

**UNITIL ENERGY SYSTEMS, INC.**

**SUPPLEMENTAL TESTIMONY OF GEORGE R. GANTZ**

**New Hampshire Public Utilities Commission**

**Docket DE 06-061**

**October 8, 2007**

1 **Q. Please state your name, title and business address.**

2 A. George R. Gantz, Senior Vice President, 6 Liberty Lane West, Hampton, NH.

3

4 **Q. Do you wish to supplement your testimony of September 17, 2007?**

5 A. Yes. After reviewing the testimony of all the parties and hearing all of the comments  
6 and questions at the Technical Session of October 2, Unitol undertook a follow-up  
7 evaluation of programs it might undertake in response to the Commission's goals in  
8 this proceeding. This evaluation included discussions with the company's senior  
9 management. I would like to present our conclusions from that evaluation.

10

11 **Q. How would you describe the goals in this proceeding, as you understand them?**

12 A. The question of goals was discussed at the Technical Session. It is possible to view  
13 the question of time-of-use rates from a narrowly defined set of objectives. For  
14 example, the objective might be to reduce system peaks, or to shift energy from one  
15 time period to another to create savings from increased overall efficiency in the use of  
16 energy resources. But it is also possible to view time-of-use rates in a broader  
17 perspective, as part of a fundamental change in retail pricing philosophy. That new  
18 philosophy is to synchronize end-use prices with marginal production costs in the  
19 wholesale market because such pricing transparency will, in the long run, maximize  
20 economic efficiency. This transformation should be undertaken as quickly as  
21 possible based on available technology and based on reasonable incremental

1 expenditures. We understand the Commission's goal in this proceeding to be more in  
2 the nature of a change in retail pricing philosophy, rather than a search for  
3 incremental, cost-effective efficiency improvements.  
4

5 **Q. In your pre-filed testimony, you stated that "implementation of time-based**  
6 **pricing should be based upon sound findings that the benefits outweigh the costs**  
7 **– both in economic terms as well as in broader ratemaking policy." Does this**  
8 **consideration still apply?**

9 A. Yes, but I think the Commission has identified a policy direction and addressed the  
10 cost-benefit question at a broad societal level. Essentially, from a policy standpoint,  
11 the economic efficiency gains from the transformation to retail pricing transparency  
12 are expected, in the long run, to far outweigh the costs of implementation given recent  
13 advances in enabling technology. The Commission still faces the questions of how  
14 fast to move, and how much incremental spending is acceptable. Answering these  
15 questions will require a balancing of competing ratemaking objectives and a finding  
16 that ratepayer impacts are reasonable.  
17

18 **Q. Based on your new understanding of the goals of this proceeding, what steps can**  
19 **Unitil take towards achieving those goals?**

20 A. Within the next two years or so, Unitil expects to be able to implement a program to  
21 enable real-time pricing for all its G1 customers, similar to that proposed by National

1 Grid. We also expect to be able to implement within the next two years or so a pilot  
2 program of multi-period time-based pricing for residential and small business  
3 customers, potentially paving the way for implementation of mandatory time-based  
4 pricing for all customers. We would plan to make appropriate filings with the  
5 Commission providing detailed information on a timeframe yet to be determined. We  
6 believe the costs to complete these initiatives will be reasonable, in large part due to  
7 our newly installed Advanced Metering Infrastructure.

8  
9 **Q. What steps do you recommend the Commission take in order to support these**  
10 **significant commitments on the part of the company?**

11 A. As I stated in my original testimony, we believe that time-based pricing and  
12 distributed energy resource (“DER”) initiatives will be successful only if distribution  
13 utility ratemaking is realigned. Ratemaking policy should be designed to encourage  
14 distribution utilities to make the changes and the investments necessary to enable  
15 achievement of the public goals of increased efficiency and deployment of time of  
16 use (“TOU”) and DER programs and technologies.

17  
18 In the context of this proceeding, the most important step will be for the Commission  
19 to provide contemporaneous cost recovery for costs incurred by the companies in  
20 implementing TOU rate programs. We would recommend that cost-recovery follow  
21 generally along the following lines: costs attributable to specific customer classes

1 such as metering and communication should be recovered in fixed charges from  
2 customers in that class; costs associated with changes in Default Service procurement  
3 if any should be recovered from Default Service customers; and costs for technology  
4 and billing system changes and upgrades should be recovered from all customers in  
5 distribution rates.

6  
7 Beyond the scope of this proceeding, we recommend the Commission implement a  
8 method for decoupling distribution utility finances from volumetric sales as well as  
9 changes in distribution rate design that better match revenues and cost responsibility.

10 These changes will be critical to provide distribution utilities with the financial  
11 platform necessary to undertake the significant TOU commitments contemplated in  
12 this docket. We also recommend implementation of policies providing positive  
13 financial encouragement for utilities to engage in and enable energy efficiency, TOU  
14 and DER.

15  
16 **Q. Does that complete your supplemental testimony?**

17 A. Yes.