of my testimony, Line  
14 5, I wrote that "Unitil is gaining 6 million in  
15 monthly credit availability." That number, after  
16 further consideration, is actually "5 million",  
17 rounded.

18 Q Thank you. Do you have any further corrections  
19 that you would like to make to your testimony?

20 A No, I do not.

21 Q And, if I were to ask you the questions contained  
22 in the written testimony as it was submitted in  
23 Exhibit 2, would your answers be the same as  
24 those contained, but for the correction you just

[WITNESS: Dudley]

1 provided?

2 A Yes.

3 Q And you adopt those answers as your sworn  
4 testimony, subject to the aforementioned  
5 correction?

6 A I do. Yes.

7 Q Thank you. And, in preparation for this case,  
8 have you reviewed Unitil's financing documents --  
9 financing dockets for prior years?

10 A Yes, I have.

11 Q And what is your understanding of when Unitil  
12 received its last waiver of the rule?

13 A The last waiver was approved in Docket 08-085.

14 Q Do you know what year that order that approved it  
15 was effective?

16 A I believe the order was issued in 2009.

17 Q Thank you. And I believe I asked -- I asked  
18 several of these questions to the Company earlier  
19 today. We discussed that the Company went to the  
20 market to, you know, refinance the long-term debt  
21 in 2020 and 2018. Prior, before 2018, when did  
22 Unitil last issue long-term debt?

23 A I believe it was in 2006, and I believe  
24 Mr. Goulding confirmed that this morning.

[WITNESS: Dudley]

1 Q Okay. Thank you.

2 MR. TAYLOR: I'm going to actually  
3 object to that. Mr. Dudley is not a witness for  
4 the Company. I'm not sure what basis he's  
5 testifying on our financings?

6 MS. LYNCH: I think, though, also, if  
7 we would go back to the record, that was another  
8 item that might have been subject to recheck at  
9 the break. So, if the Company would rather want  
10 to provide that answer, fine with us as well.

11 MR. TAYLOR: Well, I guess I'll say at  
12 this point I just had a couple issues.

13 One, this appears to be a rather  
14 substantive direct, I'm not sure how long that's  
15 going to go on for. Certainly, if the Company  
16 had thought we had the opportunity to do a long,  
17 substantive direct, we would have taken that  
18 opportunity. But we did just the presentation of  
19 the witnesses we typically do.

20 So, I think that, if this is going to  
21 be a long, substantive direct, I would object to  
22 that, because that's not the practice, and it's  
23 not what we understood this to be.

24 I guess we can bring the Company back



[WITNESS: Dudley]

1 up. I do believe the "2006" is incorrect. So,  
2 happy to bring a witness back on and have them  
3 resworn in, if that's a fact that the Department  
4 wants in the record.

5 MS. LYNCH: I think I forgot to mention  
6 it, when we went to break, right before the  
7 break. But I know there was significant  
8 discussion about it when it came up during my  
9 cross.

10 I'm comfortable with whatever the  
11 Commission prefers. But I think that is an  
12 important point that needs to be in the record.

13 CHAIRMAN GOLDNER: Can you repeat the  
14 question, Attorney Lynch?

15 MS. LYNCH: Sure. Prior to 2018, when  
16 did Unitil last issue long-term debt?

17 CHAIRMAN GOLDNER: And my recollection  
18 was that was a question that the Company was  
19 planning to answer at the break. But, then, when  
20 the Department repeated the questions, that  
21 wasn't on the list at the break. So, I think  
22 that's where we got tangled up.

23 Is that important to the Department,  
24 and can the Department forgo that particular

[WITNESS: Dudley]

1 exact date, as long as the Commission understands  
2 that it was significantly prior to today?

3 MS. LYNCH: As my co-counsel repeatedly  
4 reminds me, part of our role is to develop the  
5 record. And I think it's an important date. I  
6 do agree with your assessment of what transpired  
7 earlier. But I think it's important information  
8 that the Company should be providing to the  
9 Commission.

10 CHAIRMAN GOLDNER: So, Mr. Taylor, if  
11 the Commission grants the Department's request to  
12 put the number on the record, would you have a  
13 suggestion about how best to do that?

14 MR. TAYLOR: I'm happy to have the  
15 witness resworn in and answer the question.  
16 That's probably the best way to do it.

17 CHAIRMAN GOLDNER: I think that's -- I  
18 think that's fine. Yes, where we got a little  
19 tangled up on that question, and I think that  
20 would be. I appreciate your flexibility on  
21 handling it that way.

22 MS. LYNCH: So, should I -- I'll just  
23 continue, if that's okay?

24 CHAIRMAN GOLDNER: Yes, please. Please

[WITNESS: Dudley]

1 do. And just to repeat back. So, the Company  
2 will put the witness back on the stand to get  
3 that date after Mr. Dudley is done.

4 MS. LYNCH: And I don't think I have  
5 too, too much, about, I would say, "two pages".

6 CHAIRMAN GOLDNER: Okay.

7 MS. LYNCH: For what that's worth.

8 CHAIRMAN GOLDNER: Please proceed. And  
9 let's see where Mr. Taylor lands on the second  
10 page.

11 MS. LYNCH: Okay. Thank you.

12 BY MS. LYNCH:

13 Q So, Mr. Dudley, several of the questions I was  
14 going to ask you have already been addressed.  
15 So, I'm not going to belabor those points.

16 But I think, in summary, I would ask  
17 you, what is your assessment of Unitil's  
18 Petition? And, specifically, do you agree with  
19 their justifications for why they need 20 percent  
20 of net plant?

21 MR. TAYLOR: I'm going to object to the  
22 question. This was in Mr. Dudley's prefiled  
23 testimony. It's a question that could be asked  
24 on redirect, if there's a reason to ask it on

[WITNESS: Dudley]

1 redirect.

2 But Mr. Dudley has already presented  
3 testimony on this.

4 CHAIRMAN GOLDNER: Attorney Lynch,  
5 any -- would you like to comment before I rule?

6 MS. LYNCH: I think a summary would be  
7 helpful. You know, his testimony is rather  
8 lengthy. And I think just a concise summary  
9 would be helpful.

10 CHAIRMAN GOLDNER: I think the --

11 MS. LYNCH: I totally understand the  
12 objection, but --

13 CHAIRMAN GOLDNER: I think the  
14 Commission would benefit from a short and  
15 concrete summary from the witness on his  
16 testimony, so long as it was short.

17 **BY THE WITNESS:**

18 A Okay. Thank you. My assessment of Unitil's  
19 request is that Unitil hasn't met its burden that  
20 it's in the public interest. And the reason for  
21 that is that the three primary factors that they  
22 claim contributed to -- that prompted them to  
23 make this request before the Commission, was  
24 that, one, sinking fund payments had become a

[WITNESS: Dudley]

1 factor in limiting available cash and cash flow;  
2 and, number two, that COVID -- not COVID, excuse  
3 me, the unusual and quite extraordinary increase  
4 in wholesale market power costs had hurt them in  
5 the Winter of 2023; and, number three, that their  
6 capital -- their capital budget necessitates the  
7 increase.

8 My assessment of those three reasons is  
9 that only the one concerning the increase in  
10 wholesale power costs is credible. Regarding the  
11 sinking fund payments, sinking fund -- it's  
12 important to understand that sinking fund  
13 payments are -- usually result from two causes.  
14 One is that it's a mutual agreement between the  
15 investors and the borrower; and, number two, it's  
16 a requirement that's imposed by the investors,  
17 because they are concerned about the  
18 creditworthiness of the borrower.

19 My understanding is, based on the  
20 testimony filed by Unitil, is that the sinking  
21 fund payments were voluntary. Unitil regards  
22 sinking fund payments as a reasonable part of  
23 their cash flow planning and debt reduction; the  
24 Department would agree with that.

[WITNESS: Dudley]

1           But the Department is -- is questioning  
2           whether or not Unitil is compelled to make  
3           sinking fund payments, and whether that was  
4           something that was imposed on them, and that they  
5           had no control over. I'm inclined to believe  
6           that it was a voluntary arrangement between the  
7           investors and Unitil.

8           And, furthermore, sinking fund payments  
9           are negotiable. They can be renegotiating with  
10          each issuance. And, indeed, many times utilities  
11          do modify their indentures for various reasons,  
12          when they return to the credit markets for  
13          additional financing. So, I don't find the  
14          sinking fund payment -- sinking fund payment  
15          argument very credible.

16          Thirdly, capital expenditures. Well,  
17          capital expenditures are at the discretion of  
18          management largely. There are some capital  
19          expenditures for utilities that are required to  
20          maintain reliability of the system. But the  
21          level and the rate of growth of those  
22          expenditures are usually under the complete  
23          control of the utility's management. They're the  
24          ones that decide how to spend the money and where

[WITNESS: Dudley]

1 to put it.

2 The only thing -- the only factor that  
3 would necessitate a large increase in capital  
4 expenditures, and, by the way, the Department is  
5 concerned about the level and the rate of capital  
6 expenditures that Liberty [sic] is undertaking as  
7 a small utility, but the only other factor would  
8 be a considerable increase in the numbers -- in  
9 the number of customers in the service area, or  
10 an increase in the service area itself. We don't  
11 see that with Unitil. The customer numbers  
12 are -- the trend in customer growth is not that  
13 great.

14 So, I guess, in summary, that was kind  
15 of a long summary, but, I guess, in summary, we  
16 do find the event that occurred in 2023, in terms  
17 of wholesale prices, as a reasonable argument.  
18 And we do find, in our study of Unitil's  
19 finances, that it did hurt them in 2023. And, as  
20 a result of that, we're willing to agree to a  
21 temporary waiver of the rule, until Unitil's next  
22 rate case, where we can do a more in-depth review  
23 of their capital expenditures and determine what  
24 is causing the increase that Unitil is

[WITNESS: Dudley]

1           experiencing.

2                           That's a summary of the Department's  
3           position.

4 BY MS. LYNCH:

5 Q       Thank you. And we believe you said "Liberty",  
6       but you meant "Unitil" in your prior --

7 A       I did mean "Unitil", yes.

8 Q       Okay. Thank you. And, so, you know, given the  
9       DOE's recommendation, do you believe Unitil will  
10       have enough short-term debt in 2024 available to  
11       it?

12 A       Yes, I do, only because we had asked Unitil in  
13       discovery, you know, "Well, what are you going to  
14       do if the Commission denies your request?" And  
15       they said that they would be forced to -- and I  
16       believe Unitil's witnesses said this earlier this  
17       morning, they would be forced to return to the  
18       credit markets to refinance their short-term  
19       debt. I do know, from looking at their cash flow  
20       statements, that they are very close to the debt  
21       limit. I do not know what that balance is right  
22       now, today.

23                           But, suffice it to say, that Unitil's  
24       testimony was that they would have to return to



[WITNESS: Dudley]

1 the credit markets in 2024 and refinance their  
2 existing debt, converting it to long-term. And,  
3 in doing so, that would essentially replenish the  
4 credit availability, under their short-term  
5 credit, to \$40 million.

6 Q Do you agree with their assessment, that they  
7 will need to go to the market to obtain more  
8 long-term debt to refinance?

9 A They will go to -- they will have to go back to  
10 the market in 2024. I believe they said that.

11 Q And, in regards to the short-term debt, where  
12 does Unitil obtain its short-term debt?

13 A Unitil obtains its short-term debt from the  
14 parent company, Unitil Corp., which has a  
15 short-term credit facility with a bank, I don't  
16 recall which one. But a portion of that credit  
17 facility I understand is earmarked for use by the  
18 affiliates. And, in Unitil's case, the amount up  
19 to the regulatory limit is what is available to  
20 Unitil.

21 Q And earlier this morning, I believe also the  
22 Company testified that Unitil provides the parent  
23 with dividends, correct?

24 A Yes. As is the case with a lot of utilities that

[WITNESS: Dudley]

1 are owned by a larger company, what we would  
2 refer to as "upstream dividends" are paid to the  
3 parent.

4 Q Okay. Kind of in exchange, or on the flip-side,  
5 you might say, what else has Unitil Corp.  
6 historically provided UES?

7 A Unitil Corp. typically provides Unitil with  
8 equity injections on an annual basis. Looking at  
9 the Auditor's Report to Noteholders, which was  
10 provided to the Department in discovery,  
11 according to the Reports, in 2019, Unitil was  
12 provided with \$12 million; in 2020, it was \$7.7  
13 million; and, in 2021, it was \$4 million.

14 In 2022, there were no equity  
15 injections from the parent company. It's our  
16 understanding from Mr. Francoeur at the tech  
17 session that Unitil simply didn't need the  
18 injection back in February *[sic]* 2022.

19 MR. TAYLOR: I'm going to object,  
20 because Mr. Dudley is testifying to matters  
21 that really should have been asked of the  
22 Commission *[sic]* witnesses. To the extent that  
23 Mr. Dudley is referencing discovery, the  
24 Department had an opportunity to put discovery

[WITNESS: Dudley]

1 into the record as hearing exhibits in this case,  
2 and they have elected not to do that.

3 And, so, I do object to Mr. Dudley  
4 testifying to, basically, the inner workings of  
5 the Company, without explaining where the  
6 information is coming from. These are all  
7 questions our witnesses could have and would have  
8 answered.

9 CHAIRMAN GOLDNER: Attorney Lynch.

10 MS. LYNCH: Can I ask Mr. Dudley where  
11 the information -- I believe he testified that  
12 this was discussed during a tech session, is that  
13 correct or --

14 WITNESS DUDLEY: It was, and the  
15 financial information was provided in response to  
16 discovery. But that same information is also  
17 filed with the Public Utilities Commission on an  
18 annual basis.

19 MR. TAYLOR: So, I think what would be  
20 helpful, for the purposes of the proceeding is,  
21 if the witness is going to be referring to  
22 something that's in the record, it would be very  
23 helpful to know what that is. If it's not in the  
24 record, it should be -- it should have been filed

[WITNESS: Dudley]

1 as an exhibit in the record.

2 To the extent that there's some  
3 reference to what occurred in technical sessions,  
4 technical sessions are an opportunity to review  
5 discovery that was put in, and ask additional  
6 questions of witnesses. Typically, what happens  
7 is, then, if there are questions that come out of  
8 that, those questions are asked of the Company's  
9 witnesses.

10 I know the rules of evidence don't  
11 typically apply here, but you're probably  
12 familiar with the concept of "hearsay". And,  
13 getting up on the stand, and talking about what  
14 our witnesses said, while they're sitting here in  
15 the room, is really not procedurally or  
16 evidence -- not appropriate from an evidentiary  
17 standpoint.

18 And, so, I just, you know, these are  
19 questions that, in terms of getting facts into  
20 the record, should be coming from our witnesses.  
21 And, so, you know, we're being put in a position,  
22 maybe what Mr. Dudley is saying is accurate,  
23 maybe it isn't, we're now going to have to check  
24 it on-the-fly and to verify that it's accurate.

[WITNESS: Dudley]

1 And, so, this kind of factual information about  
2 the Company's business should not be coming in  
3 from Mr. Dudley, unless he has something in the  
4 record that he's referring to, and we can all  
5 look at it.

6 MS. LYNCH: We can move on to the next  
7 point.

8 CHAIRMAN GOLDNER: Okay. Very good.

9 MS. LYNCH: So, I'm almost wrapping up  
10 here.

11 BY MS. LYNCH:

12 Q Mr. Dudley, I know a lot was discussed, too,  
13 about the high -- you know, that purchased power,  
14 in 2023, wholesale, it was much higher than what  
15 was seen in 2022. Was that -- that's correct,  
16 right?

17 A Yes.

18 Q Do you, you know, and based on your role in the  
19 Department as a financial analyst, do you -- what  
20 are your predictions about the wholesale market  
21 going forward into 2024?

22 A The reports that we're receiving in the  
23 Department, and we receive a number of them, we  
24 receive the reports from Moody's Investors, we

[WITNESS: Dudley]

1 receive reports from S&P Global, the IEA at the  
2 Department of Energy, our Administrator of  
3 Wholesale Markets is also in close contact with  
4 those information sources, as well as New England  
5 ISO.

6 And the opinion right now is that the  
7 wholesale price markets have returned to normal,  
8 as the Unitil witnesses stated this morning.  
9 That the wholesale prices have come down a lot.  
10 The expectation from our sources is that will  
11 continue throughout the year into 2024.

12 And the only outlier, and we mentioned  
13 this in the testimony, is the current conflict  
14 underway in the Middle East between Israel and  
15 Hamas. There is some concern about that, if  
16 there is an expansion of that conflict, that it  
17 may have an impact on power -- on gas prices,  
18 energy prices in general, and upon the wholesale  
19 market prices. So, there is that potential out  
20 there.

21 But, for now, what we are told is that  
22 the conflict has had a negligible impact on  
23 wholesale market prices.

24 CHAIRMAN GOLDNER: Attorney Lynch, if I

[WITNESS: Dudley]

1           could just jump in, just to agree with Attorney  
2           Taylor that, what Mr. Dudley is testifying to is  
3           extremely helpful to the Commission. And, if, in  
4           future filings, if you can include this kind of  
5           information in the filing, we can reference it  
6           during the hearing, and then everyone can follow  
7           along on the record. So, --

8                         MS. LYNCH: In regards to the  
9           injections of equity, in regards to that?

10                        CHAIRMAN GOLDNER: Yes. There were a  
11           number of different topics. Mr. Dudley was  
12           referring to some annual reports and Moody's  
13           filings, and so forth. And, so, if you're  
14           capturing the information in a way that the  
15           Commission can see it, and the Company can refer  
16           to it in the filing, then we can all, at hearing,  
17           follow along.

18                        So, at this point, I think everybody is  
19           okay, but just for future reference.

20                        MS. LYNCH: Sure. And I know we could  
21           file the Moody's, if requested. It was -- we  
22           can -- that was part of a data request. But we  
23           can certainly file that for the Commission after  
24           the hearing, if preferred?

[WITNESS: Dudley]

1 CHAIRMAN GOLDNER: Yes. I think, in  
2 this case, let's do that. And, then, in future  
3 dockets, if you could just include it in your  
4 exhibits, then we can all follow along --

5 MS. LYNCH: Okay.

6 CHAIRMAN GOLDNER: -- with looking at  
7 the data in front of us.

8 MS. LYNCH: Sure thing. Thank you.

9 WITNESS DUDLEY: Mr. Chairman, may I  
10 add something?

11 CHAIRMAN GOLDNER: Yes, sir.

12 WITNESS DUDLEY: Only that the DOE is  
13 not just a regulatory agency, we're also an  
14 informational body as well.

15 CHAIRMAN GOLDNER: Yes. Absolutely.  
16 And I think what my encouragement would be, that  
17 you're testifying today with a lot of very  
18 helpful information to the Commission, and to the  
19 extent that we can be looking at something at the  
20 same time you're testifying, it's very helpful  
21 for us, and I think fair to the parties, so that  
22 they can see, to some extent, what's in your  
23 mind. So, thank you.

24 MS. LYNCH: And I just have three more



[WITNESS: Dudley]

1 questions.

2 BY MS. LYNCH:

3 Q Mr. Dudley, in Unitil's rebuttal, Exhibit 3,  
4 Bates Page 008, --

5 A Just give me one second. Okay, I'm there.

6 Q Beginning on Line 8, it's discussing, you know,  
7 the financing interval, and its ability to  
8 partner with affiliates. But it's also  
9 discussing, you know, that, you know, if it  
10 can't -- that, if it's on a two-year cycle, it,  
11 you know, it will not be able to partner with its  
12 affiliates if you have to go to the market every  
13 two years.

14 Do you agree with this statement, why  
15 or why not?

16 A No, not completely. I don't -- I'm not privy to  
17 what the arrangements are between Unitil and its  
18 affiliates. What I do know, and what was  
19 disclosed by Unitil's witnesses, is that they do  
20 have that availability to partner on some  
21 occasions with their affiliates, in order to  
22 increase the level of issuance, to make it more  
23 palatable, presumably, for investors.

24 But that's not the only factor, you

[WITNESS: Dudley]

1 know, in terms of interval of financing. The  
2 factor really is what the conditions are at play  
3 in the marketplace at that point in time. For  
4 example, if there's a high demand for corporate  
5 debt, and there typically is a pretty good demand  
6 for utility debt, only because it tends to have a  
7 lower risk profile for investors. If it's in  
8 high demand, then it becomes a borrower's market,  
9 and, typically, the borrower can dictate terms in  
10 that type of scenario. So, whether it's two  
11 years, whether it's three years, four years, or  
12 one year, it really depends on the conditions  
13 that exist within the marketplace.

14 What I can say is that Eversource goes  
15 to the market every year. Their interval is one  
16 year. They come to the Commission for a  
17 refinancing every year.

18 I can also say that, in my involvement,  
19 in Unitil's past financings, in Docket 20-076 and  
20 18-109, the issue of whether or not Unitil could  
21 receive favorable terms simply didn't come up.  
22 It wasn't an issue that they pointed to. So, --

23 MR. TAYLOR: I object again. I mean,  
24 this is -- I'm not sure what Mr. Dudley is

[WITNESS: Dudley]

1 referring to. If there's something in the record  
2 in those cases, then perhaps that is something  
3 that the Department would like the Department --  
4 the Commission to take official notice of, but I  
5 don't know what Mr. Dudley is referring to. It  
6 could be correct, but we would need to see some  
7 kind of record evidence to back up what he's  
8 saying.

9 CHAIRMAN GOLDNER: Attorney Lynch.

10 MS. LYNCH: And I'm sorry, I missed it,  
11 because I was thinking what the next question  
12 would be.

13 BY MS. LYNCH:

14 Q Well, it was -- could you please repeat what  
15 you're referencing, Mr. Dudley?

16 A I'm just referencing the last two financings that  
17 came before the Commission from Unitil, which  
18 were in Dockets DE 20-076 and DE 18-109. The  
19 concerns -- the concerns about issuance costs,  
20 because of a shorter financing interval, were not  
21 brought up in the filings in those dockets.

22 But, just to add -- just to finish my  
23 answer to your question, not only is it market  
24 conditions, but it's also the credit rating of

[WITNESS: Dudley]

1 the company itself that determines whether or not  
2 there's going to be a higher rate, or the terms  
3 of issuance, those also factor into it. So, I  
4 guess, in short, I'm not convinced that a  
5 two-year financing interval is detrimental.

6 For example, in 2008, which was  
7 Unitil's last request for a waiver to the rule,  
8 they didn't come in for another financing until  
9 2018. So, that's a ten-year interval.

10 If Unitil does choose to go to the  
11 market, I think this was discussed this morning,  
12 in 2024, then that's a little over three years.  
13 So, it appears that the two-year interval is a  
14 projection on the part of Unitil, they're  
15 projecting it, based on what their capital  
16 expenditure levels are going to be over the next  
17 two years. And, so, what seems to be really  
18 driving this notion of a two-year financing  
19 interval is primarily capital expenditures.

20 CHAIRMAN GOLDNER: And I guess I'll  
21 sustain Mr. Taylor's objection, in the sense  
22 that, again, this is extremely useful  
23 information. It's not in the testimony or in the  
24 record. So, I don't know what the Commission can

[WITNESS: Dudley]

1 do with this, unless we take notice of the prior  
2 dockets, and we had this in testimony.

3 So, I'm going to sustain Mr. Taylor's  
4 objection. And I'll ask you just to proceed with  
5 the next question, Attorney Lynch.

6 MS. LYNCH: Thank you. The Department  
7 has no further questions. We would just add that  
8 the prior dockets speak for themselves.

9 CHAIRMAN GOLDNER: Thank you. Okay.  
10 Let's move to cross, and Attorney Taylor.

11 MR. TAYLOR: Sorry. So, the  
12 Department's direct elicited a fair amount of  
13 information from Mr. Dudley that was not in his  
14 testimony or in the record. So, if the  
15 Commission would grant it, I'd like to take some  
16 time to speak with my witnesses to determine if  
17 there are matters that we'd like to do on cross?

18 CHAIRMAN GOLDNER: Yes. I think it  
19 would be very timely. I notice it's 12:20. I'll  
20 just ask everyone, if we came back at -- I know  
21 we only had the morning scheduled, so, I am  
22 sensitive to everyone's time. But, if we came  
23 back at one o'clock, would that be enough time  
24 for everyone to grab some lunch and sort of sort

[WITNESS: Dudley]

1 out these additional questions?

2 Attorney Taylor, I guess I'll start  
3 with you. Would one o'clock return be okay with  
4 the Company?

5 MR. TAYLOR: Let me just check with my  
6 folks to make sure that they don't have something  
7 else scheduled.

8 CHAIRMAN GOLDNER: Okay. I'll then  
9 turn to the Department while you're checking?

10 MS. LYNCH: That would be fine with us.

11 CHAIRMAN GOLDNER: Thank you.

12 MS. LYNCH: Thank you.

13 MR. TAYLOR: Yes. We can come back at  
14 1:00.

15 CHAIRMAN GOLDNER: Okay. So, we'll  
16 return at one o'clock. And we're off the record.

17 *(Lunch recess taken at 12:21 p.m., and*  
18 *the hearing resumed at 1:03 p.m.)*

19 *[Following the recess, and before going*  
20 *on the record, there was an*  
21 *off-the-record discussion that ensued*  
22 *regarding the process for the remainder*  
23 *of the hearing.]*

24 *(Hearing went on the record and resumed*

[WITNESS: Dudley]

1                   *at 1:05 p.m.)*

2                   CHAIRMAN GOLDNER: So, it's 1:05.

3                   Let's go back on the record. And we'll go to  
4                   Attorney Taylor and the cross for Mr. Dudley.

5                   MR. TAYLOR: Sure.

6                   **CROSS-EXAMINATION**

7 BY MR. TAYLOR:

8 Q               Mr. Dudley, can you refer to Hearing Exhibit 2,  
9               Bates Page 10, Lines 14 to 18?

10                   And here you say, and I'll just read  
11                   it, it says: "In short, the impacts on the  
12                   Company's cash flow of those sinking fund  
13                   payments were known and knowable to Unitil at  
14                   least since the sinking fund arrangements were  
15                   first put into place in 2015 and should not have  
16                   constituted an unexpected or unusual event as far  
17                   as impacting the Company's cash flow or  
18                   short-term credit were concerned."

19                   So, you know, my first question is, Mr.  
20                   Dudley, are you able to predict, with any degree  
21                   of accuracy, the debt and equity capital market  
22                   conditions that will exist at the time of each of  
23                   the Company's future sinking fund payments over  
24                   the next decade?

[WITNESS: Dudley]

1 A We were asked that question in discovery, and  
2 I'll look to my attorneys, because we filed an  
3 objection against that question.

4 Q Well, not that specific question.

5 MS. LYNCH: I don't believe it was that  
6 specific question. Attorney Taylor, can you  
7 please repeat the question again?

8 MR. TAYLOR: Sure.

9 BY MR. TAYLOR:

10 Q Mr. Dudley, are you able to predict, with any  
11 degree of accuracy, the debt and equity capital  
12 market conditions that will exist at the time of  
13 each of the Company's future sinking fund  
14 payments over the next decade?

15 A No.

16 Q Can you predict the prevailing macroeconomic  
17 conditions in New Hampshire over the next  
18 decade, --

19 A No.

20 Q -- for example, the rate of inflation?

21 A No.

22 Q And these conditions can change on a monthly,  
23 weekly, even daily basis, correct?

24 A They can.



[WITNESS: Dudley]

1 Q You've raised the potential for geopolitical  
2 events beyond the Company's control to affect  
3 purchase power -- power purchase costs. Would  
4 you agree that such events can also cause broader  
5 economic deterioration, for example, to global  
6 macroeconomic conditions in capital markets?

7 A Similar to what happened after the -- during the  
8 start of the Ukraine conflict, yes.

9 Q You said, in your direct testimony, Mr. Dudley,  
10 that "sinking fund arrangements can be  
11 renegotiated". Did I understand that correctly?

12 A I said it earlier today, yes.

13 Q Yes. Okay. I'd just like to dig into that a  
14 bit. Do you have any direct experience  
15 renegotiating sinking fund payment obligations?

16 A No, but I'm aware that it happens.

17 Q Okay. And can you expand on how you became aware  
18 of that?

19 A Well, as Hearing Officer with the Vermont  
20 Commission, it was my responsibility to  
21 adjudicate all of the financing requests that  
22 came in from Vermont utilities. And there were  
23 instances where sinking fund payments were simply  
24 discontinued with a new issuance. The utility

[WITNESS: Dudley]

1 would decide, they're no longer necessary, the  
2 investors -- the issuing bank would agree, and so  
3 they were terminated.

4 Q Mr. Dudley, when you did leave the Vermont Public  
5 Utilities Commission?

6 A 2015.

7 Q Have you done any research into penalties or  
8 payments that a company would have to potentially  
9 pay, if they renegotiated such an agreement?

10 A I haven't done any research for this particular  
11 request. But I'm aware that some penalties can  
12 apply. I'm also aware that they can be  
13 negotiated.

14 Q Going back to what you had said earlier today,  
15 and feel free to correct me if I'm  
16 mischaracterizing anything that you said, I  
17 believe you suggested that "credit ratings are  
18 the biggest determination of interest rates", is  
19 that correct?

20 A No.

21 Q So, I misunderstood that. What did you say with  
22 respect to credit ratings and interest rates?

23 A I said "It's a contributing factor, but it wasn't  
24 the only factor." The primary factor was market

[WITNESS: Dudley]

1 conditions that exist at that time.

2 Q Would you agree that issuance size is also a  
3 factor that would affect interest rates and cost  
4 of debt?

5 A Not necessarily.

6 Q Would you agree that it is a factor that can  
7 affect interest rates?

8 A It can in some circumstances, but it depends on  
9 what those circumstances are.

10 Q Mr. Dudley, could you please refer to Hearing  
11 Exhibit 2, at Page 17, Bates Page 017.

12 A You said "Bates Page 017"?

13 Q Yes, of Hearing Exhibit 2, which is also 17 of  
14 your testimony.

15 A Okay. Got it.

16 Q And, if you could reference Lines 7 to 10. And  
17 you said here: "Short of critically needed  
18 investments such as replacement of failing  
19 transformers, circuit breakers, feeders, or  
20 downed cables or storm damage, the argument that  
21 absolutely no capital projects could be delayed  
22 due to unusual and unforeseen financial  
23 constraints is simply not plausible."

24 Mr. Dudley, I think we've been through

[WITNESS: Dudley]

1           this before, but I just want to establish for  
2           this record, you are not, by training or  
3           profession, an engineer, correct?

4   A       No. I'm not.

5   Q       And you have no experience in electric  
6           distribution system planning or load forecasting,  
7           correct?

8   A       I have experience in reviewing it in LCIRP  
9           dockets.

10  Q       Well, that's not quite what I asked. I meant,  
11           you have no experience in the actual planning of  
12           an electric distribution system or load  
13           forecasting, correct?

14  A       You mean "actually performing the plan itself"?

15  Q       Yes.

16  A       Yes. No.

17                       MR. TAYLOR: Actually, I'm going to  
18           leave it there. I'm all set.

19                       CHAIRMAN GOLDNER: Okay. We'll move to  
20           Commissioner questions, beginning with  
21           Commissioner Simpson.

22                       CMSR. SIMPSON: Thank you.

23  BY CMSR. SIMPSON:

24  Q       So, Mr. Dudley, you've recommended a short-term

[WITNESS: Dudley]

1 debt limit increase limit change of 15 percent,  
2 and you've retained the Company's current \$10  
3 million adder, is that correct?

4 A Yes.

5 Q Would you be able to describe the method that you  
6 used that helped you arrive at that  
7 recommendation?

8 A Well, we looked at growth of capital  
9 expenditures, which is the primary driver, we  
10 believe, behind Unitil's request. And we tried  
11 to look at what was reasonable. We also wanted  
12 to give Unitil the benefit of the doubt. And the  
13 doubt is that there is another extraordinary  
14 event occurring in the Middle East that could  
15 possibly impact market prices.

16 Again, as I stated earlier this  
17 morning, the only plausible factor that Unitil  
18 has provided is the impact that the increase in  
19 wholesale prices had on Unitil's cash position in  
20 2023. We agree, we agree with Unitil, that had  
21 an impact, and it had a very negative impact.

22 So, we looked at those factors. But,  
23 primarily, we wanted to come up with a way that,  
24 again, gave the Company the benefit of the doubt,

[WITNESS: Dudley]

1 in terms of potential unknowns down the road.

2 Q And what benefits do you see in retaining the  
3 adder specifically?

4 A Only that it keeps the amount of available credit  
5 at an optimal level. Just to expand on that a  
6 little bit, if I may, Commissioner Simpson?

7 Q Please.

8 A I wasn't with the Commission at the time that  
9 formula was negotiated with Unitil, that was  
10 several years ago. So, I don't know the basis  
11 for it. Other than it was a compromise in  
12 settlement.

13 CMSR. SIMPSON: I believe that's all I  
14 have. Thank you.

15 CHAIRMAN GOLDNER: Okay. We'll move to  
16 Commissioner Chattopadhyay.

17 BY CMSR. CHATTOPADHYAY:

18 Q Recall the discussion that I was having about,  
19 subject to check, what the DOE has proposed, it  
20 tantamounts to 18.33 percent, if you're only  
21 having the debt limit being in terms of a  
22 percentage, okay?

23 A Yes.

24 Q So, essentially, that is equivalent to what you

[WITNESS: Dudley]

1 have recommended here. Do you have any --

2 A If I may, Commissioner, based on a net plant as  
3 of year-end 2022?

4 Q Yes. Yes.

5 A Yes.

6 Q Yes. Can you share your thoughts on, if, you  
7 know, we didn't go the plus 20 percent route or  
8 the adder approach, if it was just 18.33 percent,  
9 would you be comfortable with that?

10 And, if not, please tell me what  
11 concerns you have with it?

12 A Again, on a temporary basis, we'd be willing to  
13 consider it, sure.

14 Q Okay.

15 A Although the 18 percent would very nearly  
16 approach what Unitil is requesting at 20 percent.

17 Q I missed what you said. Repeat the last sentence  
18 again.

19 A Well, the 18 percent that you suggest, the 18  
20 percent of net plant, is quite close to what  
21 Unitil is requesting, as in 20 percent.

22 Q But it still is \$5 million off, would you agree?

23 A A little more than 5 million, yes.

24 Q Yes, \$5.1 million.

[WITNESS: Dudley]

1 A Yes.

2 Q And that, as opposed to going with the adder  
3 approach, if you went with the approach that I  
4 just described, in the future, assuming that, you  
5 know, that the plant, the amount that -- which is  
6 at 300 million right now, if it keeps going up,  
7 then the two approaches would result in different  
8 numbers, you agree with that?

9 A Yes. Slightly different, yes.

10 Q Yes. Okay. Slightly different, but it depends  
11 on when, you know, it could be, into the future,  
12 it could be quite a bit?

13 A Yes.

14 Q Okay. So, do you have any thoughts on which is a  
15 better approach, just going with a percentage or  
16 having an adder?

17 A My preference --

18 Q Can I -- can I just stop you?

19 A Yes.

20 Q I want to characterize the question better. I  
21 understand that there is a rule that begins with  
22 10 percent, plus \$10 million, and all of that.  
23 So, sometimes we get the -- you know, it's the  
24 precedential reality does matter, and we sort of



[WITNESS: Dudley]

1 base -- don't necessarily think beyond that,  
2 because that's a rule. So, please feel free to  
3 think about all the factors, and then provide  
4 your thoughts on whether you have any opinion on  
5 which one of them is a better approach?

6 A Again, as I mentioned to Commissioner Simpson,  
7 I'm not quite aware of the circumstances that  
8 brought about the adder. In terms of -- if  
9 you're asking for my own personal preference, I  
10 actually prefer the straight percentage approach  
11 that Unitil has in their request. We're just not  
12 in favor of the amount.

13 The 10 percent was put in place as, my  
14 understanding -- my institutional understanding  
15 of the 10 percent limit, was to -- was to address  
16 concerns of the Commission regarding leverage and  
17 the utilities leveraging that too much. And the  
18 reason for that is that short-term debt, as we  
19 all know, and as we've discussed this morning,  
20 become long-term -- eventually becomes long-term  
21 debt, and then it shows up on the balance sheet,  
22 and it also shows up as additional interest  
23 expense for ratepayers. And, when it shows up on  
24 the balance sheet, it affects the capital

[WITNESS: Dudley]

1 structure of the company.

2 So, I do not know the methodology that  
3 went into place establishing the 10 percent. But  
4 it's there, it's a rule.

5 I've mentioned at the end of my  
6 testimony that there may be a reason now, so many  
7 years later, to revisit that rule, because of  
8 modernization that's taking place in the electric  
9 industry itself, particularly Grid Mod, it may be  
10 a good time to revisit it.

11 But, as for right now, for this  
12 particular Petition, it's the 10 percent that  
13 applies.

14 Q I know you responded to Commissioner Simpson's  
15 question about "how did you arrive at the 15  
16 percent, plus 10?" It was still sort of -- it  
17 wasn't a quantitative analysis, it was mostly,  
18 you looked at different factors, you came up with  
19 a number that seemed reasonable to you, right?

20 A We did. But it was also taking into  
21 consideration Unitil's cash flow numbers that  
22 they submitted, and that was included in my  
23 attachment to my testimony for 2022 and 2023.

24 Q Is there a range that you would -- you would have

[WITNESS: Dudley]

1           been personally comfortable with, you know,  
2           around 15 percent? Does it have to be exactly  
3           15 percent?

4    A    It doesn't, only because we were trying to give  
5           some consideration to the capital expenditure  
6           increase. Our only problem was, when we did our  
7           analysis, was that 2022 was a good year for  
8           Unitil. They had very strong cash flow. And  
9           they were able to keep the credit availability at  
10          or near its regulatory limit. And, so, it  
11          appeared to us, if you -- if you assume that 2022  
12          was a normal year, that Unitil was more than able  
13          to live within the regulatory limit on its  
14          short-term debt.

15                    So, that was -- that was one factor  
16                    that we kept in mind. But we also tried to give  
17                    some leeway towards the capital expenditures,  
18                    which, in our opinion, is the real thing that's  
19                    driving this. So, we arrived at 15 percent as a  
20                    reasonable number, on a temporary basis.

21                    CMSR. CHATTOPADHYAY: Thank you.  
22                    That's all I have.

23                    CHAIRMAN GOLDNER: Okay. Just a couple  
24                    of questions.

[WITNESS: Dudley]

1 BY CHAIRMAN GOLDNER:

2 Q So, Mr. Dudley, can you just quickly summarize  
3 the reasons for limiting short-term debt, any  
4 limit, whether it's 15 percent plus ten, or 20  
5 percent, or 10 percent, or what have you? What  
6 reasons can the Department help the Commission  
7 understand would be reasons for having any debt  
8 limit, short-term debt limit at all?

9 A Well, the reason was to set a trigger point for  
10 Commission review, is my understanding. I wasn't  
11 around at that time. Most of the people at the  
12 Department, now working at the Department, were  
13 not around at that time. But it made sense to  
14 us, in that the Commission needed a point at  
15 which it had to be alerted to how much short-term  
16 debt was going to be taking on, and eventually  
17 was going to wind up as long-term debt, and  
18 leveraging the balance sheet with the utility.

19 Our understanding is that that was the  
20 concern, and to give the Commission a review  
21 point to look at that.

22 Q Thank you. And, then, the follow-up would be,  
23 so, we know that Liberty has a limit of 10  
24 percent, because they have never come in for a

[WITNESS: Dudley]

1 waiver; Eversource has a permanent waiver of 10,  
2 plus 60 million, which equates to about 12  
3 percent, by my math; and, then, the request from  
4 Unitil Energy Systems here today of 20 percent.  
5 Do you have any thoughts, in your experience, of  
6 why there would be a difference between them, and  
7 is that difference reasonable?

8 A Well, the difference has to do with size, I  
9 think, and the actual amount of plant.

10 In Liberty's case, just to correct the  
11 record, Liberty is 100 percent internally funded.  
12 So, Liberty doesn't come before the Commission to  
13 ask for a debt increase or additional long-term  
14 debt. All of their debt is provided 100 percent  
15 by the parent.

16 Q Short- and long-term?

17 A Yes.

18 Q Okay.

19 A And, because those transactions are not in the  
20 public market, they're excluded from 308. Okay?

21 Q Perfect.

22 A And, in terms of Eversource, of course, the  
23 60 million was in consideration of their size.

24 And, likewise, for Unitil, at the time, back in

[WITNESS: Dudley]

1 2008, when that Settlement Agreement was  
2 negotiated, I'm assuming that that was part of  
3 the equation.

4 Q Okay. So, in your mind, the 10 percent, plus 60  
5 million, for Eversource, versus either 15 percent  
6 plus 10 million for Unitil, or, you know,  
7 potentially something larger, it kind of makes  
8 sense, because of the size of the companies?

9 A Yes.

10 Q Okay.

11 A Yes.

12 Q Thank you. All right. I'll move to the other  
13 degree of freedom, which is this question of  
14 "permanent" versus "temporary". I think, and  
15 please correct me if I don't have my facts right,  
16 that Eversource and the current Unitil agreements  
17 are classified as "permanent", as opposed to  
18 "temporary". And, then, in this instance, the  
19 Department is recommending moving to temporary.  
20 Can you walk us through that thought process?

21 A Sure. The first concern there is that a  
22 permanent -- granting a permanent waiver  
23 essentially renders 305.07 negligible, I mean,  
24 it's not -- I mean, it's no longer relevant, in

[WITNESS: Dudley]

1 terms of setting a control point, where the  
2 Commission can engage in a review.

3 The experience last time, in 2008, when  
4 Unitil requested its first waiver, shortly  
5 thereafter, Eversource also came in and requested  
6 theirs.

7 One of the concerns the Department has  
8 is, if the Commission grants Unitil's waiver,  
9 Eversource will be here shortly thereafter  
10 requesting theirs, at 20 percent. Which, again,  
11 renders 305.07 irrelevant, without any real --  
12 without going through the actual rulemaking  
13 process to try and determine what's the correct  
14 percentage, or whether there should even be a  
15 percentage.

16 The other issue is that this is driven  
17 by capital expenditures, plain and simple. And  
18 the Department's concern is, as I've expressed, I  
19 think others have expressed to the Commission in  
20 other dockets, is that there's been a very  
21 substantial growth on part of all the utilities  
22 in their capital investments. And the Department  
23 is worried about that trend. And we're seeing it  
24 with Unitil.

[WITNESS: Dudley]

1           The projected capital expenditure  
2 budgets for 2024 and 2025 are much larger than  
3 what we saw in Unitil's last rate case three  
4 years ago. So, that's a concern.

5           The problem is that this type of  
6 proceeding does not provide enough time for an  
7 in-depth review of capital budgets and capital  
8 expenditures as a rate case does. And, so, the  
9 reason for the temporary nature of the waiver was  
10 to allow Unitil to have a cushion over a period  
11 of time, until its next rate case. Bearing in  
12 mind that there are geopolitical issues at play.  
13 But allowing them, until their next rate case,  
14 when we can perform an in-depth review of this  
15 increase and find out what's behind it. Frankly,  
16 at this point, based on the testimony we heard,  
17 we really don't know what's behind it.

18           We know that there are a couple large  
19 projects that the Unitil witnesses mentioned,  
20 Kingston Solar as being one. But, overall, the  
21 budget continues to accelerate, even after the  
22 Kingston Project is completed, and at the same  
23 level. And, so, that concerns us. And, so, we  
24 want an opportunity to explore that, and the best



[WITNESS: Dudley]

1 opportunity for that is in a rate case.

2 CHAIRMAN GOLDNER: Thank you, Mr.

3 Dudley.

4 I'll ask a legal question next, so I  
5 won't ask the witness. But, Attorney Taylor,  
6 maybe you could opine, either now or in closing,  
7 if the Commission were to grant a permanent  
8 change, would that -- and were to come in later  
9 with a rule change to 307.05 -- so, let's say,  
10 today, let's say the Commission issued an order,  
11 and we granted 15 plus 10, or 20, whatever it is  
12 we granted, which would still be an exception to  
13 307.05. And, then, the Commission were to come  
14 in with a rule change, go through the JLCAR  
15 process, *et cetera*, and that rule change was  
16 something different, would that rule change moot  
17 the existing permanent or temporary approval by  
18 the Commission, or would this ruling still stand?

19 MR. TAYLOR: It's a law school  
20 question.

21 You know, I haven't given that thought,  
22 and I haven't -- I haven't had that experience  
23 before. So, I guess, you know, what I'll say  
24 here is not necessarily binding upon me for a

[WITNESS: Dudley]

1 future argument, it does strike me that, if we're  
2 seeking a waiver of a rule, and that rule is  
3 changed or is no longer the same rule that we got  
4 a waiver of, we would probably need to revisit  
5 it.

6 But, again, I think that is subject to  
7 a bit of research on my part.

8 CHAIRMAN GOLDNER: Okay. Does the  
9 Department have an opinion on this question?

10 MS. LYNCH: I think we would share  
11 Attorney Taylor's interpretation that, if a  
12 waiver was granted of the rule today, and then  
13 the rule, you know, you went through the JLCAR  
14 process and a new rule, then, you know, they  
15 would have to meet that new rule or request a  
16 waiver.

17 CHAIRMAN GOLDNER: Okay. And what is  
18 the meaning of "permanent" versus "temporary" to  
19 the Department? So, does Eversource, is there  
20 nothing that the Commission could ever do again  
21 to change the -- unless Eversource came in with a  
22 Petition, is there anything that the Commission  
23 or the Department could do to change the current  
24 agreement, with any party, whether it was Unitil

[WITNESS: Dudley]

1 or Eversource?

2 In other words, if you grant something  
3 that's called a "permanent waiver", what is the  
4 meaning to the Department of "permanent",  
5 forgetting about a rule for a moment? Could it  
6 only come with a petition from the Company or  
7 could the Department or the Commission, on its  
8 own motion, move to change?

9 MS. LYNCH: I think, maybe we can -- we  
10 can maybe do a tag-team. I think, though, if  
11 there's a permanent waiver, I mean, I think, you  
12 know, the DOE would probably reserve the argument  
13 that, if a permanent waiver is granted, and there  
14 was that -- and there was evidence that it no  
15 longer served the public interest, I think it  
16 could be revisited.

17 But I'm happy to defer to co-counsel as  
18 well.

19 MR. DEXTER: Well, I think there is a  
20 provision, I know there's a statute that says  
21 that "a Commission order can be relooked at after  
22 hearing and notice", I don't have the number off  
23 the top of my head, but it's one of the 370  
24 somethings. So, I guess that's the statutory

[WITNESS: Dudley]

1 provision I think the Commission would have to  
2 look at.

3 If it were the Department looking at  
4 this, and wanting to open an investigation, we  
5 have statutory authority to investigate anything  
6 that comes before the Commission. We could open  
7 an investigation, and then ask that that order  
8 from the Eversource waiver from 15 or whatever  
9 years ago be relooked at.

10 But my understanding is that that  
11 provision of the statute is not used lightly.  
12 So, I think it would be a fairly -- there would  
13 have to be fairly dire circumstances before the  
14 Department would come in and try to overturn an  
15 existing order of the Commission.

16 CHAIRMAN GOLDNER: Okay. Thank you.

17 Attorney Taylor, any comments, before I  
18 move back to the witness, on these legal  
19 questions?

20 MR. TAYLOR: I don't think so. And,  
21 again, I'm hesitant to jump to any conclusions  
22 without doing a bit of research.

23 CHAIRMAN GOLDNER: Okay. Thank you.

24 Okay.

[WITNESS: Dudley]

1 BY CHAIRMAN GOLDNER:

2 Q So, I think my final question for the witness is  
3 relative to the mathematics of the short-term --  
4 pardon me -- short-term versus long-term rates.  
5 So, is there any reason that the Company  
6 shouldn't pursue the lowest rate, whether that  
7 lowest rate was short term or that lowest rate  
8 was long term, kind of to the question that I  
9 asked the Company earlier on what are the current  
10 short- and long-term rates?

11 Is there any reason why the Company  
12 wouldn't just pursue the shortest or the lowest  
13 rate, because that would result in the lowest  
14 cost to ratepayers, or am I missing something?

15 A Well, I hope that's what they're going to do.

16 Q Right. Right. And it's a -- I know there's some  
17 complications in there, of course, because,  
18 obviously, if rates go up or rates go down,  
19 long-term rates go a particular direction, that  
20 can change the calculus. But, assuming steady  
21 state, the Company would just pursue the lowest  
22 rate it could get, you would agree?

23 A Yes, I agree.

24 CHAIRMAN GOLDNER: Okay. Okay. Thank

[WITNESS: Dudley]

1           you.

2                       Okay. I'll just ask if there's any  
3 follow-on questions from my fellow Commissioners  
4 before we move to redirect?

5                       CMSR. SIMPSON: No. Thank you.

6                       CMSR. CHATTOPADHYAY: No.

7                       CHAIRMAN GOLDNER: Okay. Thank you.  
8 We'll move to redirect, and Attorney Lynch?

9                       MS. LYNCH: No further questions.  
10 Thank you.

11                      CHAIRMAN GOLDNER: Okay. Thank you.  
12 Thank you, Mr. Dudley. The witness is excused.

13                      And I think we'll put the  
14 Eversource *[sic]* witness back on the stand to ask  
15 the singular question.

16                      CMSR. SIMPSON: Unutil.

17                      CHAIRMAN GOLDNER: Unutil, sorry. What  
18 did I say?

19                      CMSR. SIMPSON: "Eversource".

20                      CHAIRMAN GOLDNER: Eversource, sorry.  
21 I got \$60 million --

22                      MR. TAYLOR: He's a former Eversource  
23 employee.

24                      CHAIRMAN GOLDNER: It does get

[WITNESS: Goulding]

1           confusing in here sometimes.

2                     *[Multiple parties speaking at the same*  
3                     *time.]*

4           CHAIRMAN GOLDNER: All right. Mr.  
5           Patnaude, if you could again swear in the  
6           witness.

7                     *[Brief off-the-record discussion ensued*  
8                     *between Chairman Goldner and the Court*  
9                     *Reporter, along with Atty. Fuller,*  
10                    *noting that Witness Goulding is still*  
11                    *under oath from earlier in the*  
12                    *hearing.]*

13                    *(Whereupon **CHRISTOPHER GOULDING** was*  
14                    *recalled to the stand, having been*  
15                    *previously sworn.)*

16           CHAIRMAN GOLDNER: Yes, I'll remind  
17           you, Mr. Goulding, that you're under oath.

18                    Please proceed, Mr. Taylor.

19                    **CHRISTOPHER GOULDING, Previously Sworn**

20                    **DIRECT EXAMINATION (Resumed)**

21           BY MR. TAYLOR:

22           Q       Mr. Goulding, earlier today you got a question  
23                    from the Department of Energy as to when the  
24                    Company's previous financing was before 2018.

[WITNESS: Goulding]

1 So, that was kind of an inelegant way of putting  
2 it. But when was the Company's most recent  
3 previous financing before 2018?

4 A The Company had a financing in March 2010 of \$15  
5 million.

6 MR. TAYLOR: Thank you. No further  
7 questions.

8 CHAIRMAN GOLDNER: Does the  
9 Department -- does the Department have anything  
10 else?

11 MS. LYNCH: No, we're good. Thank you.

12 CHAIRMAN GOLDNER: Okay. All right.  
13 Well, thank you. Thank you, Mr. Goulding. And  
14 the witness is again excused.

15 All right. After Mr. Goulding gets  
16 settled in, I think we can move to closing,  
17 beginning with -- well, actually, let me take  
18 care of the exhibits first.

19 All right. So, are there any  
20 objections to striking identification on the  
21 three exhibits?

22 *[No verbal response.]*

23 CHAIRMAN GOLDNER: And, then, I'm going  
24 to add a fourth. But no problem with the three



1 exhibits. And, then, for --

2 MR. TAYLOR: No.

3 MS. LYNCH: No objection.

4 CHAIRMAN GOLDNER: Thank you. And,  
5 then, for Exhibit 4, Mr. Dudley had suggested  
6 maybe a few exhibits. I captured the Moody's in  
7 there. And, if there was anything else that the  
8 Department would like to file, I'll reserve  
9 "Exhibit 4" for that.

10 MS. LYNCH: I'd just like to add,  
11 though, that we can certainly file it, but it  
12 would need to be filed confidentially with the  
13 Commission, because we are, you know, it's a paid  
14 subscription service. So, --

15 CHAIRMAN GOLDNER: Okay. Okay, we'll  
16 make it a confidential filing, "Exhibit 4" then.  
17 Thank you.

18 *[Exhibit 4 reserved for confidential*  
19 *filing.]*

20 MS. LYNCH: Thank you.

21 CHAIRMAN GOLDNER: Okay.

22 MR. TAYLOR: Commissioner?

23 CHAIRMAN GOLDNER: Yes.

24 MR. TAYLOR: If I could address

1 something that you said?

2 I understand the Commission -- the  
3 Department would submit the Moody's report that  
4 they referenced. And I think you also left it a  
5 bit open-ended, that they could file some other  
6 things.

7 CHAIRMAN GOLDNER: Let's identify what  
8 those are, shall we, Mr. Taylor?

9 MR. TAYLOR: Yes. I think I would  
10 prefer to have some clarity around that.

11 CHAIRMAN GOLDNER: There was also  
12 mention of an "annual report", and "Moody's", is  
13 what I captured in my notes. Attorney Lynch, is  
14 there anything else you would like to file in  
15 Exhibit 4, or just the Moody's?

16 MS. LYNCH: Let me just defer *[sic]*  
17 with Mr. Dudley and Attorney Dexter.

18 CHAIRMAN GOLDNER: Sure.

19 *[Atty. Lynch, Mr. Dudley, and Atty.*  
20 *Dexter conferring.]*

21 MS. LYNCH: So, turning to Exhibit 2,  
22 Bates Page 018, Line 17 through 22, Mr. Dudley  
23 referenced how Unitil Corp. injected the Company  
24 with capital contributions. He didn't cite that,

1 but he may have -- I can't remember exactly, but  
2 he testified that that came from an -- that it  
3 came from an annual report. And just discussing  
4 now, he says it's an Annual Report to  
5 Noteholders.

6 We could file that with the Commission.  
7 But, as Attorney Taylor kind of, you know,  
8 insinuated earlier, it might be more appropriate  
9 if the Company filed that, since that's their  
10 document.

11 MR. TAYLOR: I had no intention of  
12 submitting that as an exhibit, actually. So,  
13 that's not our exhibit in the case. And -- just  
14 hang on just a moment.

15 I think what Mr. Dudley is referring to  
16 is reflected on Hearing Exhibit 1, Bates  
17 Page 025, which is Schedule AFCG-3, and shows  
18 equity infusions for 2019, 2020, and 2021.

19 So, if the Department's comfortable  
20 that that would cover it, we wouldn't need the  
21 exhibit.

22 MS. LYNCH: That's accurate.

23 CHAIRMAN GOLDNER: Okay. So, is there  
24 anything, Attorney Lynch, you would want to

1 submit, other than the Moody's, or would that be  
2 sufficient?

3 MS. LYNCH: I believe that's  
4 sufficient.

5 CHAIRMAN GOLDNER: Okay. Attorney  
6 Taylor, that's acceptable?

7 MR. TAYLOR: Sounds good.

8 CHAIRMAN GOLDNER: Okay. Okay. We'll  
9 strike ID on Exhibits 1 through 3, and reserve  
10 Exhibit 4 for the Moody's.

11 And we can, at this point, move to  
12 closings, beginning with the Company.

13 MR. TAYLOR: Thank you, Commissioners,  
14 for your time today.

15 Unitil believes that it's demonstrated  
16 that waiving the requirements of PUC 307.05, and  
17 allowing the Company to issue short-term debt in  
18 the amount up to 20 percent of net utility plant  
19 is in the public interest, and will not disrupt  
20 the orderly and efficient --

21 CHAIRMAN GOLDNER: And I'm sorry,  
22 Attorney Taylor, for interrupting. I should -- I  
23 should give you deference to go last, if you  
24 wish. But, if you would like to go first, that's

1 acceptable as well.

2 I'm sorry for cutting you off midway,  
3 but it's your choice. Would you like the  
4 Department to go first, or would you prefer to go  
5 first?

6 MR. TAYLOR: Now that I've started, I'm  
7 fine.

8 CHAIRMAN GOLDNER: Okay. Thank you.  
9 Please proceed.

10 MR. TAYLOR: We believe that granting  
11 the waiver is in the public interest, and will  
12 not disrupt the orderly and efficient resolution  
13 of matters before the Commission. The Company  
14 has demonstrated that compliance with the rule as  
15 written would be onerous and inapplicable, given  
16 the Company's financing needs as explained to the  
17 Commission today and in the testimonies that it  
18 submitted.

19 And, indeed, the Company has been  
20 operating under a waiver from the rule for  
21 approximately 15 years. But, in that time,  
22 circumstances have changed, such that the  
23 existing short-term debt formula is no longer  
24 sufficient to maintain three-year long debt term

1 financing intervals. A cadence that, as our  
2 witnesses have explained, would be beneficial to  
3 Unitil's customers.

4 The factors motivating the Company's  
5 request are straightforward and I think clearly  
6 explained in the record.

7 First, the Company's Serial Bonds have  
8 been maturity at regular intervals since 2015,  
9 resulting in staggered debt retirements, which we  
10 refer to as "sinking fund payments". The benefit  
11 of the staggered sinking fund payments is that  
12 they mitigate the risk of refinancing maturing  
13 debt through volatile or constrained markets,  
14 which, in turn, provides benefits to customers in  
15 the form of competitive pricing and infrequent  
16 issuance costs.

17 The Department has actually  
18 acknowledged and appreciated the benefit of  
19 staggering sinking fund payments in Mr. Dudley's  
20 testimony, but he has expressed scepticism that  
21 they would affect the Company's short-term debt  
22 limit, in that the timing of the majorities is  
23 known in advance. As our witnesses have  
24 explained, we think this is a somewhat simplistic

1 view, that ignores the fact that the Company  
2 cannot possibly predict prevailing market  
3 conditions at the time of future sinking fund  
4 payments.

5 Second, working capital requirements,  
6 particularly those related to purchased power,  
7 have taken up an increasing amount of short-term  
8 debt capacity, necessitating greater flexibility  
9 afforded by the change in the short-term debt  
10 limit that the Company is seeking. Although, I  
11 believe Mr. Francoeur has indicated that the  
12 limit that we're seeking has not actually modeled  
13 in fluctuations to power purchase costs, but, you  
14 know, it is something that is driving the  
15 Company's request.

16 The Department has, as you've heard  
17 today, agreed, and as a result has proposed an  
18 alternative temporary change to the short-term  
19 debt formula. We do appreciate the Department's  
20 effort to propose an alternative. That doesn't  
21 always come across when we're sitting on opposite  
22 sides of the room, but we do appreciate it.

23 But we nevertheless continue to seek a  
24 change to allow a short-term debt limit set at 20

1           percent of net plant. And we developed that, as  
2           Mr. Francoeur explained, to provide the Company  
3           the financing flexibility it needs going forward.

4                         Finally, the Company has demonstrated  
5           that necessary system growth and maintenance  
6           projects have impacted, and will continue to  
7           impact, the Company's short-term debt capacity it  
8           has. The Department has suggested, and I would  
9           say without evidence, that the Company has the  
10          flexibility to simply defer projects to avoid  
11          putting pressure on the short-term debt limit.

12                        As the Company explained in the  
13          rebuttal testimony of Mr. Francoeur and  
14          Mr. Goulding, the Company does already  
15          incorporate the deferral of certain projects,  
16          known as "Priority 3 projects", into its capital  
17          budgeting process. But it should be noted that  
18          those projects cannot be deferred in perpetuity,  
19          and they can't be canceled. And the majority of  
20          the projects completed and budgeted by the  
21          Company are, in fact, Priority 1 and Priority 2  
22          projects, which are nondiscretionary and  
23          essential to the safe and reliable operation of  
24          the Company's system, and meeting critical



1 business and legal requirements.

2 And I think it's worth noting that, you  
3 know, there's been some discussion or some  
4 schematism expressed about growth in capital  
5 budgets, without perhaps a corresponding growth  
6 on the system. And something that we have  
7 explained in other dockets, and I'll explain it  
8 again here, is that, you know, the system  
9 requires maintenance. There is not a one-to-one  
10 ratio of capital spending and growth on the  
11 system. The system has grown for many decades,  
12 and requires significant maintenance. And there  
13 are also, you know, Mr. Dudley had referenced  
14 "Grid Modernization", but there are other factors  
15 that will continue to contribute to capital  
16 spending that are not necessarily reflective of  
17 growth on the system. Load is changing because  
18 of DER coming onto the system, there's any number  
19 of factors.

20 And, so, I just think it's important to  
21 point out that growth on the system is not  
22 necessarily something that is going to drive in a  
23 way that you could see, in a corresponding way,  
24 capital spending.

1           So, to maintain a three-year long  
2           financing cadence, while subject to these  
3           factors, the Company needs the flexibility  
4           afforded by a short-term debt limit set at 20  
5           percent of plant. Maintaining approximate  
6           three-year intervals, as opposed to shorter  
7           intervals, minimize debt issuance costs, and  
8           enable the Company to issue at more favorable  
9           terms, resulting in a lower cost of debt. This  
10          very obviously accrues to the benefit of  
11          customers. It's notable that the Company --  
12          well, we don't think that the record shows any  
13          prejudice to customers in connection with the  
14          Company's proposed change in the short-term debt  
15          limit formula.

16                 And, you know, we do think it's worth  
17          noting that the Company has no interest in  
18          putting its credit rating at risk by  
19          over-leveraging and over-relying on short-term  
20          debt. While the Company seeks the flexibility  
21          that a revised formula will provide, it does not  
22          intend to simply borrow up to the limit at all  
23          times.

24                 So, the Company's proposal is in the

1 public interest. It will not impair the  
2 efficiency of the proceedings before the  
3 Commission. In my opinion, it will actually  
4 efficiency of proceedings. And, I guess, on that  
5 note, having gone through this litigated  
6 proceeding, we did ask for a three-month  
7 turnaround, that was extended significantly.  
8 There was a fair amount of process, in terms of  
9 discovery, technical sessions, a fully litigated  
10 hearing.

11 To the extent the Company were to come  
12 in for a rate case in the next couple of years, I  
13 don't think that it would be efficient to do this  
14 all over again. I think that this -- that we've  
15 established a good record here. So, I would  
16 suggest that a permanent waiver, as we've  
17 requested would be appropriate. And we  
18 respectfully request that you approve it, without  
19 modification.

20 Thank you.

21 CHAIRMAN GOLDNER: Thank you, Attorney  
22 Taylor.

23 We'll turn to the New Hampshire  
24 Department of Energy, and Attorney Lynch.

1 MS. LYNCH: Thank you, Commissioners.

2 DOE has reviewed UES's Petition, and  
3 does not believe a permanent waiver is  
4 appropriate at this time as it is not in the  
5 public interest.

6 DOE has undertaken extensive discovery  
7 with the Company that the DOE appreciates. DOE  
8 conducted two sets of data requests, one  
9 technical session, and one technical session data  
10 request. Based upon this discovery, and  
11 considering UES's Petition, and, you know,  
12 Attorney Taylor is correct, you know, no one can  
13 predict what the market will do, but, given that,  
14 the DOE believes that it has drafted a  
15 comprehensive recommendation that takes into  
16 account many of the things that DOE has  
17 discussed; the spike in wholesale energy prices,  
18 you know, who knows what the unknown is. And the  
19 Department believes our recommendation is  
20 appropriate, 15 percent of net plant, plus the 10  
21 million adder.

22 As discussed today, the difference  
23 between what, you know, we are proposing and what  
24 the Company is proposing, is that we are seeking

1 a temporary, which the Department believes is  
2 more appropriate, because it's, you know, we can  
3 address these issues, such as the capital  
4 expenditures, in more in-depth at the next rate  
5 case. Also, although it could change over time,  
6 the difference between what we're recommending  
7 and what the Company is recommending, it's a  
8 little -- it's between 5 and 6 million, depending  
9 on what net plant figures are being used.

10 So, for all of the reasons that we've  
11 discussed today in detail, you know, and as Mr.  
12 Dudley testified, that UES was well within its  
13 credit limit in 2002 -- in 2022, even with higher  
14 sinking fund payments, they were very much able  
15 to, you know, have available short-term credit,  
16 we believe our recommendation is appropriate.  
17 And as we -- as Mr. Dudley testified to, is that  
18 the capital expenditures -- the capital  
19 expenditure budget is within UES's control.

20 So, for all those reasons, the  
21 Department believes our recommendation takes into  
22 account all of those factors.

23 All right. Thank you.

24 CHAIRMAN GOLDNER: Thank you, Attorney

1           Lynch.

2                           Is there anything else that we need to  
3 cover today?

4                   MR. TAYLOR:  No.

5                   CHAIRMAN GOLDNER:  Okay.  Seeing none,  
6 I'll thank everyone.  And we are adjourned.

7                           ***(Whereupon the hearing was adjourned***  
8                           ***at 1:52 p.m.)***

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